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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Tuesday, September 27, 2016**



**Chair**

**The Honourable Hedy Fry**



## Standing Committee on Canadian Heritage

Tuesday, September 27, 2016

• (1100)

[English]

**The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)):** I call the meeting to order.

Good morning. I note that we have witnesses here today, some on video and some in person. We are studying, as you well know, the access of local communities to Canadian stories and Canadian experiences across the country with regard to news and other information—Canadian content, so to speak.

What happens when media have been consolidated? What is the impact? Has it been good? Has it been bad? We're looking at all the platforms, including digital. We're looking at some solutions to this and ways in which we can enhance Canadian content and access to it, including news.

We welcome this morning *Télé Inter-Rives Ltée*, with Mr. Harvey, director, Mr. Nadeau, director, and Ms. Simard, vice-chair. From *The Tyee*, we have Michelle Hoar, co-founder, and Robyn Smith, editor-in-chief, all the way from sunny Vancouver.

Here's how it works. To present, you have 10 minutes as a group. At the end of 10 minutes, we will open it up to questions from the members of the committee.

You can decide whether it's Mr. Harvey, Mr. Nadeau, or Ms. Simard who will speak, or if all three of you are going to divide the 10 minutes.

Ms. Smith and Ms. Hoar, you can also make that decision between you.

Please begin.

[Translation]

**Ms. Cindy Simard (Vice-Chair, Information, *Télé Inter-Rives Ltée*, CIMIT-TV / CKRT-TV, *Télé Inter-Rives Ltée*):** Thank you very much.

Good morning, everyone.

Madam Chair, members of Parliament and committee members, my name is Cindy Simard and I am vice-president for news of four *Télé Inter-Rives Ltée* local television stations owned by the Simard family. I am now 40 years old and was a journalist myself. I am currently the main local newsreader for CIMIT-TVA, our station in Rivière-du-Loup.

With me here is Pierre Harvey, general manager of station CHAU-TV, affiliated with TVA, in Carleton-sur-Mer. Pierre has worked there for 40 years.

Let me also introduce Jean-Philippe Nadeau, who is news director at CIMIT-TVA and CKRT-TV, which is affiliated with Radio-Canada.

Madam Chair, I would also have liked to say a few words in English, but my English isn't quite good enough and it would take too long. And that's even though my mother is an anglophone and I was actually born in Ontario, but my English isn't fluent.

Our family has been involved in broadcasting for more than half a century. My grandfather, Luc Simard, founded the first television station in Rivière-du-Loup, affiliated with Radio-Canada. The launch of that first television station took place in the early 1960s, when the Government of Canada, through *Société Radio-Canada*, needed small private entrepreneurs in the regions to provide Canadians with their first television service. In 1978 and 1986, my father Marc Simard answered the call from the CRTC and founded our station affiliated with TVA, followed by a station affiliated with TQS, known today as *Vtélé*.

Our television stations today serve all of eastern Quebec, including the Gaspé and the North Shore, as well as the province of New Brunswick, where there are about 235,000 francophones, most of them Acadians. The whole market served by our stations represents about 650,000 people.

As they did during the Let's Talk TV consultation, Canadians who participated in the online forum stated unequivocally that they considered local news to be very important and their principal source of news and information. In a survey, 81% of Canadians stated that local news on television is important to them.

In the Let's Talk TV discussion forums, many Canadians spoke about the importance of local news. Most of the participants said that they relied first and foremost on televised news to remain informed of issues of public interest, and that they used newspapers and the Internet only as a complement to televised news.

Our four local television stations spend nearly \$3.5 million every year just on their local news service. It is the largest single expense of all our television stations. For nearly 60 years, since television came to Canada, local television stations in all regions of the country, except the main television networks, have had only one source of income, the sale of advertising.

Unlike the specialty channels, the major broadcasting distribution undertakings, the BDUs, the cable and satellite distributors, capture our local television signals and pay us nothing to distribute and resell them to their subscribers. While this goes on, besides the subscription revenues paid by consumers, the specialty channels benefit from additional revenues from advertising. And they do so without any obligation to produce local programming and local news in Canada's regions. That is one of the reasons that conventional television is in a precarious situation, in addition to the advent of the Internet.

The new media are now an essential supplement to our radio stations. We consider the new media to be an additional window for broadcasting our local news. However, our websites generate virtually no revenue. It is television advertising revenue that pays the costs of our websites.

In North America, the websites most consulted are those operated by the major broadcasters like CNN, ABC, NBC or, in Canada, CBC, TVA, CTV, etc. That is because of their capacity to deliver news produced by professionals. The same is true in our regions, where the local news sites of our stations are also those most consulted, because of the accuracy and reliability of their content and the trusted reputation of our stations.

● (1105)

In every case, whether in the major population centres or out in the regions, all the money necessary to provide content for and operate the websites comes from advertising revenues from television or specialized news channels. Needless to say, operating Internet websites is extremely expensive.

**Mr. Pierre Harvey (Director, CHAU-TV, Télé Inter-Rives Ltée):** In the United States, the FCC, the equivalent of our CRTC, has for all practical purposes forced cable and satellite distributors to pay local television stations for the right to distribute their signals, just like the specialty channels.

In Canada unfortunately, and in spite of the CRTC's desire to introduce such a practice, some of the large cable and satellite television distributors objected to this practice. A three-two judgment rendered several years ago by the Supreme Court of Canada determined that this practice was inapplicable, based on certain provisions of the Copyright Act in Canada.

In our opinion, it would have been more logical for the conventional television stations to obtain subscription revenues for their signals, which would have improved the financial situation of our whole industry.

One solution would be for the Government of Canada to make the necessary amendments to the Copyright Act to allow conventional television stations to obtain subscription revenues.

Given the financial difficulties facing conventional and local television stations, the CRTC made the best decision in the circumstances on June 15 when it announced the Independent Local News Fund, the ILNF, using the same financial resources available within the broadcasting system.

We approve and support this fund and thank the Commission for having established it, so that Canadians can continue, as they wish to, to benefit from very high quality local news.

However, this amount may turn out to be inadequate to satisfy all needs in the future. The Broadcasting Act obliges distributors to pay 5% of their revenue for the production of Canadian programming. We believe that this amount ought to be subject to increases by the CRTC if maintaining local news makes it necessary.

Finally, we would like to emphasize that it is absolutely vital for our four local television stations to maintain their affiliation with the three main French television networks: TVA, Radio-Canada and V.

Ninety-five per cent of our programs come from these three major networks. Seventy per cent of our revenues are from network advertising sales. Without network affiliation, it would be absolutely impossible to operate a local television station in the regions.

In a decision handed down in 2007 involving certain aspects of the regulatory framework for over-the-air television, the CRTC stated:

The Commission considers that independent broadcasters play an important role in providing local programming outside of major markets. In order to provide local programming of high quality, they need the financial strength that results from reasonable affiliation agreements and financial support.

After more than 50 years of experience in broadcasting, we ask the Government of Canada, through the Ministry of Canadian Heritage, to maintain and reinforce all the powers of the CRTC, and to do so in the interest of all Canadians, so that they can have access to high quality local news. We want to emphasize that that organization is the sole guardian of Canada's broadcasting system.

Finally, we deeply believe that local television should remain the primary source of news for Canadians.

We thank the Standing Committee on Canadian Heritage for its invitation to appear and its evident interest in the activities of our local stations, and we are ready to answer your questions.

Thank you.

● (1110)

[English]

**The Chair:** Thank you very much. You were right on time.

Ms. Smith and Ms. Hoar, you can present for your 10 minutes, and then we will go into the questions.

**Ms. Robyn Smith (Editor-in-Chief, The Tyee):** Good morning. Thanks for inviting us to speak today.

I'm here with Michelle Hoar, who helped found The Tyee and led its business operations for 13 years. She can help answer questions following my statement.

You are studying the state of Canada's media industry today, the impacts of new media, and what the future might be. I hope that telling you about my experience at The Tyee sheds some light on that.

I feel fortunate to work in journalism. I graduated from school in 2011, when legacy media outlets in this country were already reckoning with the impacts of the digital revolution. My peers were wary, but since many of our journalism heroes still worked at the big papers, we were hopeful a plan B would emerge.

But it just got worse. Advertising revenues kept dwindling, setting off waves of layoffs at the big chains. Traditional beats, the expertise at the heart of journalism, dried up as thinned newsrooms tried to keep up with the 24-hour digital news cycle with fewer people. Facebook and Google relentlessly decimated ad revenue as a support for news production. Corporate newsrooms responded by blurring the line between real reporting and advertorial.

Meanwhile, the CBC was cutting back drastically. We watched as the reporters we admired took early buyouts or fled the industry.

A few of my friends did find good jobs, but many gave up. They couldn't make a living from the scant available work, or they couldn't stomach industry trends towards chasing clicks or writing bland sponsored content to serve advertisers. Twenty years ago, I am told, a freelancer was paid three to five times more a word than today. What other industry's pay scale is going so dramatically in reverse?

I say this because I want to be clear that it isn't just critical public interest journalism that has been lost as our legacy media outlets have struggled. Canada is producing a lot of smart people who want to do this work, to throw all their brain power and passion into informing our vital democratic conversation, but there are fewer places for them to hone their craft and fewer mentors with the time to teach them.

The result is that we are failing to nurture the next generation of journalists, the kinds of reporters who help manifest real and necessary change in the world, and that is a huge loss.

