



Royal Commission on Newspapers

THE OTTAWA Journal
Final Edition Wednesday, August 27, 1980 120 pages.

Ottawa Journal closed

Montreal-Matin: fermé

Winnipeg Tribune

from the

MONTREAL MATIN

It's been 90 great years!

**Royal
Commission
on
Newspapers**

ACVR

PN4908

.C3
1981

c. 1 aa



Royal Commission on Newspapers

© Minister of Supply and Services Canada 1981

Available in Canada through
authorized bookstore agents
and other bookstores
or by mail from
Canadian Government Publishing Centre
Supply and Services Canada
Hull, Quebec, Canada K1A 0S9

Also published in French

Catalogue No. Z 1-1980-1E
ISBN 0-660-10954-9

Canada: \$10.00
Other countries: \$12.00

Price subject to change without notice

**TO HIS EXCELLENCY
THE GOVERNOR GENERAL IN COUNCIL**

MAY IT PLEASE YOUR EXCELLENCY

We, the Commissioners appointed to inquire generally into the daily newspaper industry in Canada, and specifically into the concentration of the ownership and control of the industry, beg to submit to Your Excellency the following Report.

Chairman

Handwritten signature of Tom Kent in cursive script.

Tom Kent

Commissioners

Two handwritten signatures in cursive script. The first is 'Borden Spears' and the second is 'Laurent Picard'.

Borden Spears

Laurent Picard

July 1, 1981

Contents

Foreword XI

- 1** The scope of concentration 1
- 2** The public trust 21
- 3** Under the law 41
- 4** The newspaper as a business 63
- 5** Running the business 87
- 6** The newsroom 105
- 7** The news services 119
- 8** The public agenda 135
- 9** Quest for quality 147
- 10** Performance 163
- 11** An industry in transition 181
- 12** Outlook and issues 199
- 13** Conclusions and suggestions 215
- 14** Recommendations 237

Appendices

- I** Acknowledgements 258
- II** Terms of Reference 259
- III** Proceedings of the Commission 261
- IV** Research Studies 263
- V** Hearings and Submissions 268
- VI** Personnel 284
- VII** Statement of Principles, Canadian Daily Newspaper Publishers Association 286
- Index** 288

Foreword

THIS Commission was born out of shock and trauma. Simultaneously, in Ottawa and in Winnipeg, two old and respected newspapers died. The *Winnipeg Tribune* was 90 years old; the *Ottawa Journal* was almost 95. Both had striven valiantly for some years before their abrupt closing to survive by excelling in what they offered to the public; both died while optimism within their staffs was high. Journalists and other employees of the two papers were stunned. Readers were angry. Thoughtful people throughout the country became seriously concerned, for the demise of the *Journal* and the *Tribune* was merely the culmination of a series of takeovers and "rationalizations" that have changed the face and nature of the press in Canada.

The *Tribune* and the *Journal* closed their doors on August 27, 1980. This Commission, in direct response to that event, was created six days later. At the same time, an inquiry was launched into arrangements between the Thomson and Southam organizations. Charges were subsequently laid under the Combines Investigation Act and are before the courts. As we made clear from the outset, the narrow issues involved in the case are not the issues with which this Commission is concerned. Our task is to look at the industry as a whole; to suggest, if we can, a better course for newspapers in Canada; to recommend whether law or policy should be different for the future.

The Commission's mandate is broad. It reflects the gravity of the situation within the newspaper industry and the intensity of public concern. There was need for deliberate haste in our inquiry lest the situation deteriorate further, and for that reason we were given an early and firm deadline. There was equal need to make our investigations as comprehensive and penetrating as possible. Our instructions were "to inquire generally into the newspaper industry in Canada", as well as to study specific aspects of the situation, and to suggest remedies.

In order to proceed from the fullest information that could be obtained in time, we sought the opinions of all interested Canadians, through briefs and extensive public hearings. We organized a wide range of research projects. We thought it imperative that we take our investigations into the newsrooms, to talk to the reporters and editors who produce the newspapers that Canadians read each day. These interviews were not heartening. We were disturbed by the insecurity and, worse, by the cynicism that were evident. They seemed to us symptomatic of a deep malady. That conclusion was not changed as, in our hearings and through our researchers, we talked to owners, publishers, senior journalists, union representatives and, generally, people involved in all aspects of the newspaper business.

This report on our work was written in both official languages. The original text of three of the chapters was in French, the others in English. We begin by reviewing the condition of the newspaper industry in Canada, how it has come to be that way, and, briefly, how other countries deal with similar problems. We consider the responsibilities of the newspaper to society, how owners and publishers perceive those responsibilities, and how the reading public perceives them. We review the law as it relates to newspapers. The economics of the industry are examined, in order to analyze how newspapers operate and why they operate as they do. We investigate the factors underlying the "trade-off" that newspapers make between their profitability and the fulfilment of their responsibilities to the public. We then look at the processes of gathering and disseminating news, including the operations of news services such as Canadian Press (CP). The role of the newspaper in public affairs is examined, as is the new technology that has greatly changed the way newspapers are produced. We consider the possible effects of the new medium emerging from the marriage between electronic communications and computers.

Finally, we summarize our findings about the newspaper industry in Canada and discuss ideas that have been put forward to us as to what should be done; some are adopted with enthusiasm. We discuss what we believe the Parliament of Canada can do to create the climate in which newspapers can truly fulfill the public trust that our society has vested in them. In our last chapter we set out those recommendations in some detail.

We took for our motto in this inquiry the famous words of one early Canadian newspaperman, Joseph Howe. "I conjure you," he said to the jury asked to convict him of contempt for publishing information he thought the public should have, "to leave an unshackled press as a legacy to your children." The shackles that bind the press in Canada today are a different sort from those that Howe exhorted against. They are shackles nonetheless. We present in this Report our recommendations for freeing the press in Canada.



*Roland Berthiaume (Berthio),
Montréal*

Second selection in the Royal Commission's call for cartoons. (The Commission's first selection accompanies Chapter 13.) An explanation of the cartoon selection process is included in Appendix III.

1

The scope of concentration

FREEDOM of the press is not a property right of owners. It is a right of the people. It is part of their right to free expression, inseparable from their right to inform themselves. The Commission believes that the key problem posed by its terms of reference is the limitation of those rights by undue concentration of ownership and control of the Canadian daily newspaper industry. As Justice Hugo Black wrote in a 1945 judgment of the United States Supreme Court, "Freedom of the press from governmental interference . . . does not sanction repression of that freedom by private interests."¹

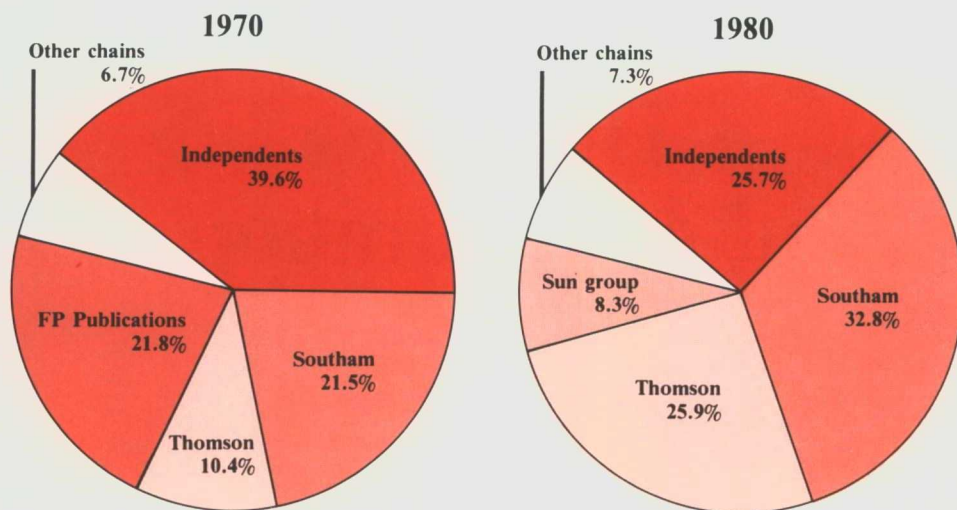
Concentration engulfs Canadian daily newspaper publishing. Three chains control nine-tenths of French-language daily newspaper circulation. Three other chains control two-thirds of English-language circulation. Additional chains bring the circulation in English under concentrated ownership to three-quarters of the total. In seven provinces — all but Ontario, Québec, and Nova Scotia — two-thirds or more of provincial circulation is controlled by a single chain.² Often chain owners of daily newspapers also control community newspapers, broadcasting stations, periodicals, and major interests outside the media. We define a chain as the ownership of two or more daily newspapers in different urban communities by a single firm.

