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Media Ownership and Convergence in Canada

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(In Brief)

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MEDIA OWNERSHIP AND CONVERGENCE IN CANADA

1 INTRODUCTION

The structure of Canada’s media industry is constantly changing through mergers, acquisitions and the creation of new companies. Increasingly, these changes are shaped by emerging business opportunities brought on by changes in technology. Consequently, Canada’s information landscape is a place of much concentration and convergence. The former refers to the merging of firms that have similar services (e.g., one newspaper merging with another); the latter refers to the merging of firms that have complementary business models (e.g., Internet service and television broadcasting).

More and more, recent changes in digital technology are blurring the once-clear dividing lines between products and services as telecommunications and broadcasting converge into a single communications entity. In light of this convergence, Canada’s media conglomerates have adjusted their ownership structure.

This paper presents a current picture of ownership in Canada’s media industry. It also shows how the focus of various parliamentary studies of the media industry has changed along with the changing ownership structure of companies within this industry.

2 BACKGROUND

Although the current ownership structure reflects the convergence of telecommunications and broadcasting, the converged industry is still regulated under three separate statutes: the *Broadcasting Act*, the *Telecommunications Act* and the *Radiocommunication Act*.

The Canadian Radio-television and Telecommunications Commission (CRTC) oversees the first two Acts; Industry Canada oversees the third. When those Acts were last revised (in the mid-1980s for the *Radiocommunication Act* and the early 1990s for the other two), the parts of the communications system were distinct. Telecommunications and broadcasting were in separate silos, and it was logical to have separate Acts for the two.

Although people have been talking about convergence since the end of the 20^{th} century, it was in 2007 with the introduction of the iPhone and 2010 with the introduction of the iPad that Internet-enabled smart phones and tablets became realistic platforms for mobile video streaming, including television broadcasts.

The CRTC has dealt with the issue of convergence in several ways. In 1999, it issued the *Exemption order for new media broadcasting undertakings*, which announced that the CRTC would not regulate new media broadcasting. Since then, the order has been clarified with respect to Internet retransmission of broadcasting services via mobile devices. The original order has also been supplemented by an exemption order for such undertakings. The basic exemption status of new media broadcasting has been maintained, although reporting requirements have been introduced.[1]

The CRTC continues to oversee broadcasting and telecommunications under two separate Acts that have separate objectives. There may be possible conflicts between the Acts. The *Telecommunications Act*, for example, relies on market forces to assure access to telephone service, while the *Broadcasting Act* uses regulation to promote Canadian content on radio and television. Given the growing importance of mobile devices, there is a possible conflict between Industry Canada, which is responsible for the allocation of radio frequency spectrum, the medium for the wireless transmission of voice or other data, and the CRTC, which oversees wireless communications.

3 CANADA'S CURRENT MEDIA OWNERSHIP PROFILE

The following section gives current ownership profiles of Canada's largest private-sector media companies.

- **Astral** – Operates 23 television services, 83 radio stations and 100 websites, along with various forms of display advertising services.[2]
- **Bell Media** – Operates 58 television services (including CTV, TSN and MTV Canada), along with dozens of websites and over 30 radio stations.[3] Bell Media is owned by BCE Inc., which operates Bell Home Telephone, Virgin Mobile, Solo Mobile, Bell Internet, Bell Satellite TV and Bell Fibe TV.[4] (Note: On 16 March 2012, Bell announced plans to acquire Astral Media, but the acquisition is still pending regulatory approval.[5])
- **Postmedia Network Inc.** – Operates a dozen major Canadian daily newspapers (including the *National Post*, *The Vancouver Sun*, the *Ottawa Citizen* and *The Gazette*), as well as consumer websites.[6] Postmedia Network was formerly part of Canwest Global Communications Corporation.
- **Quebecor Media Inc.** – Primarily in Quebec, Quebecor operates the TVA television network, the Sun Media Corporation (with over 40 daily newspapers), numerous magazines and, through its subsidiary Videotron Ltd., cable television, Internet services and video stores, along with home and mobile telephony.[7]
- **Rogers Communications Inc.** – Operates in most of Canada, providing cable television, Internet, and home and wireless telephone services. Rogers Media, a subsidiary, operates several major television networks and radio stations, as well as many magazines. Rogers Media also owns the Toronto Blue Jays baseball team and the Rogers Centre, where the Blue Jays play.[8]
- **Shaw Communications Inc.** – Operates mostly in British Columbia, Alberta, Saskatchewan and Ontario. Shaw provides cable television, home satellite, Internet and commercial broadcasting ("wholesale") services. Additionally, Shaw operates specialty television networks.[9]

- **TELUS Communications Company** – A major national telecommunications company, TELUS operates mobile and fixed line telephony, television and Internet services.[10]
- **Torstar** – Operates several daily and weekly newspapers (including the *Toronto Star*), in addition to book publishing enterprises.[11]

Of the eight media conglomerates listed here, three – Rogers, Bell and TELUS – are dominant players in the wireless market. Furthermore, these three companies, along with Shaw and Videotron, dominate the Internet market. The dominance by a small number of firms in these markets becomes a greater concern as the Internet becomes more important to Canadians, with a handful of firms having potential gatekeeping power over the content Canadians wish to access.

The year 2000 was a watershed in Canadian communications. Bell Canada acquired television and newspaper assets, and Canwest Global acquired print media assets. Other changes in ownership followed. In 2001, the CRTC approved the acquisition by Quebecor, a company specializing in print media and printing, of Videotron, which had assets in cable, the Internet and television. In 2008, Videotron and Shaw purchased spectrum in the Advanced Wireless Services spectrum auction,[12] giving them the means to become players in the wireless phone and wireless broadband sectors. In 2010, the CRTC approved the acquisition by Shaw of Canwest Global's licensed broadcasting subsidiaries.