I was lucky to land at The Tyee, which, over 13 years, has built a healthy regional and increasingly national following based on readers' appetite for what concentrated corporate media were missing, but despite pride in all we've done, we worry about our industry. We don't want public interest journalists, regardless of who their employer is, to be out of work.

No one in Canada has yet figured out a digital-only online business model that easily supports a large number of full-time, paid professional journalists. None of the local digital outlets have the size and scale that legacy media outlets once had. We worry that there's a dangerous chasm that's opened up as legacy media fails, and digital media isn't catching up fast enough to bridge the gap and cover what's lost.

I personally don't think that bailing out big media is the answer. I prefer a future where Canada's monolithic media companies are broken up and the news and information outlets are bought by smaller regional entities that care about their communities and have strong relationships with local institutions that support them.

Barring that, I do think there's a lot that a government with some imagination and appetite for change can do to revive our industry.

Imagine that in Canada there was a recognized, valued, and well-supported sector for digital media outlets like ours. Imagine a flourishing of Tyees, of all different stripes and missions, with

different business models behind them, a mix of charity, for-profit, co-op, and hybrid structures. It starts with some investments and it needn't cost a lot. It doesn't even need to come directly from government, but government can help make it happen.

I recently asked our founding editor, David Beers, how much it cost to launch The Tyee in 2003. It was \$190,000. At that time, there weren't many models like ours, so he and our founding investors thought like this: "All Canada needs is a template, and all we need is \$190,000. If it bears fruit in the first year, we'll put in some more. If not, we'll pull out." That's how The Tyee was off and running.

Today, \$190,000 is less than one-fifth the cost of a tear-down house in my city of Vancouver. It's also, from what I've read, a little less than what it cost to move two of our Prime Minister's aides from Toronto to Ottawa.

That \$190,000 helped get things going. It turned into repeated investments of similar amounts as The Tyee broke stories, drew an ever-larger audience, and obviously mattered. That \$190,000 kick-started the development of several other pillars of earned revenue that now support our operations, including advertising, event sponsorships, income from our Tyee master classes, and, increasingly, voluntary support directly from our readers.

Patient investor commitments and diversified revenue streams are what has sustained The Tyee and built it into a respected, award-winning platform for public interest journalism. True, that \$190,000 that launched The Tyee in 2003 may be a little more today. Let's say it's \$350,000. Supporting the launch of 20 Tyee-like outlets across Canada would cost \$7 million. In my town, that's seven houses.

• (1115)

This is the vision I am holding out here today. Canada needs some combination of policy innovation and wilful prioritization to make the \$190,000 that launched The Tyee gravitate, over and over again, towards independent journalism experiments across Canada.

We need incentives such as tax breaks, matching grants, and lifted philanthropic restrictions to encourage stakeholders in our communities to seed-fund independent media. We need infrastructure to help single independent media efforts like The Tyee more easily mesh into a network of other such experiments, perhaps a recognized sector of independent media sharing core costs, revenue streams, reporting projects, technological advances, and audiences.

There is a role for government in this, not in directly funding content. With respect, The Tyee would not seek such funding from the government because we are in the business of reporting on your activities. However, there is much to be done in building out the now proven but still needlessly starved potential of the independent media sector as a complement to corporate media and the CBC.

Let me quickly return to the mention I made of changing philanthropic laws. The Tyee has benefited over the years from contributions from forward-thinking philanthropic institutions through a relationship with our sister non-profit, the Tyee Solutions Society. That demonstrates that great things are possible, but we've also learned how federal policy makes the collaboration of philanthropies and public interest journalists needlessly difficult.

When the Tyee Solutions Society accesses philanthropic investment, we do solutions-oriented journalism. Solutions journalism uses investigative reporting techniques as its bedrock, but it is not about dinging politicians. It's focused on how to fix seemingly intractable problems. It's worked out well. We've so far done nearly one million dollars' worth of solutions journalism over the last seven years, on critical topics like food security, indigenous education, affordable housing, and Canada's energy future, and we've done it despite Canada's incredibly restrictive philanthropic rules. It's the kind of journalism my generation is interested in.

In sum, again, we're not asking you to fund our content. We're asking you to find ways to loosen up the money. We're asking you to consider a start-up fund for new media outlets like ours. We're asking you to help us attract more core investment funding and encourage a better investment climate for media in Canada overall, whether it's supporting community trusts or perhaps offering tax breaks. Finally, we're asking you to make it easier for philanthropies, individual and institutional, to support our solutions journalism.

I'm so glad there was a place like The Tyee when I started my career, and I'm asking you to wrap your heads around helping to create and support other homes for people like me. Thank you.

• (1120)

**The Chair:** Thank you very much.

Now we start the question and answer session. There's a seven-minute session in this round, and the seven minutes include both the question and answer.

We will begin with the Liberals and Monsieur Breton.

[*Translation*]

**Mr. Pierre Breton (Shefford, Lib.):** Thank you, Madam Chair.

I thank all of the witnesses for their enlightening statements.

My first questions are for the representatives of Télé Inter-Rives ltée.

I cannot disagree with what you have said. Indeed, independent broadcasters play an essential role in the local market offer and the provision of local news.

In your statement you mentioned that on June 15 the CRTC created the new Independent Local News Fund. I have a few questions about that. In your case, what did that achieve? I know that you benefited from that fund.

**Mr. Pierre Harvey:** Not yet.

**Mr. Pierre Breton:** Not yet?

**Mr. Pierre Harvey:** No. This fund will come into effect on September 1, 2017.

**Mr. Pierre Breton:** So you do not yet have access to this fund, but you have seen its modalities. Do you have any details? It will contain \$23 million. The purpose of this fund is to help local broadcasters. Are you satisfied with it?

**Mr. Pierre Harvey:** In fact, overall, the independent news fund represents about \$13 million. There will be about 20 independent broadcasters from all over Canada who will benefit from it as of September 1, 2017.

As we mentioned in our brief, we are satisfied with this measure from the Canadian Radio-television and Telecommunications Commission. Firstly, this fund will maintain the level of local news produced by the different stations. Secondly, when the independent television stations go before the CRTC to have their licence renewed, the CRTC will examine whether the level of local news presented should be maintained or increased, according to the circumstances of each station.

It is important to compare this fund with other funds in the past. In the past, there was a small fund for independent stations to offset the non-distribution of their signals by satellites. It was called the Small Market Local Programming Fund, the SMLPF. The CRTC eliminated that small fund in order to create the new one. So, there were already some funds available from that fund and we benefited from it over the past years. In addition, from 2009 to 2012, we received support from the LPIF, the Local Program Improvement Fund.

According to the estimates we did over the past few weeks, these two funds were larger than what we are going to receive through the new fund created by the CRTC. This means that the new fund for local news will help to maintain the local production levels we had, but it will not help us to produce other local programs that are very much appreciated by our audiences.

We at Télé Inter-Rives have often been cited as an example by the CRTC for having used the funds given to us over the past years to produce new local programming. You will understand that we are a bit disappointed by this new fund.

• (1125)

**Mr. Pierre Breton:** I have another question.

Of course, you are affiliated with TVA.

**Mr. Pierre Harvey:** Also with V and Radio-Canada.

**Mr. Pierre Breton:** You have faced a lot of financial challenges over the past years, and there are still many to come. Tell us about the importance of your affiliation to these network broadcasters.

**Mr. Pierre Harvey:** In fact, 95% of our programs come from those large networks, either TVA, Radio-Canada or V. Of course, if we only produced local news, we would only be on the air 25 hours a week and our station would likely be forgotten among all of the visual choices presented in each of the regions. So, in order to have good ratings, to have a big audience, it is important to be affiliated with networks, as are local conventional television stations everywhere in Canada.

We have a very good business relationship with the two private networks, V and TVA. However, we have had a little more trouble over the past few months with Radio-Canada. We have in fact just renewed our affiliation contract, which covers the next five years as of September 1. I must tell you that Radio-Canada has cut, almost entirely, our selective network and national advertising revenues for the duration of the contract. This represents a considerable loss. To give you an idea, the new funds we will receive from the CRTC to help produce local news at CKRT will offset the losses caused by this decision on the part of Radio-Canada. It was really with great reluctance that we accepted this new affiliation contract. We had no choice and were obliged to accept the new contract.

**Ms. Cindy Simard:** Under the Canadian Radio-television and Telecommunications Commission Act, networks can no longer disaffiliate stations. We are asking that the CRTC be given greater power, because it has no role or decision-making power over commercial agreements between the stations and the networks. The CRTC does not get involved in these commercial agreements.

**Mr. Pierre Breton:** I don't think I have time for another question, Madam Chair.

[English]

**The Chair:** No, you have five seconds.

[Translation]

**Mr. Pierre Breton:** It would be interesting to go back to the trouble you have had with Radio-Canada. I hope to have the opportunity of exploring that with you.

[English]

**The Chair:** Thank you.

Mr. Waugh, for the Conservatives, you have seven minutes.

**Mr. Kevin Waugh (Saskatoon—Grasswood, CPC):** I see four local stations, a family outfit. Family-owned TV stations are dying in this country. That \$3.5 million every year that you spend on the four TV stations isn't a lot of money. Tell me what you spend it on.

You said that you did 25 hours a week. Is that for all four? Would that be 100 hours on all four of your stations or is it 25 hours per station for local news? Maybe you can qualify what you do. Is it an hour-long cast? Do you have a documentary? How do your four stations operate on local programming? Qualify the local programming on your four stations.