Fateful decade

Canadian newspapers went through a decade of wrenching change before the traumatic "rationalization" of 1980 — the series of takeovers, mergers, agreements, and closings that brought about the appointment of this Commission. There is no reason to think that the trend of ownership changes, with increasing concentration, has ended. The years ahead will see more, unless the law is changed.

The daily paper is an urban phenomenon. The bigger the city, the more newspaper journalism it generates. Toronto, Montréal, and Vancouver alone account for 44 per cent of all daily newspaper circulation in Canada. In the 1970s, Canada's burgeoning metropolitan centres called up new patterns. Old general-interest newspapers died, new pop tabloids soared. Eight papers that accounted for 15 per cent of Canadian circulation in September, 1970, were gone 10 years later. The increase in

English-language circulation by ownership

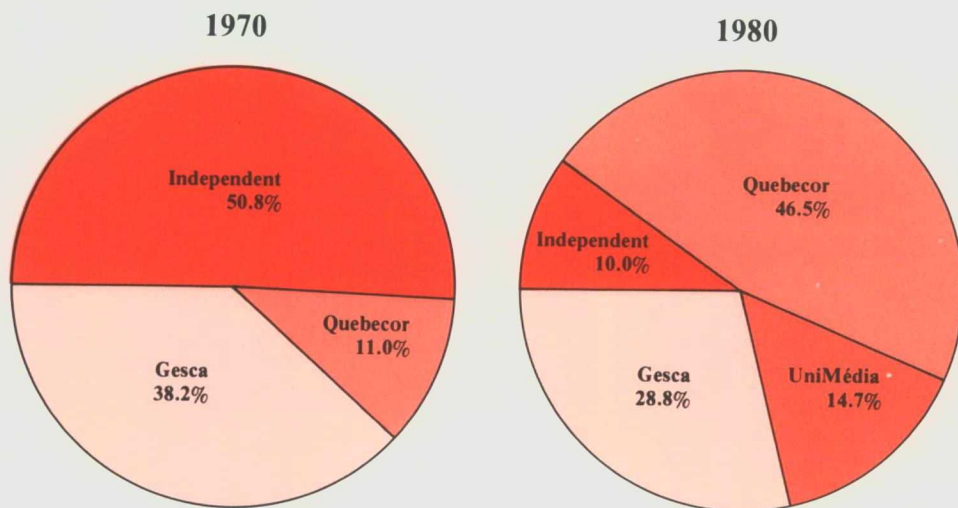


morning tabloid circulation during the decade was almost exactly equal to the 1970 circulation of the defunct papers. It also was equal to the net increase in all daily newspaper circulation during the 1970s. The competition of television for public attention intensified, and daily newspapers also had to keep a weather eye on radio, community newspapers, and magazines as claimants for audience and hence for advertisers' dollars.

The emerging pattern of journalism in Canada is an old one in some other countries, where big metropolitan centres earlier provided adequate mass circulation bases for a variety of papers — highbrow, middlebrow, lowbrow. In this country, the French-language market in Québec — relatively compact, highly urbanized, culturally homogeneous — led the way. Pierre Péladeau, king of the pops, launched his daily tabloids in the 1960s, but he was building on a base of mass-circulation pop journalism already established by weeklies and the daily *Montréal-Matin*. At the other end of the spectrum, *Le Devoir* steadily developed as Canada's national newspaper in French, devoted as it was to reaching the leadership elements throughout French-speaking Canada. In mid-spectrum were to be found the big-city omnibus papers, *La Presse* in Montréal and *Le Soleil* in Québec City, along with a handful of smaller dailies.

The pattern was repeated in English-speaking Canada in the 1970s, with the spectacular success of the tabloid *Sun* in Toronto and its bold move to exploit a similar market segment in Edmonton. At the same time, the *Globe and Mail* was steadily refining its role as Canada's national paper in English; it was poised at the end of the decade to make its national character a physical as well as an editorial reality by feeding its content to remote printing plants by satellite transmission. But English-Canadian journalism remained dominated by its middle — from the Toronto *Star* to the smallest of the small-town general-interest newspapers.

French-language circulation by ownership



Within these broad patterns there were significant secondary movements. Weekend circulation, including the introduction of new Sunday editions, grew faster than weekday. Circulation of afternoon papers was slightly lower in 1980 than in 1970, while morning circulation increased by two-thirds during the decade. Afternoon papers were still dominant, at 63 per cent of total circulation, at the time of our survey in September of 1980. But since that time one major paper in Québec, *La Presse*, as well as the smaller *Le Quotidien*, have switched from afternoon to morning. The trend-setting province now has only one French-language afternoon paper, *Le Soleil*.

All these changes can be seen for what one would expect them to be, a chase after readers. During the past decade there has been a sharp increase in the number of households in Canada, and a decrease in numbers within households. The combination produced lower "household penetration" of newspapers, which went haring after the readers — on the subways, downtown at the newsstands and in the offices, out at the shopping centres. A paper in one person's hands early in the day may have passed through several more by day's end. All are potential customers for the advertisers whose dollars are sought by newspapers as a steadily increasing proportion of revenues: 78 per cent in 1980.

The people who have been involved in all these changes and exertions in the daily newspaper industry number about 22,000, including employees of news services. About a quarter of that number — 5,500 — are editorial employees, directly responsible for the journalistic content of the papers. Finally, a little over half this group, about 2,900, are original content providers: reporters, photographers, editorialists, feature writers, reviewers, and so on. The remainder are editors, copy-editors, and other support staff.

The need to remain competitive in price led newspapers in the 1970s into a revolution of production processes and methods, sweeping the linotype machine out of the composing room. Journalists became, in effect, their own typesetters through the use of video display terminals (VDTs) and computerized photo-composition. Typographers were losing their jobs, editors and reporters were trading in their typewriters for VDTs, paper and clatter were disappearing from the newsroom. And often, down in the pressroom, shiny new offset presses were spewing out a technically better product containing more color.³

A new screenprint medium was taking shape, using computer-communications and screen-display technologies to bring printed information into office and home.⁴ Screenprint comes in several modes. Videotex, in which Canada's Telidon technology is a world leader, is an interactive system using the standard TV set, with adaptations, to provide two-way communications for accessing information, teleshopping, telebanking, and so on. Teletext is a one-way broadcast or cable system, cheaper than videotex but with much more limited opportunity for information retrieval. Computer on-line systems provide information to compatible terminals in home or office; an example is Info Globe, the screenprint version of the *Toronto Globe and Mail*. All these systems can be seen as extensions of the computer-communications now used within newspapers. They raise serious questions about the form and content of paper-print dailies that will be able to survive in the long run.

In both the old world of newspapers and the new screenprint world of "information providers", concentration of ownership and control grew apace. Corporate owners acquired new properties — three-quarters of Canadian newspaper titles are in chains — and diversified their interests. As the Commission conducted its public hearings in late 1980 and through the winter and into the spring of 1981, it was occasionally asked to consider a couple of worst-case scenarios. In the first, all the daily newspapers in English would fall to one owner, those in French to another. In the second, screenprint would take over and there would be no daily newspapers at all. In our view, neither prospect pleases, neither need happen, and neither is something we should sit back and endure. But both must be taken seriously.