4 PARLIAMENTARY EXAMINATIONS OF CANADA'S MEDIA OWNERSHIP

Parliamentary concerns about media ownership in Canada, regarding both domestic concentration and foreign ownership, go back decades. In 1970, for example, the Report of the Special Senate Committee on Mass Media (known as the Davey Report) investigated the media in Canada, particularly with respect to their influence and concentration of ownership. Since then, there have been numerous studies examining Canadian media and the possible effects of changes in media ownership.

The various studies show how concerns about media ownership in Canada have evolved. There are three discernible concerns. Before 2000, the most notable one had to do with horizontal concentration, in which there were fewer and fewer owners within the industries of the media sector. The authors of the Davey Report were especially troubled by concentration in the newspaper industry. By the late 1990s, there were additional apprehensions about the concentration of cable distributors and conventional (or over-the-air) television and radio outlets.

In 2000, attentions turned to new concerns, namely the rise of cross-media ownership in Canada. The parliamentary reports listed in the next paragraph were prompted, in large part, by these ownership changes, especially by the ownership of broadcasters and newspapers by one company. There were also concerns at this time about vertical integration, in which one company (for example, Rogers) might own a broadcast distributor (Rogers Cable), conventional television stations, pay and specialty television channels, and even the content for its broadcasters (Rogers owns the Toronto Blue Jays, whose games are shown on conventional and pay and specialty television channels). The CRTC began addressing the issue of vertical integration with its September 2011 regulatory framework for vertical integration.[13]

The following four relatively recent parliamentary studies reflect the state of media ownership in Canada at the time the studies were undertaken.

- House of Commons Standing Committee on Canadian Heritage, *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*, June 2003.[14]
- Standing Senate Committee on Transport and Communications, *Interim Report on the Canadian News Media*, April 2004.[15]
- Standing Senate Committee on Transport and Communications, *Final Report on the Canadian News Media* (two volumes), June 2006.[16]
- House of Commons Standing Committee on Canadian Heritage, *Impacts of Private Television Ownership Changes and the Move Towards New Viewing Platforms*, March 2011.[17]

Although the House of Commons report of 2003 and the Senate reports of 2004 and 2006 discussed the Internet, none of these studies foresaw how the Internet would transform media and society, which is understandable, given that services such as Twitter, Facebook and YouTube did not exist or were in their infancy when these reports were written. Several popular devices, such as smart phones and tablets, also did not exist when these reports were tabled.

5 LOOKING AHEAD

Multiple platforms now exist for accessing traditional media content, such as newspaper articles and television shows. This situation has led to new concerns about media ownership dating from around 2010: namely, the concentration of ownership in Canada of wireless and Internet networks. The introduction of the iPad and the growing importance of other Internet-enabled devices made the Internet more important and made the ownership concentration of access to the Internet and mobile broadband as important a concern as concentration of newspapers and broadcasting had been previously. “Over-the-top” programming services, such as YouTube and Netflix, can offer programs directly via computers and Internet-enabled mobile devices. These bypass cable and satellite, the traditional delivery channels, and put pressure on Canadian content regulations.

In 2011, the former chairman of the CRTC argued that convergence called for a fundamental change to Canada’s regulatory system for communications.

> The industry is going through fundamental change in technology, in business models and in corporate structures. It has become a single industry, thoroughly converged and integrated. Yet it continues to be regulated under three separate Acts, which date from 20 years ago. Authority continues to be divided among different departments and agencies.[18]

The chairman argued for unified and comprehensive legislation, but it is members of Parliament who will decide whether such a change is necessary, and the form of any new legislation in the area of communications.

NOTES

1. Canadian Radio-television and Telecommunications Commission [CRTC], Section 2.4, "Regulatory frameworks," in *Communications Monitoring Report 2009*, August 2009, pp. 38–40.
2. Astral, *About Astral*.
3. Bell Media, *About us*.
4. BCE Inc., *About BCE*.
5. BCE Inc., "Bell to acquire Québec's leading media company Astral," News release, 16 March 2012.
6. Postmedia Network, *Company*.
7. Quebecor.
8. Rogers Communications, *At-A-Glance: Rogers Communications*.
9. Shaw, *About Shaw*.
10. TELUS, *About TELUS*.
11. Torstar, *Businesses*.
12. Dillan Theckedath and Terrence J. Thomas, "The 700 MHz Spectrum Auction," *HillNote*, Publication no. 2012-16-E, Parliamentary Information and Research Service, Library of Parliament, Ottawa, 5 April 2012.
13. CRTC, *Broadcasting Regulatory Policy CRTC 2011-601: Regulatory framework relating to vertical integration*, 21 September 2011.
14. House of Commons, Standing Committee on Canadian Heritage, *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*, June 2003.
15. Senate, Standing Committee on Transport and Communications, *Interim Report on the Canadian News Media*, April 2004.
16. Senate, Standing Committee on Transport and Communications, *Final Report on the Canadian News Media*, June 2006, Volume 1, Volume 2.
17. House of Commons, Standing Committee on Canadian Heritage, *Impacts of Private Television Ownership Changes and the Move Towards New Viewing Platforms*, March 2011.
18. Konrad von Finckenstein, Chairman, Canadian Radio-television and Telecommunications Commission, "Speech to the Banff World Media Festival," 13 June 2011.