[Translation]

**Mr. Pierre Harvey:** In our brief, we mention that we produce and broadcast close to 25 hours of local programming per week. Ninety per cent of that programming is made up of news. For instance, our two stations that are affiliated to the TVA network produce a noon hour news bulletin, which is broadcast from 12:10 p.m. to 12:30 p.

m., and an evening news bulletin, broadcast between 6:10 p.m. and 6:30 p.m.

All through the day, we broadcast news headlines as events unfold, so as to offer various local news bulletins to our viewing audience. At CIMT-TV, this represents approximately seven and a half hours of local news programming per week; at CHAU-TV, approximately six hours a week; at CKRT-TV, about four hours a week; and at CFTF-TV, about five and a half hours a week.

In order to renew our broadcasting licence, the CRTC asked us to commit to 11 hours and 50 minutes of local programming. Currently, we provide almost more than twice that.

• (1130)

[English]

**Mr. Kevin Waugh:** Mr. Nadeau, you're a news director. Journalism, in my estimation, has come way down in this country. First of all, we have way too many journalism schools in this country for the market they are serving.

French-wise, how are you doing in a small station in dealing with young journalism students right out of school coming into your station? Talk about that aspect of it.

[Translation]

**Mr. Jean-Philippe Nadeau (Director, Information, CIMT-TV / CKRT-TV Rivière-du-Loup, Télé Inter-Rives Ltée):** Our Rivière-du-Loup stations, CIMT and CKRT, cover a very large territory. We broadcast in Rivière-du-Loup, Charlevoix, and New Brunswick. We have teams on the ground just about everywhere. We hire young reporters. We are a regional training school, since several reporters who are now here in Ottawa worked in Rivière-du-Loup, as well as others elsewhere in the country. We have always hired passionate people.

In fact, the people who live in the regions need just as much quality information, produced with the necessary journalistic rigour. Since we are affiliated with networks like TVA and Radio-Canada, the journalistic standards are the same, whether we serve a small market or a large one. It is no different in the case of Rivière-du-Loup. The difference is that we cover large territories, sometimes with small news teams.

Over the past few years, we have continued to hire staff, despite a difficult economic context for the media. We have always been concerned with maintaining the quality of information, because people need to be informed, locally and regionally. In fact, local information is the basis of democracy. People want to know what is happening in their municipality, their school board, their hospitals. The decisions made impact them on a daily basis.

In the absence of local media such as our own, people would listen to national news. The locus of interest would thus be much further away. This is how we in the regions manage to reach people. In fact, they let us know daily. When we meet people on the ground, they thank us for talking to them about their area, because they want to know what is going on close to them. That is why it is important to provide greater assistance to regional stations like ours, so that we can maintain that information quality.

There have been a lot of technological changes these past years, and we have had to invest in high definition. Our station was one of the first ones in Quebec, after Montreal, to make that change. May I repeat that the people in the regions want to have a product that is of equal quality, as regards both the image and the information. There was also the whole digital change, with the advent of the Internet. People want to be informed quickly, and we have to maintain not only our local programming but also our websites, with the same number of journalists. We constantly add information to our sites, 24 hours a day. This means that we do more, but we do not have any more staff than before.

[English]

**Mr. Kevin Waugh:** I'm going to move to The Tyee.

Robyn, let's talk journalism with you. I only have a minute left.

**The Chair:** You have a minute and a half.

**Mr. Kevin Waugh:** When you went to journalism school, you probably didn't think that you were going to be based with a magazine, like you are in B.C., so talk about that aspect of journalism. I would that say half your class no longer is in journalism right now. You're one of the few lucky ones.

• (1135)

**Ms. Robyn Smith:** I'd say that's accurate. I didn't really know what I would do. I did have the opportunity to try a few different newsrooms while I was in school, as minor internships, and it was really disheartening.

Obviously, getting into those newsrooms was a wonderful experience for a young reporter, but you instinctively got the sense that things were more chaotic than maybe they had been in the past. Morale among reporters was not high, so it quickly got everybody in the program thinking that if the jobs were scant and few in what we always thought of as the typical journalism outfit, what else was out there?

There were a few alternatives. Some people in my class are at outfits like VICE Canada. Obviously The Tyee is a home for a few, but the options were fewer than I thought when I entered school.

**Mr. Kevin Waugh:** Do journalism schools tell you in your first week that the jobs are not going to be plentiful?

**The Chair:** Mr. Waugh, I'm sorry, but I've let you go a little over.

**Mr. Kevin Waugh:** I know the answer. Thank you.

**The Chair:** We'll go Mr. Nantel of the NDP, for seven minutes.

[Translation]

**Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP):** Thank you for being here with us.

To the lady and gentlemen who represent Télé Inter-Rives ltée, as my colleague Mr. Waugh was saying, the fact that your TV station is family-owned is very interesting. That model is representative of a good number of media realities, such as rebroadcasting.

You talked about issues involving Radio-Canada, which has changed the way in which it allocates its advertising revenues somewhat. Here, when we listen to TVA—which belongs to Radio Nord Communications inc., if I'm not mistaken—there is often a bloc of local advertising messages. Sometimes, the network picks them up.

How do things work in your stations?

Unless I am mistaken, by giving you 20 minutes per news bulletin, TVA allows you a greater penetration of the local market and allows you to increase the sense of belonging of local viewers.

Is Radio-Canada more restrictive when it comes to your original production?

**Mr. Pierre Harvey:** It is the same for both networks. I forgot to mention earlier that the revenues that the CBC has taken away from us are advertising revenues. That is very significant.

**Mr. Pierre Nantel:** They are the lifeblood.

**Mr. Pierre Harvey:** Exactly.

These revenues are not from federal subsidies to the CBC. Let us be very clear on that. These are advertising revenues that are generated by our station's presence in the market and by the ads broadcast by our station across the network or, in some cases, broadcast nationally. Those revenues should in principle be ours. These are the revenues that the CBC has taken away from us.

We do not have this problem with other networks, of course. We have our network revenues that are distributed according our audience market share in each market we serve. This will become more difficult for us over the next five years.

**Mr. Pierre Nantel:** We can easily imagine that. I think the members of the committee have clearly understood to what extent advertising revenues are the very foundation of the system, regardless of the public support you receive as an entrepreneur or public network.

**Ms. Cindy Simard:** Exactly.

As we said in our brief, it represents 70% of our revenues. Moreover, we have no control over that revenue since we are not in charge of our network sales.

**Mr. Pierre Nantel:** With regard to revenues, I would like to go back to the point you made earlier that general stations in the United States receive royalties. You mentioned that the CRTC wanted to do the same thing. You referred to the Copyright Act, which shows how important it would be for Jean-Pierre Blais to appear before the committee as part of this study. It is patently obvious. Very clearly, these decisions are entirely within the purview of the CRTC. We must definitely hear his point of view on this.

Why do you refer to the Copyright Act?

•(1140)

**Mr. Pierre Harvey:** We are not lawyers. From what we have read, however, and based on the information that has been circulated, the challenge came from the country's main cable distributors and satellite broadcasters. The Supreme Court made its ruling based on a section of the Copyright Act of Canada. I do not know which section though.

**Mr. Pierre Nantel:** Okay. We will take a look to find the section in question.

It is interesting because, in any case, the act has to be reviewed every five years, as clearly stipulated in the mandate.

**Mr. Pierre Harvey:** Moreover, why do the conventional stations in Canada, which produce 60% of original Canadian programming, not receive any royalties from the cable distributors? It is quite surprising.

**Mr. Pierre Nantel:** Let us recall that the general networks in the United States are now wondering whether they will stop distributing their signal in Canada because they do not receive any royalties. It is incredible.

I have a question for Ms. Smith and Ms. Hoar, from the Vancouver online magazine, The Tyee.

First of all, Ms. Smith, I really liked your presentation. I think we have to constantly remind ourselves that the system we have, which used to work, no longer works or does not work as well, and that it is very much in danger. We must not be too alarmist, though. Things are going well, everyone is earning a living, but it is increasingly difficult.

On the other hand, they let you down as a student by telling you that working as a journalist was pleasant. Of course, a journalism faculty would not tell all its students that they will have to be very lucky to find a job. They would not tell its students that because it would be too discouraging, but it is true all the same.

You put the presentation you gave this morning online. One of your subscribers pointed out that, although you always write about funding, if you are writing for a group of people who want to read articles on certain subjects, there could be a risk that your inquiries always pertain to subjects those subscribers want to read about.

To get back to my question, has Minister Joly consulted you? She was in Vancouver yesterday to address modernization issues. Were you invited to Minister Joly's consultation?

[English]

**Ms. Robyn Smith:** Yes. I joined her in a discussion with about 60 other creative people in British Columbia regarding Canadian content in the digital age.

**Mr. Pierre Nantel:** What do you, as a brand new, fresh organization, recommend to us?

**Ms. Michelle Hoar (Director, Publishing and Advertising, The Tyee):** First off, we're not a brand new organization. We've been around for 13 years.

**Mr. Pierre Nantel:** You are nine years old?

**Ms. Michelle Hoar:** We've been around for 13 years.

**Mr. Pierre Nantel:** That's right. It was 2003.

**Ms. Michelle Hoar:** It's hard to make the kind of very specific recommendations that other witnesses here today can make, because they have so many existing types of support and whatnot, whereas we operate in a field where there isn't a lot of support, a lot of legislation, or a lot of precedent.