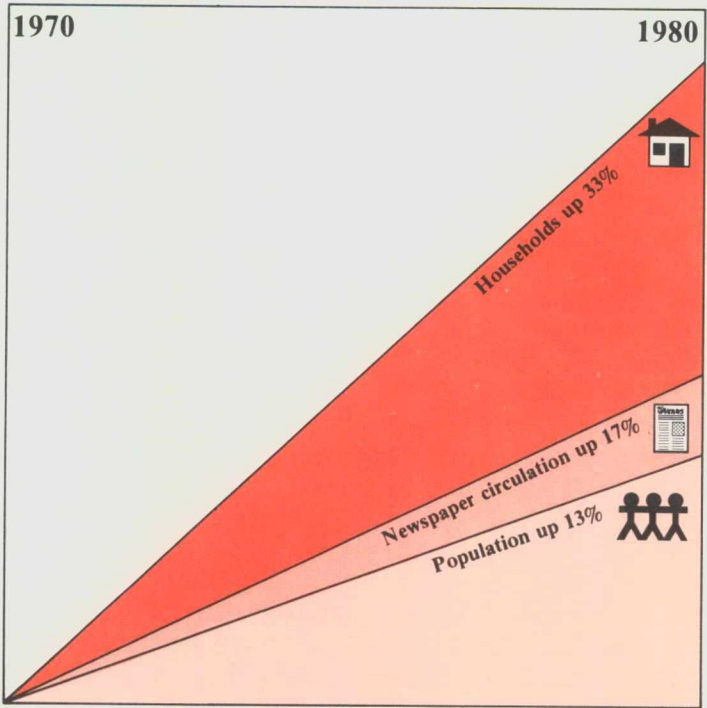
Newspapers from coast to coast

To obtain facts and views from all the parties who were the subject of our general inquiry into the Canadian daily newspaper industry, and from interested citizens, the Commission conducted public hearings in British Columbia, the Prairies, Ontario, Québec, and the Atlantic region, followed by extensive national hearings in Ottawa, for 30 days in all. A broad research program was undertaken to give the Commission a grounding in the various facets of the newspaper business in both the anglophone and francophone communities. The Commission received hundreds of letters and briefs in addition to those presented at hearings. A summary of the conduct of the inquiry is to be found in Appendix III.

First, let us take a look at the newspapers throughout Canada and see how they fit into the broad patterns of journalism and the concentration of ownership and control that we sketched at the beginning of the chapter. We have chosen the years 1970 and 1980 for comparison in order to show how the situation has evolved during the decade since the Special Senate Committee on Mass Media under the chairmanship of Senator Keith Davey issued its report.⁵ The circulation analysis on which this sec-

tion is based uses aggregate *weekly* circulation of newspapers, rather than the more traditional average *daily* circulation. This gives us a comparable measurement of total weekly circulation whether the “daily” appears five, six, or seven days a week. During the decade, the aggregate weekly circulation of all daily newspapers in Canada increased from 27,850,500 copies to 32,445,000, a gain of 16.5 per cent. This was a shade above the rate of population growth but represented a nine per cent decline in relation to number of households.

Relative growth rates of population, daily newspaper circulation, and households in Canada, 1970 to 1980



The number of newspaper titles in Canada increased from 114 in 1970 to 117 in 1980, the end of September being the date of our survey in each year; that is, the figure takes account of the closing of the *Winnipeg Tribune* and the *Ottawa Journal* on August 27, 1980, the immediate event that triggered the appointment of this Commission. The count does not include the new *Winnipeg Sun* (no relation to the *Toronto Sun*), which went to publication five days weekly, the minimum for consideration as a daily newspaper, only in the spring of 1981. The count does include both titles of two-in-one newspapers, which we define as two titles put out by one owner from the same plant, containing much of the same editorial material and sharing a good deal or all of the same staff, but aimed at distinct markets — mainly out

of town in the morning, in town in the afternoon. An example is The Halifax Herald Limited which publishes the morning *Chronicle-Herald* and the afternoon *Mail-Star*.

Within the total figures for 1970 and 1980, independent titles decreased from 45 to 29, while chain-owned titles increased from 69 to 88, or 75 per cent of the total. Every region experienced changes.

Starting in the Pacific region, we find that Victoria's two newspapers, the morning *Colonist* and the afternoon *Times*, have been merged into one "all-day" paper, the *Times-Colonist*. The two, editorially distinct in 1970, had steadily come to share more and more services under their former owner, F.P. Publications Limited (FP), and were merged in September of 1980 by Thomson Newspapers Limited — through its subsidiary, Canadian Newspapers Company Limited — after the purchase of FP earlier that year.

Elsewhere in British Columbia, five new daily newspapers, all of them small-town monopolies, have been created out of former community newspapers, four by the Sterling Newspapers chain and one by Thomson. In Vancouver, the *Sun* and the *Province* continue as distinct newspapers, but under the single ownership of Southam Inc., which bought the half-share in their joint operation, Pacific Press Limited, that Thomson had obtained with the purchase of FP. The only independently owned newspaper among the 19 in B.C., the *Columbian*, continues to offer competition in a suburban segment of the metropolitan Vancouver market.

All but 5.4 per cent of British Columbia daily newspaper circulation is held by the chains: Southam has 65.8 per cent, Thomson 22.4 per cent, and Sterling — established by Conrad Black, David Radler, and Peter G. White, with headquarters in Vancouver under Radler as president — 6.4 per cent. British Columbia newspapers have 13.1 per cent of total English-language circulation in Canada.

In the Prairie region, Alberta's nine daily newspapers include two new ones. Edmonton has, in the tabloid *Sun*, a second newspaper to Southam's *Journal* for the first time since the *Bulletin* folded in 1951. Burgeoning Fort McMurray has a new monopoly newspaper owned by Bowes Publishers Limited. Calgary has two newspapers as before, but The Toronto Sun Publishing Corporation has bought the *Albertan* from Thomson (which got it as part of FP) and transformed it into the Calgary *Sun*, a more vigorous competitor for Southam's *Herald*.

Alberta's one independent newspaper in Canadian terms, the Red Deer *Advocate*, is actually controlled by a British chain, the Liverpool Post and Echo Limited, and has only 3.7 per cent of provincial circulation. Chains hold the rest: Southam 65.1 per cent, Toronto Sun Publishing 23.1, Thomson 5.6, and Bowes Publishers 2.4. Alberta newspapers have 11.2 per cent of national English-language circulation.

Saskatchewan remains an all-monopoly, all-chain province, but its five dailies include one newcomer, the Lloydminster *Daily Times*, owned by Sterling. The big owner is Armadale Company Limited (Michael Sifton) with 85.7 per cent of provincial circulation. Thomson has 14 per cent, and Sterling about a third of one per cent. Saskatchewan accounts for only 3.1 per cent of English-language circulation in Canada.

In Manitoba, six of the seven local monopoly papers in the fall of 1980 were independently owned, all small. Thomson's Winnipeg *Free Press*, alone in Winnipeg

after Southam's closing of the *Tribune*, had 87.1 per cent of provincial circulation. In April, 1981, the new Winnipeg *Sun* went daily, restoring a measure of competition. Southam retains a foot in the door in Manitoba through its 49 per cent ownership of the Brandon *Sun*, and the right to buy the rest of it later. Manitoba has 5.2 per cent of total English-language circulation.

In Ontario, 46 titles account for 52.9 per cent of total English-language, and 4.6 per cent of French-language circulation, but include only 12 newspapers that are still independently owned. The independents include one of the two-in-one newspapers to which we referred earlier, the morning and afternoon London *Free Press* papers. The Thomson chain's two-in-one paper in Thunder Bay — the *Times-News* and the *Chronicle-Journal* — is another example of the species. It is really one paper with two titles.

Among the larger cities of Ontario, English-language competition ended in Ottawa with the closing of the *Journal* by Thomson, leaving Southam's *Citizen* with an English-language monopoly. Competition was not reduced in Toronto at the beginning of the decade by the closing of the *Telegram* since former Tely people immediately launched the tabloid *Sun*. By the fall of 1980, the *Sun* had surpassed the Tely's 1970 circulation and had itself become the flagship paper of a chain. In 1980, Toronto was the only city in Ontario with resident daily newspaper competition: the *Star*, the *Globe and Mail*, and the *Sun*.

The circulation breakdown in Ontario shows no one chain selling as many papers as the sum of the independently owned newspapers. The independents have 39.5 per cent of the total; but just over 60 per cent of their share is accounted for by the Toronto *Star* alone, which is now only a component of the Torstar conglomerate. Thomson has 27.3 per cent of Ontario circulation, Southam 22.2, the *Sun* 10.6, Northumberland Publishers Limited (James Johnston) three-tenths of one per cent, and Bowes two-tenths of one per cent.