Certainly, I think there are a lot of things that could help. There has been a lot of talk about advertising tax breaks. I'm not even sure whether a media company like ours is eligible for the kinds of tax breaks that companies can get to advertise with other types of print or broadcast media. That is certainly of interest to me: looking at section 19 of the Income Tax Act and whether it applies to companies like ours.

Certainly, it's odd to me that Canadian companies can get a tax break for advertising with Facebook and Google. That really needs to be fixed. Organizations like that, which create no content, are creating a very uneven playing field for the rest of us, who do produce journalistic content, whether that's in print, broadcast—

**The Chair:** Thank you, Ms. Hoar.

I am sorry, but I have to cut you short.

[Translation]

**Mr. Pierre Nantel:** Thank you very much.

[English]

**The Chair:** We've gone to eight minutes on this one, and I've allowed you to answer the question. Thank you.

Perhaps somebody else might let you pick that up.

Mr. Vandal for the Liberals, please, for seven minutes.

•(1145)

[Translation]

**Mr. Dan Vandal (Saint Boniface—Saint Vital, Lib.):** Thank you very much for your presentation.

[English]

I am going to direct my first set of questions to The Tyee.

First, I would like to know a bit more about the organization. You've said that you've been around for 13 years.

**Ms. Michelle Hoar:** Yes.

**Mr. Dan Vandal:** You are an independent online magazine. Do you do any video production at all as part of your magazine?

**Ms. Michelle Hoar:** We did do a small amount. Most of our reporting is text-based, but we do some video.

**Mr. Dan Vandal:** You also have a Tyee Solutions Society, which is a non-profit organization.

**Ms. Michelle Hoar:** Yes, that's a separate organization that we have a relationship with. It produces a longer forum series, a solutions journalism series, and The Tyee is a guaranteed publisher, but not an exclusive publisher. We've collaborated with CBC Radio and NBC. We've collaborated with the *Walrus* magazine and with the Waterloo region *Record* and a number of others.

**Mr. Dan Vandal:** Are there different owners? I'm assuming that Tyee is privately owned.

**Ms. Michelle Hoar:** Yes, it's a limited partnership. We have two investors.

**Mr. Dan Vandal:** The non-profit has a board of directors?

**Ms. Michelle Hoar:** Yes, that's right.

**Mr. Dan Vandal:** Okay. Obviously there are some advantages, and you've made that work. I assume you're a fairly unique model in Canada.

**Ms. Michelle Hoar:** I would say we're fairly unique, yes. There are not a lot of players in this space yet. There are certainly more examples in the United States and through Europe of the kind of thing we do. Canada is a little bit behind, I would say, in this field.

**Mr. Dan Vandal:** One thing we've heard over and over again as part of this study is that the Canadian government has stopped advertising in traditional media and are going to online and Internet advertising. I note that 20% of your budget comes from advertising. Do you get any Canadian government advertising in The Tyee?

**Ms. Michelle Hoar:** No.

**Mr. Dan Vandal:** Do you get any government advertising at all?

**Ms. Michelle Hoar:** I can think of one provincial government ad that was placed in the last few years.

I can't point to the government and say that they have purposely not advertised with us, but I have been, for most of the 13 years, the entire business department of The Tyee, with one third of my time, maybe, available to sell advertising.

From Vancouver, as an independent, stand-alone, online-only entity, it's very hard to crack the nut of large institutional advertising. Usually you're having to get through an advertising agency that increasingly doesn't want to deal—

**Mr. Dan Vandal:** Sure.

**Ms. Michelle Hoar:** —with small independents. It's pretty difficult. I can't say that there's been an explicit intention not to advertise with us, but it's difficult.

**Mr. Dan Vandal:** Just to give me some context, what is the annual operating budget of The Tyee versus Tyee the non-profit?

**Ms. Michelle Hoar:** The Tyee now has an operating budget of around \$1 million. The Tyee Solutions Society operates project by project with contract staff, so its budget really fluctuates every year, depending on what projects it has raised money for.

**Mr. Dan Vandal:** Much of what we've heard from the traditional media is that we need to look at tax credits for traditional media, and we need to look at government returning to advertise in traditional media.

We've heard comments questioning the quality and the accuracy of online media, yet you appear to be quite successful. I'm not sure about sustainable, but you appear to be quite successful. I'm interested in your comments on how we should approach solutions for traditional media versus your untraditional media success. I'm seeing a potential contradiction there, so I'm wondering if you could comment on that when we get to the recommendation stage.

**Ms. Michelle Hoar:** Yes, that's a lot. It's hard for us to make recommendations for both the traditional media and ourselves. Trying to operate the way we do is quite different .

**Mr. Dan Vandal:** Let me phrase it another way. If we were to come forward with the recommendations for traditional media tax credits and the return to advertising, that would be in direct opposition to the successful work that you've done. Are you not a shining example of where the industry has gone?

• (1150)

**Ms. Michelle Hoar:** I guess I would urge the committee to look for solutions that are beneficial to public interest journalism, regardless of what kind of business model it operates within. I'd like to see solutions that benefit the function within traditional media of public interest journalism. That's aside from any other things they might do in their newspaper, TV station, or whatnot. I don't know what that looks like. Maybe it is something like the TV journalism fund. I'm not sure. Maybe there is a fund for local reporting that is accessible to all types of media, regardless of whether they're online only or not.

I think some of the solutions that could benefit traditional media may also benefit organizations like ours, but not necessarily. I think we'll need separate things to stimulate our sector. Maybe that's a start-up fund that new experiments can access in order to get going. Maybe that's an expanded role for the periodical fund.

**Mr. Dan Vandal:** I think we have about a minute and a half left, so I'm going to ask you to—

**The Chair:** Thirty seconds, actually, but I'll let you go over.

**Mr. Dan Vandal:** I'll give the floor over to you, Ms. Hoar, to maybe finish some thoughts on solutions, which you weren't able to do earlier.

**Ms. Michelle Hoar:** On solutions, there's certainly been quite a lot of discussion about the role of the philanthropic sector in all of this. I do feel strongly that Canada's charitable tax laws are extremely antiquated and need to be revised, particularly with regard to the definition, or the lack thereof, of political activity. I think that creates a chill on the philanthropic sector that has slowed innovation in our country, as compared to the U.S., Europe, and elsewhere.

I think that needs a really close look. I see that a consultation has been started on the charities act with regard to this, separate from the question of journalism. I think that's good. I think we need to look at any way we can to stimulate the philanthropic sector to come forward and invest, whether charitably or through some kind of social finance mechanisms, in the kind of work we do. That could even be for traditional media.

**The Chair:** Thank you very much.

With everyone's indulgence, I think we might have time for a second round of three minutes.

We will start with Mr. Maguire of the Conservatives.

**Mr. Larry Maguire (Brandon—Souris, CPC):** Thank you, Madam Chair.

Thanks to the witnesses for being here today.

I have a quick question for Ms. Smith and Ms. Hoar.

Ms. Smith, I believe you made the comment about the monolithic companies needing to be broken up or separated. Can you expand on that?

**Ms. Robyn Smith:** Yes. I mean, that's just a dream, right? I look at all of the assets that the failing legacy outlets have, and I wonder what would happen if those reporters were in smaller outlets and better resourced. I don't truly have a plan for it. That's just a young, idealistic idea of what I would like to see, which is more of those reporters in Tyee—

**Mr. Larry Maguire:** Pardon me. I have limited time.

To follow up, did you bring that idea forward? We're trying to figure out how to get the news and media and that sort of thing into rural and remote areas. Do you think that would do it better if those people were more on the ground doing those local areas?

**Ms. Robyn Smith:** Yes. I think you can see many examples of successful small rural outlets that are very under-resourced. I think that would be a great step forward.

**Ms. Michelle Hoar:** Yes. I think when you have so many assets controlled by a small number of companies, they're going to put their resources and their efforts in their most profitable locations, and that's not going to be smaller centres. If we can pull that back in some way with more diverse and more localized ownership, I think that local news and local populations would benefit.

• (1155)

**Mr. Larry Maguire:** Thank you.

I want to quickly ask both groups about this.

In your final answer to Mr. Vandal, you mentioned the international situation. Could you both comment on the local community media in Canada compared to that in other international venues and its viability compared to the kinds of rules that are happening in other countries?

[*Translation*]

**Mr. Pierre Harvey:** Are you talking about community media or local television?

[*English*]

**Mr. Larry Maguire:** The local TV.

**Mr. Pierre Harvey:** Okay, the local TV.

[*Translation*]

As we said earlier, it is clear that we are facing a major challenge. As is the case for most Canadian media, our advertising revenues are under pressure. Moreover, we are competing against digital media. Of course we think it would be disastrous if local television were to disappear from our regions from one day to the next.

It is through local television that the public receives the information and local stories that are of interest to them. If people have something to say, they use local television to do so since it

reaches a large number of people at the same time, which is not necessarily the case with digital media.

[*English*]

**The Chair:** Mr. Harvey, I'm sorry, but if we're going to have the other two people ask questions, I'm going to have to cut you off there. Maybe you can keep that thought. Somebody else might continue it for you.

The next person will be Mr. Samson.

[*Translation*]

**Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.):** I will let you finish answering the question that was just asked, if you wish.

**Mr. Pierre Harvey:** I did not really understand the question, because of the interpretation. I can tell you that local television is indeed facing a big challenge. It needs support from the government, from the CRTC, and from the industry to survive, whether through subscription revenues or funding. Without that support, local independent television will certainly disappear.