By 1980 in Québec, newspapers that had accounted for 30 per cent of provincial circulation in 1970 were dead. In both French-speaking Montréal and Québec City, reduced competition remains. In Montréal, the demise of *Montréal-Matin*, owned by Gesca Ltée (Paul Desmarais), leaves *Le Journal de Montréal*, owned by Quebecor Inc. (Pierre Péladeau), Paul Desmarais' *La Presse*, and the independent *Le Devoir*. In Québec City, the closing of *L'Action* at the start of the decade left *Le Soleil*, now owned by UniMédia Inc. (Jacques Francoeur), and Péladeau's *Le Journal de Québec*. A new daily was created when *Le Soleil* split off a regional edition to create a separate newspaper, *Le Quotidien*, in Chicoutimi; the newspaper relaunched itself as a tabloid in 1981 to meet stiff competition from a regional edition of *Le Soleil*'s rival, *Le Journal de Québec*.

English-language competition in Montréal ended with the death of FP's *Star* in the fall of 1979, leaving Southam's *Gazette* with a monopoly. Thomson vanished from the Québec newspaper scene as the English-speaking market in Québec City dried up and the *Chronicle-Telegraph* was sold and went weekly.

Le Devoir and the Sherbrooke *Record*, with 4.1 per cent of provincial circulation, are the only independents among Québec's 11 newspapers. Of total provincial circulation, Quebecor has 39.8 per cent, Gesca 24.6, Southam 19, and UniMédia 12.5. Québec daily newspapers account for 94 per cent of national circulation in French, and 5.1 per cent of circulation in English.

In the Atlantic region, the New Brunswick situation remains essentially unchanged from 10 years earlier. Members of the Irving family own all five English titles (two-in-one newspapers in Saint John and Moncton, a single paper in Fredericton). *L'Évangéline*, published in Moncton, continues as an independent to serve the Acadian population. The Irvings account for 90.6 per cent of provincial circulation, the independent for 9.4. Of total Canadian circulation, the New Brunswick dailies account for three per cent of English and 1.4 per cent of French.

Prince Edward Island has a Thomson two-in-one newspaper in Charlottetown accounting for 67.5 per cent of provincial circulation, and a Sterling paper in Summerside with the remainder. These papers account for 0.8 per cent of national English-language circulation.

Nova Scotia, the only province with a majority of its circulation in the hands of independently owned newspapers, at 73.4 per cent, has seven newspaper titles. Dominant are the two-in-one Halifax newspapers, the *Chronicle-Herald* and *Mail-Star*, which have been subject to competition in a suburban segment of the Halifax market since the Bedford-Sackville *Daily News*, established as a weekly in 1975, went daily in 1979. The morning *Chronicle-Herald* is primarily a provincial paper, while the *Mail-Star* circulates in the city. The Thomson chain has three newspapers in Nova Scotia accounting for 26.6 per cent of provincial circulation. The province's papers account for 4.4 per cent of national circulation in English.

In Newfoundland, the independent morning *Daily News* in St. John's struggles on in the shadow of the dominant afternoon *Telegram*, owned by Thomson, which also owns the province's third daily newspaper, the Corner Brook *Western Star*. Thomson controls 83.5 per cent of provincial circulation, which in turn accounts for 1.2 per cent of national English-language circulation.

Finally, the Yukon has one daily, new since 1970, an independent: the Whitehorse *Star*. The Northwest Territories does not yet have a daily newspaper.

Reviewing the situation across the country in June, 1981, we find three urban communities reduced since 1970 from two newspapers to one: Victoria, English-speaking Ottawa, and English-speaking Montréal. The number of newspapers in both French-speaking Montréal and Québec City has been reduced but there is still competition. New entrants have offset losses, at least in numbers, in Toronto and Winnipeg. There is only one clear case of an increase in numbers in a single market, Edmonton going from one to two. Greater Halifax, it is true, has a second newspaper, but it is too restricted in circulation to be considered competition in the whole market.

Across the country, the number of major cities with two or more resident newspapers dropped from 10 to eight between 1970 and 1981. The total number of newspapers in the 11 cities which had more than one newspaper in either 1970 or 1981 has gone down from 26 to 22. We do not count the separate titles of the two-in-one newspapers here, since we are trying to get an idea of the number of major cities with competition between local dailies, and two-in-one titles can hardly be said to compete with each other. If we include Southam's Vancouver *Sun* and *Province* in this category, we are down to seven urban communities with local competition: Edmonton, Calgary, Winnipeg, Toronto, French-speaking Montréal, Québec City, and St. John's. These account for 49 per cent of daily newspaper circulation in Canada.

But the "number of cities in which competition between daily newspapers exists", to borrow a phrase from our terms of reference, remains problematical. In the old sense of head-to-head competition between similar dailies in the same morning or afternoon market, competition no longer exists at all. The last example of it was the battle of the afternoon papers in Winnipeg, the *Free Press* and the *Tribune*. (In Ottawa, the *Journal* had already gone to the morning before it folded and left the *Citizen* alone in the afternoon.)

Nowadays newspapers publishing in the same city tend to be directed toward particular segments of the market, geographic or demographic or both. Still, there remains a good deal of competition among them as they nudge into one another's segments. But attempts to start new competing papers within segments failed during the 1970s, notably in Québec City and Montréal where tabloids launched to do battle with *Péladeau* led short lives. The older type of market segmentation along political lines, which characterized both the English-language and French-language press in earlier times, was tried by *Le Jour* in Montréal. But it failed, even though the party it supported, the Parti Québécois, went on to win power after the newspaper's demise.

Other competitive elements are the availability of out-of-town papers in many places and the access of bilingual people to both English-language and French-language dailies.