**Mr. Darrell Samson:** I can tell you that local news and local television are very important to our committee. Our communities must have greater access to them.

Moreover, if your television stations were to broadcast Montreal Canadiens games, I think you could increase your viewership.

That said, will the government's investment in the CBC improve the situation or not? You know the federal government will be making a substantial investment in the CBC.

**Ms. Cindy Simard:** Improve the situation for whom?

**Mr. Darrell Samson:** For you.

**Ms. Cindy Simard:** For us? Definitely not.

**Mr. Pierre Harvey:** When the CBC decided to cut our advertising revenues, it knew that it would be receiving \$165 million from the government.

**Mr. Darrell Samson:** That is my question. Was the CBC aware of that investment?

**Mr. Pierre Harvey:** It knew about it. Of course, we told those in charge that additional funding would be coming from the federal government, but that did not tip the balance in our favour by any means. Our revenues were almost completely cut.

**Mr. Darrell Samson:** So there is no strategy to try to improve the situation. As to the CBC, the agreement has ended.

**Mr. Pierre Harvey:** In the coming months, there will some major changes in the CBC's senior management. The current president will be replaced. The vice-president of the French-language network will soon be retiring. We promise to take this up again with the corporation once the new management is in place.

**Mr. Darrell Samson:** So you have to move quickly.

[English]

Ms. Smith, you said that to revive the industry, policy innovation was required. Talk to me about policy innovation from your angle. You're coming from an interesting journalism approach. Can you expand on that?

**Ms. Robyn Smith:** Yes. Policy and innovation....

**Ms. Michelle Hoar:** We're not policy experts. We put our heads down every day and try to keep it running, so I'll be pretty broad.

I think we need to look at different types of government funding and where this can be expanded to help models like ours. The periodical fund does some, but it could be expanded. We could also remove ministerial control from grant decisions at the periodical fund.

We applied once in the first year that it was open to online-only publications like ours. Senior bureaucrats recommended our grant, but the minister killed it. I think it's important to look at that type of funding. It wasn't for content. It was for a business project to help us reach better financial sustainability. Still, it was killed, and it took us nine months to find out. There's a lot that could be improved in those mechanisms.

•(1200)

**The Chair:** Thank you, Ms. Hoar. I'm sorry, I'm going to give Mr. Nantel a chance to ask another question, and then we'll have to wrap this up. Thank you.

[Translation]

**Mr. Pierre Nantel:** Thank you very much, Madam Chair.

Ms. Hoar, I will let you finish what you were saying.

[English]

**Ms. Michelle Hoar:** That's all I'll say about the periodical fund. I think there's a lot of potential there. I'll add that organizations like ours are caught between a lot of different definitions of media, many of which are antiquated.

We have separate streams of funding and different policy tools for newspapers, for TV, for broadcast, for magazines, and for books, but there's no real definition of an organization like ours. We're neither a magazine nor a newspaper. We don't have a defined sector, a lobby, policy experts, or special lawyers.

It's a very new field, and I think that maybe some of our thinking and some of the government policy and funding are a bit antiquated. Even TV stations are no longer just TV stations; they're also websites.

**Mr. Pierre Nantel:** Ms. Hoar, may I ask you, since you wrote that other countries are more advanced in your type of hybrid organization, to what country would you refer us to examine this new model?

**Ms. Michelle Hoar:** That's a good question. Again, I'm not an expert. I don't have tons of examples. Even if you just look south to the U.S., there's so much more innovation and there's so much more private capital going into media experiments. You have an organization like ProPublica, for example, which is like what we do at the Tye Solutions Society, but way beyond. You have smaller for-profit online entities such as The Texas Tribune, which are

accessing all sorts of different capital and making a big difference in their state.

In Europe, you have new models like De Correspondent, which are entirely reader-funded, but in Europe, the EU has fought really hard with Facebook and Google around taxes and tax evasion. For Google in particular, they've worked really hard to get Google to commit to a huge fund called the Google "Digital News Initiative".

**Mr. Pierre Nantel:** That's right.

**Ms. Michelle Hoar:** It's a 150-million-euro fund that online media innovators can access to grow their businesses. We have nothing like that in Canada.

**Mr. Pierre Nantel:** We're very late on various reactions that we could have to this new environment we live in.

[Translation]

Mr. Harvey, I would like to talk about the recent CRTC decision which provided some flexibility in allocating the 5% that cable distributors have to give local and community stations. That must be good news for you.

Did the community television stations in your region react to that decision? Are there any community television stations in your markets?

**Mr. Pierre Harvey:** There are some, but there has been no reaction to that recently. However, CACTUS, an association representing community TV stations in Canada, expressed its disappointment with the decision.

We must keep in mind one thing about community television stations. Between 2001 and 2008, the revenue of cable and satellite companies has gone up significantly. That made a difference of \$60 million or \$75 million. In my view, they are not lacking funding.

•(1205)

**Mr. Pierre Nantel:** The purpose of the study is to examine the access to local news of people in the regions. Is it fair to say that you are sort of like the local section of national newspapers?

[English]

**The Chair:** Mr. Nantel, I'm very sorry. This is all very interesting and everyone seems engaged, but I think we have to end the session now.

I want to thank the witnesses for coming, and I want to thank everyone for bringing up some very new ideas.

We will break for a minute until we start the second hour.

•(1205)

\_\_\_\_\_ (Pause) \_\_\_\_\_

•(1205)

**The Chair:** Come to order, please. Thank you.

We have our witness for the second part of the meeting: Dr. Robert Picard, professor, Reuters Institute for the Study of Journalism, University of Oxford, by video conference from Boston, Massachusetts.

Welcome to the committee, Dr. Picard. As you know, we are looking at the issue of access across Canada to local news, Canadian content, experiences, stories, etc., regardless of where you live. What has media consolidation done positively or negatively to impact on that? Looking at all the platforms, how are we going to look at what digital will bring us?

I understand that you've written an excellent book about this. I'm going to ask you to take 10 minutes to give us your presentation, and then we will open it up to questions from the committee.

Thank you very much.

● (1210)

**Dr. Robert Picard (Professor, Reuters Institute for the Study of Journalism, University of Oxford, As an Individual):** Honourable Chairwoman and members of the committee, it's a pleasure to be able to assist you today with your inquiry on issues of local communities and the news that they need.

I want to share some ideas gained from four decades of dealing with the issues of media economics, competition, pluralism, and the information needs of communities. I've submitted a brief, which I know you have, but I want to highlight a few points and ideas before taking any questions that you wish to focus upon.

The challenges of local news provision are not unique to Canada, but their effects on local, provincial, and federal governments are specific in Canada. Further, the structure and economics of local news in Canada present some particular challenges that you're going to have to address if you're trying to improve the current situation.

Canada's local news provision is built on a backbone of local, daily, and community newspapers. There are, of course, some CBC services that provide assistance as well. Unfortunately, their effectiveness at meeting local community news and informational needs has been diminished by reduced resources and by a concentration of ownership, which have led to the creation of an homogenized content from across the country.

The costs of traditional news production and distribution are making it very difficult for many media to survive in the forms they had in the past. Of course, these are being compounded by digital developments and, more importantly, changes in audience behaviour that are making it very difficult to provide news in the way it was traditionally provided. Digital media are very much increasing the potential to address local informational needs because they have significant cost advantages due to their reduced production and distribution costs.

The committee should be thinking of how you can harness those opportunities, and that should be an important part of any effort to address deficiencies in local news provision.

As I indicated in my brief, particular efforts should be made to support digital news start-ups and young enterprises in digital news, because these are going to be increasingly important in the years to come.

Measures to shore up existing news providers aren't going to solve the problem, however. In the long run, they will fail because the challenges they face are more than just revenue based. They have unfavourable cost structures, and that is being compounded by the ways the public now receives and exchanges information and local news.

That said, some short-term and mid-term measures to support existing providers may be appropriate. These include efforts to help companies transform themselves digitally and to support some specific journalistic functions at the local level that are not being met well today. But any measures to support legacy media should be designed to produce change in the way those providers operate or to alter their cost structures, not merely to replace lost resources. Otherwise, this will not, in the long run, improve the conditions in local news.

Broadcasters also need to be part of the solution. This can be done with increased requirements for providing local news and with incentives and support to improve local news provision and information. It should not be something that is just for community radio or public radio, but for commercial as well.

Tax and charities laws also need to be considered in Canada, particularly to support the development of not-for-profit local news providers, which are increasingly important in many countries. Canada's current provisions are among the least supportive in the Commonwealth and in the Anglo world for not-for-profit journalism. Significant attention should be paid to what opportunities exist there.

● (1215)

There are no simple solutions to the challenges you're addressing, because we're in an age of transformation in the way that information is created and distributed. Any resolution you seek will need to be multi-faceted and actually resolve the challenges facing news and information provision, and it must be filled with the kind of wisdom and effort that only you can bring to it.

Thank you.

**The Chair:** Thank you very much. That was a very succinct presentation. It allows us more time for interaction.

We will begin. For the question and answer period, there's a first round in which members get to ask a question and engage with you for about seven minutes. Those seven minutes include the questions and the answers. Hopefully, we will have time for a second round..

I will begin with Mr. O'Regan for the Liberals.

**Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.):** Thank you, Madam Chair.

Thank you, Dr. Picard, for your succinct presentation, but also for the written presentation you provided the committee ahead of time.

I think it's worth noting for the record that we've just heard from The Tyee, out of British Columbia. They have already put their presentation as the headline on their website, theyee.ca. They've reacted immediately to ongoing events. I think that actually says quite a bit.

You have studied in Scandinavia and in France, not just in Paris but specifically in the regions. It's good that you're here. You speak directly about the Canadian experience in your presentation. I'm always anxious to start talking about solutions, because I think that the problems themselves have been fairly well described by others. This seems to be something that you could speak to quite well.

When we talk about other jurisdictions, can you tell us what some of the more interesting and, most important, effective solutions are that you've seen when it comes to supporting local news by state, regional, or national governments?

**Dr. Robert Picard:** Those that seem to be most effective are actually helping local news providers that are currently there to make the digital transformation and to understand how to do that and make that work. The second effort is to help support other start-ups in the community that will do that, particularly if there is not an effective local community news source in that community.

With Canada having so many communities that aren't served even by weekly newspapers or local radio, getting news sources started up by local community groups, by schools, and by others, is very important. We've seen efforts being made to do that in a number of countries. That seems to be bringing back new means of communication, particularly in smaller communities.

**Mr. Seamus O'Regan:** You mentioned—and in fact Robyn Smith of The Tyee brought it up—the idea of breaking up big corporate media. You question whether that's even relevant now in the digital age. Could you expand on that a little?

**Dr. Robert Picard:** I think the time for dealing with breaking up the big corporation media is past. It should have stopped before it ever got to where it is today.

Breaking them up today will not help local news very much, because what they are doing already is to combine their local news operations, move activities out of communities, and have very small local staffs. You can break them up, but they're all going to operate in that same way. Instead of having just a couple of players, you're going to have a few large players doing much the same thing.

The key is to provide ways for new types of entrants to come in. One problem that has occurred, particularly in the news media in Canada, is that they have really been protected from competition for too long, and that's part of the problem. They're providing the bare minimum of local news that they can get away with now, and unless you have competition at the local level, you will not solve that problem.

Breaking up the current ownership will not create competition at the local level. It will just change who is the commercial owner at the local level.

**Mr. Seamus O'Regan:** Tell me again, maybe more specifically, what do you do to provide increased competition?

**Dr. Robert Picard:** I think the best choice for increased competition is to look for alternative sources of local news and

who can start them up. That means starting up digital enterprises that can operate very inexpensively and that can team with community organizations, with educational institutions and others, to create another local news source that becomes an alternative..

In some cases, particularly where you have locally owned, non-daily newspapers, you have some that would very much like to better serve the community there and better address the local news. There are things that can be done to support them, and to actually provide, as some countries do now, tax credits for hiring new local journalists and provide them training and other things on how to move into digital, social, and mobile media, which are increasingly important, even at the local level.

• (1220)

**Mr. Seamus O'Regan:** Is that an avenue, then, that we should consider? That's something that Robyn Smith brought up at The Tyee, in the previous presentation—

**The Chair:** You have two minutes.

**Mr. Seamus O'Regan:** —about philanthropic rules needing to be loosened, seed money, and start-up money.

The chair has just informed me that I have two minutes left, and I have one question that I want to ask you because I think it's an important one, and that is about the experience in Europe with the Google news fund of 150 million euros and using that for seed capital for start-up journalism. Has it worked? How old is it? Is it something we should look at?

**Dr. Robert Picard:** It's fairly young. It has gone through about a year's worth of seed funding. It's hard to tell how effective it is. They are getting start-ups, but there are start-ups that are being funded by many other organizations and groups, and some of them seem to be playing an important role at the local level.

Now, there are some that are important that are playing a role in investigative and national level journalism, but the local level tends to be more community-based funding. Community foundations and others seem to be providing that most often.

In other countries, the Netherlands, for instance, has had a media loan fund to support start-ups, transformations, and other things, and that's helping as well to meet the needs of local communities and minority communities.

**Mr. Seamus O'Regan:** Thank you.

**The Chair:** Thank you.

Mr. Van Loan, for the Conservatives.

**Hon. Peter Van Loan (York—Simcoe, CPC):** Thank you very much, Madam Chair.

One of the things I heard you say, Professor, was that we could work to focus on not-for-profits as a way of getting more local media. Of course, having sat here for many weeks, it seems to me that they're all not-for-profits, or at least that's what they're trying to persuade us of.

That aside, you made reference to rules in Canada that were not supportive of this. What exactly would need to change in our rules to allow what you're talking about to happen?

**Dr. Robert Picard:** Under the Canadian charities and tax laws, journalism is excluded from charitable purposes. I think the reason that occurred is that in the past it was seen primarily as a commercial activity. It is not specifically enumerated and therefore has not been approved as having a charitable or educational purpose that would come under the charities act and also under being able to receive gifts and tax about gifts. Those issues need to be addressed.

There was a large study conducted a year ago comparing English-based nations, Commonwealth nations, in that regard—the larger ones—and it showed the deficiencies in the Canadian one, but it's mainly enumerating the fact that there can be not-for-profit journalism and that could be a culturally and educationally significant act under charities and tax laws.

**Hon. Peter Van Loan:** Are there notable examples of that elsewhere today?

**Dr. Robert Picard:** There are many operating under that. In the United States, many are operating under not-for-profit activities. In the United Kingdom, there are some operating under not-for-profit. Australia has been moving that way as well. In Australia, the most notable is *The Conversation*, which started there and is now also available now in the United Kingdom. There are a number associated with investigative journalism in the U.K.

In the United States, you have things from ProPublica or The Texas Tribune and others that are trying at the state and the more local level to cover things, such as San Diego today, for instance, and others.

**Hon. Peter Van Loan:** In my own neck of the woods, we've had many of the phenomena you point to, such as local newspapers that are part of larger chains getting away with as little local coverage as they can to justify filling up the advertising. I have at least one example of a start-up that started up because somebody decided to fill a space themselves, without any kind of seed funding or anything like that. Is that the normal competition that can and should happen? Why do we need to interfere with that normal phenomenon?

●(1225)

**Dr. Robert Picard:** It's not necessarily interfering with it. In fact, it should be encouraged. There are many mechanisms to encourage those kinds of start-ups.

**Hon. Peter Van Loan:** I'm sure the other local newspapers would consider it interfering if I were subsidizing one and not the others.

**Dr. Robert Picard:** I'm certain they would. One of the central problems of news is that news has never been a commercially viable product. News has always been subsidized: by advertising, by political parties, or by community persons who, for some reason, want to have influence, either for social purposes or for political purposes.

It was only really in the 20th century that advertising became the base of funding for the kind of media operations that we know today. We are moving back to a place where you can produce only a small amount of income that can support a few journalists, a publisher, and a few others, and that is to be encouraged.

I don't discourage commercial activities. The problem is that they tend to work better in larger communities or at the national level, because you can get a large enough group of people who are willing to pay for it. You have groups like Mediapart, in France, that are very successful as commercial organizations doing national investigative journalism, but it doesn't work very well in a community where you have 1,000 people, and only 100 people are willing to pay to have the local news.

You have some financial issues that come in there, but I am certainly not saying that only not-for-profits should be there.

**Hon. Peter Van Loan:** A lot of what we've heard has been the opposite equation of what you are saying, where the bigger outlets say they can't compete because if it's national or international news, everybody gets it off their Facebook or the Internet, and it's only the local news—what's happening in their neighbourhood—where they have to go to local papers.

Torstar, for example, is bleeding red ink on their major flagship publication, the *Toronto Star*, and, anecdotally, all of that survives off the money they get from their local publications.

We've heard a lot of evidence suggesting the opposite: that local is the one thing that is viable, at least on the print media side of things.

**Dr. Robert Picard:** In the print media today, local news in daily newspapers is still supported by advertising, and I don't disagree with that. The problem is that this only works effectively in under 100 Canadian cities. In other cities, they are just barely scraping along, trying to make it. Look at the 1,000 or so non-daily papers across Canada. Most of them are extremely small. Yes, they are getting some local support and some local advertising, but the cost structures of print are killing them.

What they need is to be able to find ways to transition over the coming 10 years to digital, so that they can remain viable as a digital operation when their print advertising declines. The advertising even in local papers is declining, and you can see it coming that they, even in non-daily, will get to the point in another decade or so where they are not going to be very able to survive in their current forms.

**The Chair:** Thank you very much, Mr. Van Loan and Dr. Picard.

We now go to Mr. Nantel for the New Democratic Party.

[*Translation*]

**Mr. Pierre Nantel:** Thank you, Madam Chair.

Thank you, Mr. Picard.

Just as in the case of Jean-Luc Picard from *Star Trek*, I will not assume that you speak French just because of your last name.

[*English*]

Do you speak French?

**Dr. Robert Picard:** I speak some, but very poorly. I apologize.

**Mr. Pierre Nantel:** It's okay.

I know how intensively you've worked all across the world in other countries on these important issues we are facing now. As you said, there has always been sponsoring of the news, no matter what system we are in now. What you are suggesting now is that in order to have regional news, we should help existing media.

I have been super-impacted by the presentation of GoGaspé.com. It's in a region in Quebec called "*la Gaspésie*", and they have decided to unite, on a website, various media and specific offers related to that region. Do you think such hubs are one of the best ways to go?

• (1230)

**Dr. Robert Picard:** I think they are a useful way to go, and they make it possible to share more information and to share the infrastructure costs of operating along the way. That certainly is a useful way in some places where you have a tight community that will co-operate.