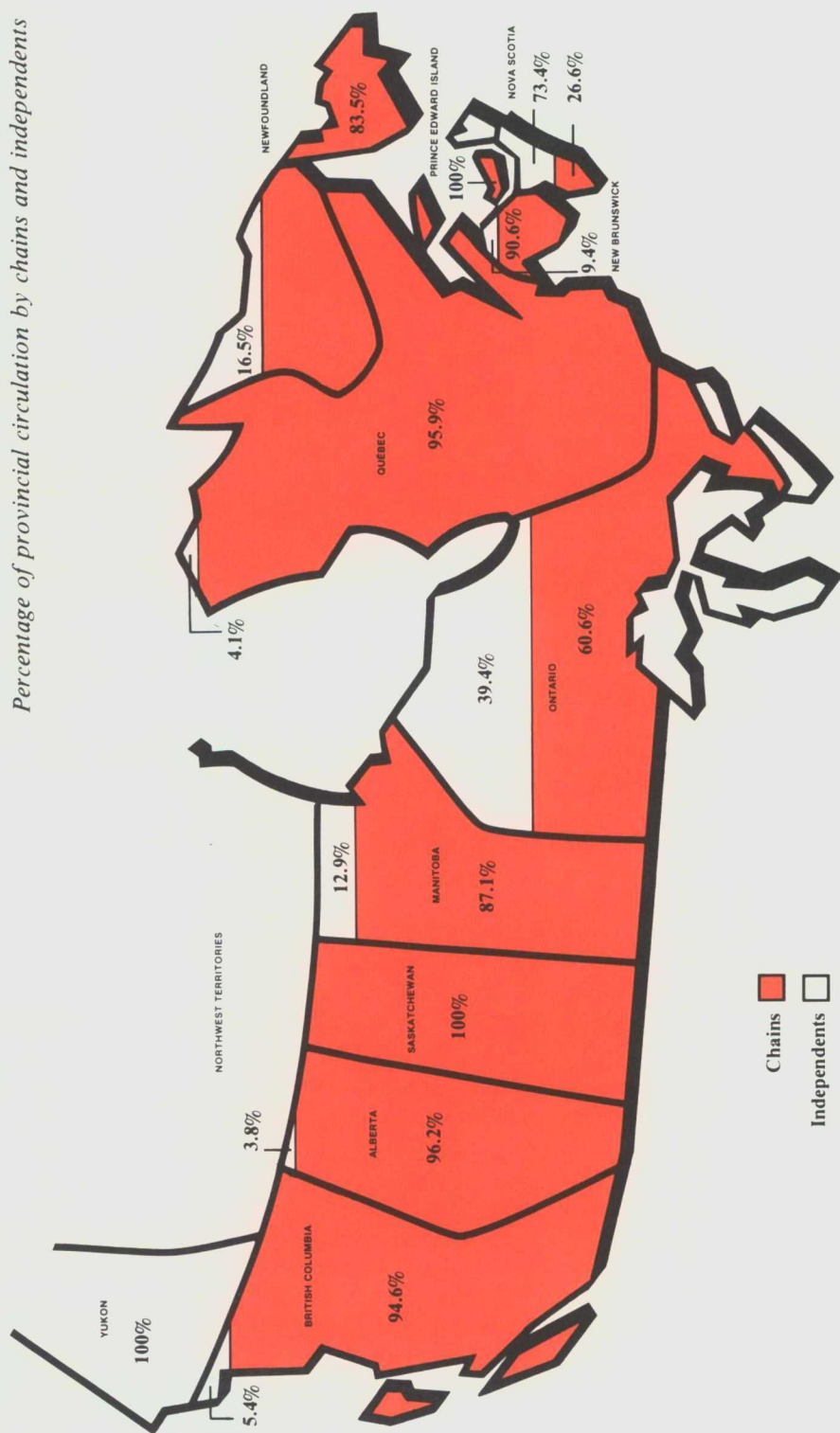
Nationwide concentration

In our cross-country survey, we found many dominant positions: Southam with two-thirds of the circulation in both British Columbia and Alberta, Armadale with more than four-fifths in Saskatchewan, Thomson with almost nine-tenths in Manitoba, two-thirds in P.E.I., and more than four-fifths in Newfoundland, the Irvings with nine-tenths in New Brunswick. Only three provinces — Ontario, Québec, and Nova Scotia — do not have two-thirds or more of their circulation in the hands of a single chain.

Chains accounted for 77 per cent of all copies of daily newspapers published in Canada in September, 1980, an increase from 58 per cent 10 years earlier. The movement in the past decade has been clear-cut. Except for the sale of the *Sherbrooke Record* by the Sterling chain to an independent owner, it has been all the other way: from independent to chain, and from chain to chain in the case of the biggest transaction in the history of Canadian newspapers, the purchase of FP Publications by Thomson in January of 1980. FP had been, by a shade, the highest-circulation chain in 1970, with 21.8 per cent of English-language circulation.

In looking at the national scene it is appropriate to describe the two linguistic audiences separately. Not only are their different cultural traditions reflected in differing traditions and styles of newspaper journalism, but their different "demographics" also result in different kinds of markets. The bulk of the French-language readership is concentrated in an area little larger than Belgium, and within that area into a metropolis (Montréal), a big city (Québec), and a few small cities; there are no parallels to the Victorias, Saskatoons, Windsors, or Saint Johns. The conditions of the French-speaking market give most of its papers a reach and resonance within the whole community that is unknown to the newspapers spread through the far-flung regions of the English-language community. In the French-language market, reader-

Percentage of provincial circulation by chains and independents



Percentage of provincial circulation by chains and independents



British Columbia



Alberta



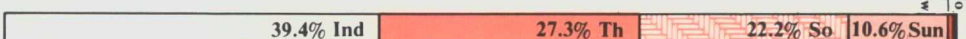
Saskatchewan



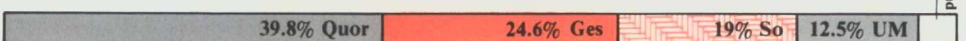
Manitoba



Ontario



Québec



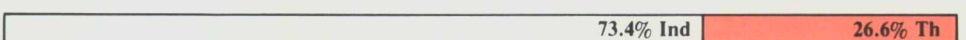
New Brunswick



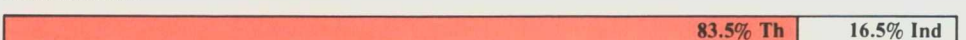
Prince Edward Island



Nova Scotia



Newfoundland



Yukon



ship of weeklies has been stronger, of dailies weaker, than in the English-speaking market. Smaller cities in Québec are less likely to have their own dailies than are those in the rest of Canada.

On the English-language side, the share of total circulation controlled by chains increased from 59 per cent in 1970 to 74 per cent 10 years later. Thomson and Southam were the major gainers. Toronto Sun Publishing was the major new entrant and competitor. These three owners alone controlled 67 per cent of circulation in English and half of all English titles.

In 1970, the Thomson organization's chain of small-town monopoly papers accounted for 10.4 per cent of total English-language circulation. By the time it had swallowed FP and disposed of unwanted bits, Thomson was up to 25.9 per cent and owned 40 titles, including two of the most highly respected in Canadian journalism, the *Toronto Globe and Mail* and the *Winnipeg Free Press*. Several moves by Thomson combined to carry its preference for monopoly positions into its new field of operations in major cities: the merging of the two papers in Victoria, the sale to Southam of ownership shares in Vancouver and Montréal, the emergence of monopoly positions for Thomson and Southam in Winnipeg and Ottawa respectively (soon challenged, however, in Winnipeg), and the drive to make the *Globe and Mail* a one-of-a-kind English-language national newspaper. Thomson also remained active during the decade in picking up small-town daily monopolies, acquiring four in Ontario and two in Nova Scotia, and turning its Vernon, B.C., weekly into a daily.

Southam had 21.5 per cent of English-language circulation in 1970, and was number two by three-tenths of a percentage point behind FP. In 1980, it was number one at 32.8 per cent, having bought three monopoly newspapers, obtained English monopolies in Montréal and Ottawa through the death of rivals, and bought full control of Pacific Press, which publishes the two major Vancouver papers. It owned 14 titles. By contrast with Thomson, Southam had in the past run most of its papers in competitive situations; by 1980 these had been reduced to two: Edmonton and Calgary. One must assume that in Vancouver the rigors of competing with itself through the *Sun* and the money-losing *Province* were felt by Southam to be less taxing than risking competition with a new entrant if the company either merged the two papers or turned them into a two-in-one combination. We no longer count them as competitive.

In 1970 neither the *Toronto Sun* nor its chain existed. By 1980 it had three newspapers (one of them formerly owned by the front-runner of 1970, FP) and controlled 8.3 per cent of national English-language circulation.

Other English-language chain ownership is divided among smaller groups, some with dominant provincial positions mentioned earlier. The Irving family during the 1970s split ownership of its newspaper holdings between brothers James and Arthur, on the one hand (Saint John), and another brother, John, on the other (Moncton and Fredericton). Their father, through K.C. Irving, Limited, retained a minority interest in Saint John. Together, the family controls three per cent of national English-language circulation through five New Brunswick titles. Michael Sifton, through Armadale's Regina and Saskatoon papers, controls 2.7 per cent. The new Sterling chain accounts for 1.1 per cent. And for those keeping close tabs on the Commission's arithmetic, we mention Bowes Publishers (papers in Kenora, Ontario, and Fort McMurray and Grande Prairie, Alberta) at two-fifths of one per cent, and

— tiniest chain in the country — Northumberland Publishers Limited, which consists of James Johnston's papers in Cobourg and Port Hope, Ontario, controlling one-fifth of one per cent.

In the French-speaking community, which accounts for 18 per cent of Canadian circulation, all but the circulation of *L'Évangéline* of Moncton and less than half the circulation of *Le Droit* of Ottawa is in Québec. Concentration into chains is far more advanced than in the English-speaking community. One way and another, chain ownership went from 49 per cent of French circulation in 1970 to 90 per cent 10 years later, all of it under three owners, and embracing all but three of the 11 French titles.

Quebecor Inc. under Péladeau, with only two daily titles, in Montréal and Québec City, accounted for 46.5 per cent of French-language circulation in 1980, up from only 11 per cent in 1970.

Desmarais, with four titles controlled through Gesca Ltée, had slipped from 38.2 to 28.8 per cent as *La Presse*, affected by a prolonged strike and Péladeau competition, lost circulation, while his three smaller dailies in Trois-Rivières, Sherbrooke, and Granby made modest gains.

The third of Québec's "big three" of newspaper publishing, Jacques Francoeur, controlled 14.7 per cent of French-language circulation in 1980 through his two UniMédia titles, in Québec City and Chicoutimi respectively.