One of the big problems in the news business has been that publishers in particular—and others—didn't like each other very well, for political reasons or other reasons, so they didn't want to co-operate. Now they are being forced to do so, and in the digital environment, networking and co-operation are very natural. You're seeing much more working together in the digital environment, because it's useful.

That's the kind of thing where you can actually bring together both commercial and non-commercial players and have them co-operate in a way that becomes very effective, and it doesn't give an undue advantage to either of them.

**Mr. Pierre Nantel:** We hear more and more—especially as Mr. O'Regan said about The Tyee—about the not-for-profit philanthropic journalism. I guess, for such a specialist as you are, one may feel vulnerable in saying that the information is related to some goodwill. You've spent your career observing this. I keep having these *Spotlight* feature film sequences in my head. What should we do?

**Dr. Robert Picard:** I think you need to do a number of things. I think one needs to help existing enterprises that are there, but not to the point that they make it difficult for new enterprises to appear. That's very often been the problem. If you just throw money at the existing ones, they use it to keep out the others. You need to have competition.

One of the essential problems, if you look at daily newspapers today in Canada and the United States—and actually, in most of Europe as well—is that only about 10% to 15% of the cost of the newspapers has to do with news. Everything else is non-news: the printing press, the building, the trucks. All of these things are very expensive. That's why publishers really would like to get out of the print business, but they don't want to get out of a business that's still making money. They are still making money. It's about half the rate of what they made 20 years ago, but it's still a higher return than most other businesses, so they want to be in it.

On top of that, there's a prestige factor there, and there's an influence factor that they want to maintain. That is important. They also have the existing infrastructure for collecting news. If that can be used to improve the local news, if that can be used to make sure

there's more local news provided and be part of it, then it should be part of it. But it cannot be the only solution to what is happening in the future.

**Mr. Pierre Nantel:** Then there's the monopoly situation of Alphabet, the owner of Google. Their business model is that they have cut off the oxygen to the advertising market for the system we were working with. Are you under the impression that there is some international response to this? I'm thinking about the cultural diversity coalitions. We may not be talking necessarily about a culture product, but we're talking about specific information related to some geography. I keep having this impression that Google has it easy now.

**Dr. Robert Picard:** Any large firm that has an oligopoly or a monopoly is going to find that, and you certainly have it today, because for the gateways and the distribution platforms we now have, there are about three or four major players there and they set the terms for doing business with them. Efforts to start other kinds of gateways are under way, and we may see those change in the future, those strengths that are there.

The important thing in terms of public policy, I think, is to ensure that gateways and aggregators, and networks and others, are not discriminating in one form or another against other [*Inaudible—Editor*]

• (1235)

**Mr. Pierre Nantel:** There's a neutrality to preserve.

**Dr. Robert Picard:** It's that discrimination that becomes the real problem. Certainly, they can set their prices, and they are price-setters at the moment. The price is about 30% of everything that moves through and then on advertising about 70%. It is a huge issue.

It is somewhat of a misnomer, however, to say that these major players in the digital environment took all the advertising out of newspapers. That is not true. Most of the advertising that is going into the digital environment is a different kind of advertising than was ever in the newspaper. By having online activities, where you can now have classified advertising and other such things for free, you've just destroyed the print media—

**Mr. Pierre Nantel:** That's true. You're right.

**Dr. Robert Picard:** —because the product is no longer needed. That's what has really hurt them. That's what has really hurt the major advertising.

**Mr. Pierre Nantel:** Mr. Picard, allow me to be a little chauvinistic and let you know about *La Presse*, because I hope you have the chance to see this new model, where advertising actually is more exciting than ever within the news format.

I think I'm done.

**The Chair:** Thank you, Mr. Nantel.

Now, for the Liberals, I'll go to Ms. Dabrusin.

**Ms. Julie Dabrusin (Toronto—Danforth, Lib.):** Thank you, Mr. Picard.

You've seen many different models when you've looked at different jurisdictions. We've talked a lot about what we should do. Having looked at what's happened in other jurisdictions, can you tell us some of the pitfalls we should be avoiding or any things that we should not do when we're looking at this?

**Dr. Robert Picard:** The first thing is, don't try to import a model that you see someplace else. Every country is so different in culture and politics and in what can be effective that you have to fashion your own. What works best is that you make it easier for people to start new enterprises in news, and you make it so that existing enterprises can better transition to the digital news. Those two are absolutely critical and go hand in hand. It takes care of issues where monopolies might exist, and it takes care of people, particularly in local communities, as a lot of publishers do not have the wherewithal to do something.

If you have the *Toronto Star* wanting to start a digital operation, it can put millions into it. If a small local daily, a community newspaper, puts \$10,000 into it, it's a huge investment for them. To somehow create platforms, networks, or software that is easy for them to use to go into local news provision in a digital way is really important, so that they can start transitioning and providing better local community news.

Also, because of the economics of the news industry today, even though daily newspapers are still making money and some of the local radio operations are making money, finding ways to incentivize them to hire new local journalists is really important. We've seen that working in some countries.

**Ms. Julie Dabrusin:** Do you have any models for how we incentivize hiring new local journalists?

**Dr. Robert Picard:** The ones that are being used most now are tax credits. They have specific descriptions of the kind of work those journalists have to do. They won't allow them to cover national sports, necessarily, or to cover food beats or something like that. They want them covering government or community services or something of that sort. When you have that kind of specificity, you know that it's going to deal with the local news needs.

**Ms. Julie Dabrusin:** Let's move into something that goes all the way back to the start of this study, when I was talking about how there was a bit of a controversy with BuzzFeed. There was a call for reporters and it was specific call for diversity—essentially, not white men.

I'm curious. When we're going forward and looking at this digital shift, and when we're looking at promoting start-ups, how do we ensure a diversity of voices?

• (1240)

**Dr. Robert Picard:** Diversity of voices is always an issue. The gender issue is not going to be as strong in the future as it has been in the past, primarily because of who is in journalism schools today. Quite frankly, the majority of students in most journalism schools today are women, so that's shifting along the way.

Efforts can be made, even in digital start-ups and others, to say that we will give tax credits, for instance, if you hire persons of diverse backgrounds and from minority communities. They could be given subsidies or credits to do so and could make that work. Of course, it's a lot easier in broadcasting to put requirements on the

staffing and others, because you can put those in as a condition of the licensing of broadcast operations.

**Ms. Julie Dabrusin:** Have you seen any of those types of tax credits in operation anywhere else in other jurisdictions?

**Dr. Robert Picard:** I've seen tax credits doing that. I've seen start-up loan funds being used to do that.

The Netherlands has been very creative in the use of media loan funds to start up minority and other media to try to deal with some of the diversity issues and to deal with existing newspapers or broadcasters who want to increase their ability to deal with those communities.

**Ms. Julie Dabrusin:** We've talked a fair bit about start-up funding. You mentioned that several times. You've mentioned not only focusing on start-up funding, but also looking at making sure that some of the traditional media is also kept vibrant.

What are your best ideas for how to form that start-up funding? What I mean is, we heard a bit when we were listening to the The Tyee witnesses about becoming more platform-agnostic and supporting local reporting as opposed to certain types of institutions. Do you have any other ideas along those lines?

**Dr. Robert Picard:** I'd say start-up funding, and there are different ways to think about it. Part of it is start-up training, specifically for people who are going to do local journalism.

The other is setting up mechanisms they can use, off-the-shelf kinds of technologies, to run locally. That could be done through a grant or funding that would be available to anybody anywhere in Canada, for instance, and maybe even sold abroad.

On start-up funding, if you're actually going to go into the venture funding of starting an organization, that becomes very different, because you have to start dealing with grants. You have to start dealing with some sort of granting agencies to deal with that. It can be done, and it can be done in a way such that it is not discriminatory. It often has to be done with funding through mechanisms where the funding board is completely non-partisan. That has been done. It has worked in other locales. It can be done.

It can also be done by linking to local community organizations that are already there, for example by asking the local university or college, or maybe even some high schools, if they could start a local news site and get it running and telling them that you'll give them some money to get the software they need to do that, to buy the site, and to do things that need to happen.

There are many ways you can do that, but it doesn't take a great deal of money to start up a local digital operation, because you often start with only two to five employees, with everybody else working part-time or contributing their efforts.

**The Chair:** Thank you very much.

We've finished this round. We have time for a second five-minute round, which is what we always hoped we'd be able to do.

We will begin with Mr. Maguire from the Conservatives, for five minutes.

**Mr. Larry Maguire:** Thank you, Madam Chair.

Thank you, Dr. Picard, for your presentation.

There were a couple of things that you commented on earlier. One was that we're in an age of transformation. Another was that we were protected from competition for far too long, and last, news is not a commercially viable product.

That's not earth-shattering news for this committee, but can you expand on where you see it going even now and also in the future? You've talked about the next 10 years. Many who have come before us said that one of the big changes is that people aren't even subscribing to cable anymore for news and information.

Can you talk about other media mechanisms and the philanthropic rules? I don't know if you're familiar with them, but we just had a presentation saying that the philanthropic rules in Canada need to be changed and opened up some. Could I have your comments on that?

• (1245)

**Dr. Robert Picard:** What we're moving into is an age in which people get information in very different ways than they used to. We used to get up in the morning or come home in the evening from work, sit down with our newspaper, and work through all 34 or 56 pages of whatever was there. I still do it every morning; I fight my wife for the papers. About a quarter of the population in most communities is doing that, and others are getting their information from television news, but the days of sitting down and watching the half-hour television newscast are disappearing along the way.