In both French-language and English-language markets, however, the term "concentration" has a much broader sense than the mere common ownership of newspapers. Chain ownership has brought with it, for example, strong geographic concentration of head offices. This may not be so unusual in the compact French-language market for dailies, though the fact that corporations controlling 94 per cent of circulation in French are all clustered in Montréal is striking. More extraordinary in a community as spread out and regionalized as English-speaking Canada is the fact that 83 per cent of circulation is held by corporations based in Toronto.

Another aspect of newspaper concentration is the increasing tendency of both chains and independents to become diminishing components of media conglomerates or, in a more extensive form of concentration, mixed conglomerates. For example, Canada's largest daily newspaper, the Toronto *Star*, accounts for only 37.6 per cent of the revenue of the Torstar conglomerate. The Southam newspapers are moving toward a minority position in Southam Inc. The Canadian Thomson newspapers are but a small part of the multinational, mixed conglomerate operations of the Thomson interests. Similarly, the Gesca papers are small in relation to the vast and varied operations of Desmarais' Power Corporation of Canada. The Irving newspapers in New Brunswick are a fraction of the Irving interests in New Brunswick, Eastern Canada and internationally.

Nor is that by any means the end of the ramifications of concentration of ownership and control in the Canadian daily newspaper industry. Through The Canadian Press, their chain-dominated co-operative news agency, the newspapers provide the principal common news service not only for themselves but for radio and television broadcasters as well. This is in addition to the cross-media ownership of newspapers and broadcasting stations that is to be found in many parts of Canada, though the Canadian Radio-television and Telecommunications Commission has

been keeping it in check in recent years. Another aspect of concentration concerns inter-conglomerate ventures such as the Southam-Torstar domination, in co-operation with the federal Government, of the marketing of videotex.

A problem in many countries

Concentration is not, of course, unique either to the newspaper business or to Canada. In most of the advanced industrial nations, the newspaper sector is less concentrated than some other industries. Different countries have different types of general legislation to discourage concentration and encourage competition. Often they also make special provision for press competition on the ground that the availability of choice to the consumer is more important in this field than in others. Many countries have measures to support the press in general and, going beyond that, particular measures either to help newspapers in difficulties or to encourage new ones. Behind all these policies is always the political concern that the public in a democracy has a right to be informed, and that a variety of news and views in the daily public prints is essential to that end.⁶

Britain has had no fewer than three Royal Commissions of inquiry into the press since World War II. Sweden, which has gone further than any other country in providing for press pluralism, has also had three national inquiries in the same period. Many other countries have had governmental inquiries into newspaper problems. On behalf of the western European democracies, the Council of Europe sponsored a study by a Committee of Experts which reported in 1974.⁷ The Council then adopted a resolution urging member countries to give public aid to newspapers in order to maintain a plurality of editorial viewpoints. The Committee of Experts had reported that, between 1955 and 1973, the number of "independent editorial units" in the member countries had declined by 35 per cent, while circulation had increased by 95 per cent over the same period. The average percentage of newspaper circulation controlled by the four largest owners in each country had increased from 35 to 45 per cent; that is, it was still a good deal lower than the percentage of circulation controlled by the *three* largest owners in either the French-language or English-language markets of Canada today. The European Committee observed: "While generalized assistance might keep the wolf from the door a little longer, it would not by itself change the underlying trend." It remains true today, however, that in most advanced democratic countries at least half the cost of all assistance to the press is in the form of generalized assistance. In Canada, all assistance — excise tax and postal concessions — is of this type.

Roughly speaking, concentration of ownership and control tends naturally to be greater in small markets than in large, especially if the population of the smaller one is concentrated in large urban centres. The United States has less concentration than France, France less than English-speaking Canada, and English Canada less than French. The alarm bells tend to ring first in the smaller markets. Sweden, Norway, Denmark, the Netherlands, and Belgium have all taken extensive measures to try to maintain the ideal of "many voices" in their press. In Canada, the only effective action yet taken against press concentration was in Québec, where the government of Robert Bourassa, backed by an expressed body of opinion covering all political parties and a wide range of social sectors, was able to keep Québec City's *Le Soleil* out of Paul Desmarais' Gesca chain without recourse to legislation.

The United States has used a combination of anti-trust laws and regulatory authority in broadcasting (through the Federal Communications Commission) to much greater effect than Canada has used similar means to prevent local and regional concentration. Anti-trust provisions in the U.S. are somewhat offset by the Newspaper Preservation Act of 1970, providing for a "joint operating agency" under which a "failing newspaper" can be operated jointly with another newspaper to cut costs. This Act has been widely criticized on the ground that it preserves concentration by barring the way to real competition which might be offered by a new entrant if the failing newspaper were simply allowed to fail. Still, under anti-trust laws, U.S. owners have been prevented from buying additional newspapers in regional markets where they are already strong.

The FCC has for some years sought to prevent local cross-ownership of newspapers and radio and TV stations in the issuing of licences. Beyond that, it has been upheld by the Supreme Court in ordering divestiture of local cross-media holdings. The U.S. thus meets the leading concerns expressed in Canada by respondents to the Commission's national readership survey.⁸ Of the survey respondents, 79 per cent said they would be concerned by common ownership of television, radio, and newspaper outlets in a local area, while 78 per cent said they would be concerned by common ownership of all the daily newspapers in a province, and 72 per cent by common ownership of "all local papers".

To take a quite different kind of newspaper situation, Sweden has enacted the broadest range of newspaper preservation measures of any country. There the newspapers, by contrast with Canada, had retained into modern times their alignment with political parties. Sweden — more particularly those of its political parties with papers losing circulation to the commercial press — wished to encourage continuing diversity. As in Canada, it was left-wing viewpoints that tended to be under-represented as commercialism increased its hold.

Sweden's policy of press support includes both general and particular assistance. General measures include reduced postal rates, placing of government advertising, a favorable tax system, and state aid to political parties that may be used to help finance newspapers. Particular measures include production subsidies based on the amount of newsprint used for editorial content. The subsidies go to newspapers with less than 50 per cent coverage in their home markets, and to papers which pool production, distribution, administration, and advertising sales services. Finally, low-cost loans are available to help finance modernization and rationalization of existing papers, as well as to assist new entrants deemed likely to qualify for production subsidies after a year's operation.

An eight-member Press Subsidy Board appointed by the Swedish government administers both the subsidy and loan programs. The board includes three press experts and five members of parliament representing all political parties. In 1980 the subsidies amounted to \$80 million. The Swedish system appears to have worked in preserving newspapers, if not in encouraging new ones. It is tied closely to the Swedish tradition of strong state concern for the common weal accompanied by democratic safeguards such as freedom of access to government information and the post of ombudsman.

Other countries have widely varying newspaper situations and public policy approaches. In the Netherlands, the number of independent newspapers was halved,

from 56 to 28, between 1955 and 1975, and there is now widespread sharing of both editorial and advertising services in networks of newspapers. An unusual subsidy scheme was in place between 1967 and 1974, under which 40 per cent of broadcast advertising revenues were redistributed, 85 per cent to newspapers and 15 per cent to magazines, for a total of \$39,566,850 over the period. Following abandonment of the scheme, a Press Fund was established by the government to provide daily and other newspapers with loans or credit facilities to assist them in technical reorganization and restructuring. The desire to retain a variety of religious as well as political opinion in the press has been a strong reason to preserve pluralism.

France experimented with, but dropped, various grant schemes to help newspapers offset the cost of newsprint. One scheme was geared to lower-circulation papers with small advertising revenue. As in other European countries with government-owned telephone and telegraph systems, newspapers are given concessional rates. The government-owned railways offer a 50 per cent reduction in rates on transport of newspapers. France also has a wide array of tax concessions to newspaper publishers.

West Germany offers an exemption from value-added sales tax to newspapers with circulation below 160,000, and provides an investment allowance against tax for small and medium-sized newspapers.

Britain provides postal concessions, and grants newspapers zero-rating for value-added sales tax. The successive Royal Commissions have had little effect, though the first did lead to establishment of a press council. The second brought about special guidelines for newspaper acquisitions under the merger and monopoly legislation in 1965, but the net result has been one ruling against the purchase of a weekly by a group operation. Recently, Rupert Murdoch, the owner of the country's largest daily, the *Sun*, and its largest Sunday newspaper, the *News of the World*, was permitted to take aboard the prestigious *Times* as well, though only after agreeing to guarantee its editorial independence from the owner: that is, himself.

In Australia, like Canada a federation, the population is concentrated in a few big cities, and 16 metropolitan dailies dominate the newspaper scene. Most are controlled by three groups (one of them Murdoch's). Newspapers are allowed to own a limited number of radio and TV licences under federal regulation.

Japan, through its customary harmonization process involving government, management, employees, and financial interests, has taken unusual measures to preserve the stability of its extraordinary national press. Of 104 national, regional, and local daily papers, five big nationals control 54 per cent of circulation. They include some of the biggest individual daily circulations in the world. These are two-in-one papers for the consumer as well as the publisher, since delivery of morning and afternoon editions can be ordered for a unit price. Combined morning and evening daily circulations in 1979 were: *Yomiuri*, 13,300,000; *Asahi*, 12,200,000; *Mainichi*, 7,100,000; *Chunichi*, 4,200,000; *Nihon Keizai* (a financial paper), 2,960,000; and *Sankei*, 2,940,000. By contrast the biggest circulation in Canada in September of 1980 was the Saturday Toronto *Star* at 772,600. The *Star's* average daily circulation over seven days was 503,000.

In the 1950s, a circulation war among the major dailies in Japan was ended when, at the request of the dailies themselves, a ruling was handed down under the

Anti-Monopoly Law against cut-throat competition. Inducements in cash or kind to increase circulation were forbidden; competition was to be based on editorial quality. During the recession of the late 1960s, the newspapers co-operated by not trying to expand circulation at the expense of competitors. In 1977, when *Mainichi* was in trouble, no takeover bid was made, as might have happened in the European countries, the United States, Canada, or Australia. Instead, a broad consortium was put together, including an employees' group, banks, management, and other financial interests, to keep the paper going.

All the countries surveyed by the Commission have, in their various ways, done more than has Canada to provide for a pluralistic press, though Canada has a higher degree of concentration than most of them.

The Davey legacy

An attempt to alert Canadians and their federal Parliament and Government to the inroads of concentration of the press came in 1970 in the report of the Davey Committee. Although it dealt with all the mass media, its chief concern was the daily newspaper, largely because the broadcast media were already under the regulatory authority of the Canadian Radio-television and Telecommunications Commission (CRTC). The Committee's main recommendation to stem concentration in the newspaper industry was not taken up, but it and other proposals were a strong influence on interest groups and individuals with special concern for the press. When the present Commission began its work, the Davey Report served as a point of departure, not only for the Commission itself, but for most of those who submitted briefs and appeared at public hearings.

What was the Davey legacy? First, it was an eloquently expressed view of journalism and society. Second, it was a series of proposals issuing from that view. "What matters," said the Committee, "is the fact that control of the media is passing into fewer and fewer hands, and that the experts agree this trend is likely to continue and perhaps accelerate." How right they were. The Committee held that "this country should no longer tolerate a situation where the public interest in so vital a field as information is dependent on the greed or goodwill of an extremely privileged group of businessmen".⁹

The report went on to say, "The principle is now well established that the state has a right to safeguard the public's right to information by approving, disapproving, or disallowing various property transactions within the broadcasting industry. The Committee believes it is time for this principle to be extended to include the print media."

The instrument proposed was a Press Ownership Review Board, its competence extending not only to the daily press but to weeklies and periodicals as well. The board would have had one basic guideline: "... all transactions that increase concentration of ownership in the mass media are undesirable and contrary to the public interest — unless shown to be otherwise." The board would have examined any proposed newspaper or periodical takeovers to determine whether or not they were in the public interest. Appeal against its rulings would have been to the Federal Court of Canada. The Davey Committee likened its proposal to the monopolies and merg-

ers procedure in relation to the press that had been in effect in Britain since 1965, though in fact the Davey proposal was for a decision-making rather than a merely advisory body.

It was specified, however, that the board should have no control over content, as the CRTC did in broadcasting; instead, newspapers were urged to respond on their own to the need for accountability to the public by establishing press councils in which the government would take no part.

Of the board, Davey said, "Its sole concern — and the source of its constitutional authority — would be the investigation and regulation of ownership concentration in the printed media, an area that at present appears to be outside the competence of existing anti-combines laws, and which cannot be effectively regulated by purely provincial enactments." It is clear that, had the board been established in accord with the Davey proposal, the takeover of the FP newspapers by the Thomson organization would not have been permitted.

Among the Davey Committee's other proposals was one for a Publications Development Loan Fund, which was directed more toward fostering a variety of magazines than toward the newspaper industry. Other recommendations urged establishment of new journalism schools, improvement of training programs and, as mentioned, establishment of press councils. These proposals proved influential in the 1970s, as succeeding chapters will show.

The Davey Committee foresaw an objection to its proposal for the Press Ownership Review Board: "the 'stable door' argument" that it was too late to do any good. The same argument has been the *leitmotiv* of critical comment about the present Commission. Davey simply observed in 1970 that there were still plenty of potential mergers that could be stopped. There is obviously rather less scope today. Returning to the metaphor, however, we would observe that it is inappropriate to our purposes. The Commission has not been thinking in terms of closing doors on horses in stables. On the contrary, if we must speak about horses, let them run free, frisk about the meadows, jump the fences.

To be more mundane, whatever the merits of the "stable door" argument, then or now, new times bring new circumstances, new situations, new problems, new possibilities. But the dictum in the Davey Report still holds: "The only reliable rule appears to be that good newspapers usually happen when (a) the operation is financially secure and (b) people who care more about journalism than about balance-sheets control the editorial product."

References

1. *Associated Press et al v. United States* (1945), 326 U.S. 1 at 20.
2. Communications Research Center (CRC), *Analysis of Newspaper Circulation: 1970 and 1980*. Research study.
3. Morrison W. Hewitt (Woods Gordon), *Newspapers and Computers*. Research study.
4. Peter Desbarats, *Newspapers in Transition*. Research study.
5. Canada. Special Senate Committee on Mass Media, *Report*. Ottawa: 1970. (Chairman: Hon. Keith Davey.) 3 vols.

6. Economist Intelligence Unit, *Ownership of the Daily Press in Other Countries*. Research study. Communications Research Group, *The Problem of Concentration in the Newspaper Industry: An International Perspective*. Ottawa: Carleton University School of Journalism, 1981.
7. Council of Europe, *Report of the Committee of Experts on Press Concentrations*. Strasbourg: 1974. p. 30.
8. CRC, *National Readership Survey*. Research study.
9. Davey, Vol. 1.



Josh Beutel,
Rothesay, N.B.

2

The public trust

IT is generally agreed that the press has a responsibility to the public although there is little agreement on how to define it and even less on how to put it into practice. The existence of such a responsibility is, however, the cornerstone of the Commission. Without social responsibilities, the press would be but a business like others and the market its only law. There would be no special reason for the prime representative of the citizen, the State, to become involved. But what exactly is the responsibility of the press? On what philosophical and moral principles is it founded? On what historical traditions; what ground of law? What do owners, publishers, editors, reporters, and readers think and say about it? Here we examine all that constitutes the motivating force and moral framework of journalism.

Without going back to Socrates, who interviewed Athenians to discover the truth, it can be affirmed that journalism has as its philosophical ideal the quest for what is true and right. But it is difficult to turn this into a yardstick to measure the performance of the media. For a simple reason: the truth is as diverse as mankind. Most often, it depends on power and ideology. It is not surprising that the dignitaries of Athens condemned Socrates to drink hemlock. His search for truth threatened their truth; that is, their power. It is not surprising either that when printing was invented in the 15th century, it was immediately monopolized by the Church, whose power in the Middle Ages was practically without limit. The first printed books and newsheets thus fell under the imprimatur of the princes of the Church and monarchs who ruled by divine right. They imposed their absolute truth on everyone, and those daring enough to stray from it went to moulder in dungeons dark and foul. The unprecedented intellectual and social ferment of Elizabethan England was manifested in a profusion of printed texts of every sort. As a critic of the time put it, "Scarce a cat can look out of a gutter, but starts a half-penny chronicler."¹ And many were those who came to repent of their writings in the sinister Tower of London.