What we're getting are bits and pieces of news delivered to us through our social media sites and through news alerts on our phones. We're getting them on buses. We're getting them on the sides of buildings. If something interests us, we go to it. If our friends that there's something local that we need to look at, we look at it through our social media.

That is ultimately changing how news has to be distributed and the funding of that news. The problem is that somebody has to create that news to begin with. That's where all of this changing environment is creating the bottleneck: it's who creates that news to begin with. The national news isn't a problem and the international news isn't a problem, because there are enough sources doing it that we can get it through them. The problem is provincial and, really, local news. Large cities can take care of themselves. They would like to have help doing it, but where help is really needed is in the smaller communities.

How do we do that? What we see now is that, more and more, even those in the smaller communities in many countries are having to seek multiple sources of funding for local news. For the past 25 to 50 years, they have basically relied on advertising, which in North America provided 75% to 85% of the income. In Europe, it was about 60% of the income. The rest came from circulation sales.

What we're going back to is a day when news organizations have to have other sources. We see some doing events along the way. Some are getting grants to get support. Some are engaging in other kinds of commercial activities, such as providing advertising,

ongoing services, and other such things to try to spread the revenue sources that they have.

That actually looks much more like the way newspapers and media operated 100 years ago, when the local printer in town printed everything from church bulletins to books and others things. That's what they used to fund the newspapers along the way. That's kind of where we're moving now in terms of funding local news. That becomes I think an important part of where things are going: to find multiple sources of revenue. I think we'll see that occurring much more.

On the issue of not-for-profit, yes, not-for-profit is one mechanism. It is not the mechanism that will work, or the only mechanism, but it is one mechanism that can work and can add to the mix to make things work. It also creates secondary sources of news, so that local communities are not dependent on only one. What we do know is that when there is more than one source of news in a community, all the news providers in that community start getting better and putting more resources into local news, because they have to. It means that the publisher gives up a new Cadillac for another couple of years and instead hires another journalist. You see this happening over and over again around communities when there is competition.

**Mr. Larry Maguire:** Thank you.

**The Chair:** Thank you very much. I think we've come to the end of that round.

We'll go to Mr. Samson and Mr. Breton, who are going to be sharing their five minutes. That's going to be tough, but we'll try it.

**Mr. Darrell Samson:** I have just one important question.

You made reference earlier to schools. As an educator for 30-plus years, I'm very interested in seeing your vision or understanding how we could be more effective in the public school system in order to allow this to continue and to grow. How can we get students more involved and engaged?

**Dr. Robert Picard:** Schools are a particularly interesting institution in any community, because the first thing they have is facilities, and they also have digital infrastructure, and those are two critical things to begin with. For instance, if you have education in journalism in the schools, they can be used to start covering the local community. They can then also be linked to other organizations in the community to build this up and do better kinds of information provision in order to have a useful site.

There's a site in Finland that I visited, and that's run out of a school. The community supports it. The school supports it. All of the political parties in town support it, as do others, because it gives them access to the local community by creating a portal that they can all use. That is really important for discussion of local issues and other things that are going on. On top of it, all the local businesses and all the churches and organizations that are having activities want to use it. It builds community engagement because "this is our place".

Schools can play a really important role by facilitating and bringing those people together to make that link.

•(1250)

**Mr. Darrell Samson:** I appreciate that answer. Thank you.

**The Chair:** Mr. Breton.

[*Translation*]

**Mr. Pierre Breton:** Thank you.

I will add to what Mr. Samson has said.

The Association de la presse francophone said that its members publish verified and verifiable information. Conversely, some unions have denounced the fact that there is no filter to the information posted online and on social media.

Can you comment on the quality of journalistic work on online news sites and on social media?

[*English*]

**Dr. Robert Picard:** I think you have to make a distinction between journalism and information. Journalism involves techniques and practices for dealing with information in order to be able to verify it and ensure that it is accurate and fairly presented. Those are techniques that you have. There are journalists in the digital world working every day who are doing exactly those things.

The digital world allows anybody with access to the digital environment to be able to convey information. Not all information is news, and it's certainly not journalism. Finding some way, as many journalists' groups are thinking about, to have some sort of trademark or Kitemark or something to be able to say "this is done following the journalistic practices" is one way to perhaps mark off the journalism from just information flow.

A lot of what we see in the digital world is just opinion and is not based on facts in any way, shape, or form, so it lends itself to conspiracies and misinformation very quickly.

[*Translation*]

**Mr. Pierre Breton:** Thank you, Mr. Picard.

[*English*]

**The Chair:** You have a minute, Mr. Breton.

[*Translation*]

**Mr. Pierre Breton:** That's it for me.

[*English*]

**The Chair:** Thank you.

**Mr. Dan Vandal:** Could I use that minute, Madam Chair?

**The Chair:** Yes, Mr. Vandal.

**Mr. Dan Vandal:** Based on your last comment, are you calling into question the validity and accuracy of online journalism?

**Dr. Robert Picard:** I've said "where it's online journalism", and clearly, online journalism can be every bit as good as off-line. It has nothing to do with the platform it's distributed on. It has to do with what practices went into creating the stories that are put out in a digital world. There's very good online journalism.

**Mr. Dan Vandal:** I have a final quick one. What is vertical integration? Or horizontal integration?

**Dr. Robert Picard:** Horizontal integration is an economic term used in competition policy when you are buying units of the same

kind of thing. If you own a newspaper in one city, you'll buy another newspaper in another city, and another, and another. That would be a horizontal integration.

Vertical integration is seen most particularly in broadcasting, when you own a production company that makes a program, you also own a channel, and you also own the cable system on which it is distributed. You're getting vertical integration of all the functions that have to take place to reach people.

**Mr. Dan Vandal:** Thank you.

**Dr. Robert Picard:** The problem for Canada is that it's extremely high on vertical integration and very high on horizontal integration.

**The Chair:** Mr. Nantel.

•(1255)

[*Translation*]

**Mr. Pierre Nantel:** You are right in referring to our market as a very highly concentrated market in a number of ways. This system has led to good results, in the sense that, instead of just having a slightly distinguishable Canadian market, we have managed to take our place on our screens, our radio stations and our media. We have managed to create a sort of supply management system in terms of culture, and even in terms of news.

Yes, there is not a lot of room for improvising and new players. Do you think there is a way to make a clear distinction between our Canadian culture and other cultures to our major world players such as Alphabet Inc.?

[*English*]

**Dr. Robert Picard:** You're certainly not alone in wrestling with issues of culture.

There are many ways to deal with the cultural issues. Concentration isn't necessary to have good promotion of national culture and national news and information flow, but it's one way to do it, and it has done it. The problem is that it has a lot of downsides, because after a while, if you're heavily concentrating, you stop investing very much.

One of the problems is that Canada has always been so afraid of American media and culture, with good reason, and it's so afraid of English, with good reason, in Quebec and otherwise, that it has allowed concentration, even saying, okay, well, at least it's not these others. The problem is that it should have undertaken mechanisms to ensure that more Canadian companies were involved, rather than fewer Canadian companies. It has done very well in broadcasting with Canadian content laws, and in other such things, they have done quite well.

You're not alone in this. Take the position of Ireland, which struggles dramatically because it gets hit from both sides of the Atlantic. It gets hit with English from the U.K. The Irish Republic is not too comfortable with that, for a variety of political reasons. It gets hit with everything from the U.S. and some from Canada, so it really has trouble being Irish. There are other countries that wrestle with these problems, including Austria, with the Germans, and it is important to deal with them, but concentration is not necessary to do it.

There are a lot of cultural policies that can be used and a lot of media-specific policies that can be used to ensure that you have adequate cultural production domestically.

**Mr. Pierre Nantel:** Would you say that in the situation we are in now we're back to square one? In small rural areas, for example, where there's not much Internet service, they are into that passé mode of a printed newspaper, the local *hebdo* or something like that. In my own riding, grocery stores are the place where we see "looking for my cat" and "car for sale" and other small advertisements. Should we in some ways go back to basics?

**Dr. Robert Picard:** There are those basics. I was in a small English village last fall. I was asking people about how they find out what's going on in the town and how they communicate with the mayor when they need to chat. They said they go to the local pub. Life is very much that way.

One of the issues is that we often think about the Internet as something where we have to rely on fixed lines and broadband services, but actually, the Internet as an information source is being jumped over by mobile Internet services coming through the wireless networks that have gotten very good. Even in many very

small rural communities, you actually have reasonable wireless services. That is another mechanism.

If there is a location where people normally congregate, and that is the shopping centre, the community centre, and others, those become good information sources, and you need to promote them along the way as well.

The key for democracy is to make sure that there are locations and facilitators who are ensuring that a range of the kinds of issues that need to be discussed for local governance are there. What's happening in the schools, in the commissions, and in the water districts? All of those are really important developments at the local level. What councils are doing is critical. Somebody has to be facilitating that information flow. In larger communities, it tends to be commercial media, but in smaller communities, you have to find other ways to do that.

● (1300)

**Mr. Pierre Nantel:** My time is up. Thank you very much, Mr. Picard.

**The Chair:** I want to thank Dr. Picard very much for giving us almost an hour of his time.

We learned a lot from you. Thank you again.

Mr. Van Loan.

**Hon. Peter Van Loan:** I move that we adjourn.

**The Chair:** We have a motion to adjourn. Thank you.

The meeting is adjourned.

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