Truth, in those days, was the prerogative of a few, mitred or crowned heads, and it necessarily flowed from on high. Church and State could do no wrong; to criticize either was a serious offence, indeed a crime. This authoritarianism prevailed every-

where in the West in the centuries that followed the invention of printing and, in one form or another, it prevails in most countries even today.

Journalism was able to develop its potential only when this authoritarian yoke was shaken off under the combined pressure of the rise of parliamentary supremacy in England and the widespread intellectual emancipation in the Age of Enlightenment. Out of these struggles came the American and French revolutions and above all the modern notion of democracy. The human being was henceforth seen as a rational being, capable of distinguishing the true from the false, and for whom freedom was the greatest good. The quest for truth became everybody's business, and the press from that moment on had an indispensable role to play. It was no longer to be an instrument of governments, but a means of exposing facts and arguments that would allow people to judge governments. Thus, it was essential that freedom of the press and of opinion be complete, that the greatest number of voices be heard. The clash of opinions struck flashes of light.

This libertarian concept gave rise to the prodigious development of the press in the 19th century when even the humblest printer became a gazetteer. But industrial development and the rise of the mass media put an end to the proliferation of papers for every viewpoint. Because of the large amounts of capital required to put out a newspaper, the press became concentrated in the hands of big business. Diversity of opinion was placed in jeopardy. Freedom of the press ultimately came to depend on an increasingly restricted ability to publish or be published. As in old authoritarian days, the definition of truth once again risked becoming the prerogative of a few, now the few who had the power of money. It was to ward off this danger that the notion of the social responsibility of the media was born.

Just as it was necessary at first to keep the press out of the clutches of the State, so was it necessary in the age of mass communications to protect it from the abuses of the industrial plutocracy. The Hutchins Commission on the Freedom of the Press laid down in the United States in 1947 the concept of the social responsibility of the media and its corollary, the public's right to information. This new notion mitigates the shortcomings in the libertarian model. It assigns to the media a social obligation, all the greater if they enjoy a monopoly and the public is thus at the mercy of the information they provide. In Britain in 1949, the first Royal Commission on the Press was inspired by the same principles to advocate the establishment of a press council which would keep an eye on the media to see if they fulfilled their duty and provided complete and honest information. The idea of social responsibility was also gaining ground in Canada. The legal principle had been recognized by the Supreme Court as early as 1938. But it was the social pressures of the 1960s that led to concrete action, such as the Davey Committee and the creation of press councils. The Davey Report made a notable contribution by assigning a precise role to the press. It was to prepare society for change so that it might avoid "future shock". This new notion took on particular significance and intensity in Québec because of specific historical and social circumstances.

Visiting North America in the last century, Alexis de Toqueville² remarked that American newspapers were three-quarters advertising and the rest mainly news. Opinion and debate had little place, in contrast to French papers which were filled with political discussion. These traits illustrate in broad lines the difference between the American and European traditions. English-speaking Canadians have followed

the former, while French-speaking Canadians have been more inclined toward the latter. Even if anglophones, like francophones, had to wrest freedom of the press from an autocratic colonial government — one thinks of Howe being hauled before the courts in Nova Scotia, of Mackenzie's presses being thrown into the river, of Bédard and Blanchet being put in prison in Lower Canada — even if the tradition of partisan papers flourished on both sides, the English-language press very early staked its fortunes on advertising and the support of business, while its French-language counterpart founded itself on the support of elites, lay and clerical, whence its ardor in defending the faith and the language of a threatened people. On the one hand, then, the primacy of commerce, the ideology of economic progress of which politics was only an instrument; on the other, the primacy of spiritual and historical transcendence.

French-language Canadian journalism had a mission from the start: to save the race, as used to be said, and this sacred duty prompted a certain disdain for mere "hard facts", and a strong inclination toward analysis, patriotic dissertations, and preaching. The pantheon of French-language journalism in Canada is peopled overwhelmingly by pamphleteers and editorialists. The ordinary reporter has no place. In short, in a society guided intellectually and morally by a newspaper called *Le Devoir* (Duty), the notion of social responsibility found particularly fertile ground, and this is why it is more vigorously asserted there than elsewhere. We shall see examples throughout this report.

Within the general concepts that we have just mentioned, the press in Canada follows six distinct traditions, as Donald R. Gordon has written. First, a tradition of free enterprise, which makes it an integral part of the capitalist market; a tradition of service toward the reader, the local community, and the nation; a tradition of expressing ideas and opinions on public events and personalities; a tradition of variety in news and commentary in order to attract and interest as many readers as possible; a tradition of advertising, considered not only as a source of revenue, but also as a public service; and, finally, a tradition of conservatism, which Gordon describes as follows:

Because of their relatively great age, their close association with the established authorities of business and the state, their own considerable investment in plant and equipment, and their long experience with the need for thought and moderation in making changes, the press frequently tends to view the agitations, whims and fancies of the moment with great care and sensible suspicion.³

It is within this long-established and rarely questioned framework that the journalist has to work in searching out and reporting the truth. For this is the profession's primary responsibility, the ideal, which remains unchanged across eras and ideologies. The former publisher of the Vancouver *Sun*, Stuart Keate, summed it up this way:

Any publisher, editor or reporter worth his salt recognizes that he has only one basic duty to perform: to dig for the truth; to write it in language people can understand; and to resist all impediments to its publication.⁴

The tradition inherited from Europe, the United States, and early colonial times would have journalists justify freedom of the press not only by treating events and

persons with fairness and impartiality, but also by considering the welfare of the community and of humanity in general in a spirit devoid of cynicism. This assigns to the press a Platonic ideal, rarely attainable, but ever a goal for editors, staff, and readers alike.

In fact, in everyday life, the journalist often must refer to the commonly accepted ethical code to answer two questions: first, "Is what I am analyzing, criticizing, or reporting of some interest to the community?" The second concerns fairness: "As a journalist, am I dealing fairly with my subject and my readers? That is, am I covering all the important aspects of the question, and am I taking them all into full consideration?" The notion of fairness has replaced objectivity which was discredited in the era of McCarthyism and battered throughout the 1960s by protest groups in the United States and elsewhere who saw in it a pretext for not taking a position, for maintaining a hypocritical neutrality that camouflaged complicity with those in power. The dispassionate journalism of the 1950s was followed by interpretative journalism and then by advocacy journalism. Today, journalists seek a more balanced position by treating people and events as fairly as possible.

Some newspapers and professional associations have already established codes of ethics to set out in more detail the responsibilities of the press. The Statement of Principles⁵ drawn up by the Canadian Daily Newspaper Publishers Association (CDNPA) is typical in this regard. Based essentially on the libertarian concept of the press, the document sets out the newspaper's responsibilities to its readers, shareholders, employees, and advertisers; it lays down principles of accuracy and fairness in the treatment of news and in commentary; it affirms the necessity of a newspaper's independence if it is to avoid conflict of interest; it cites the right of privacy in daily life and, finally, the moral obligation of openness to different opinions, minority as well as majority.

The evolution of journalism has been similar in most Western countries where the press has not been muzzled. The establishment of powerful press empires, as in West Germany, does not fail to provoke debate on social responsibility. In many Third World countries, however, the press has still to undergo its libertarian revolution and cut itself off from political power.

Communist regimes have a particular conception of the press which harks back to former authoritarian notions. The difference is that here the truth does not come down from on high but emanates from the proletariat. In both cases, there is a small group of official spokesmen who impose this truth on everyone. The Party represents the people, thus it must necessarily possess the common truth. Facts and events are unimportant in themselves. What counts is their interpretation, and their significance for the future of communism. Contrary to the Western way of thinking, which presumes that truth has many voices, Marxism-Leninism holds that there is but one truth, that of the Party. Thus it is quite logical that the official mouthpiece of the Communist Party in the USSR, the country's most important newspaper, is called *Pravda* (Truth).

Freedom of the press, which generations of pamphleteers, printers, and journalists wrested by struggle over the centuries that followed the invention of printing, permitted the remarkable growth of information that one sees today in the Western world. Threatened as it always is by political, economic, and other powers, it remains the protector of the profession and the industry. For 100 years or so, the evolution of

the libertarian principle in Canada has permitted the press gradually to escape from the narrow confines of political fanaticism and religious sectarianism, to give up vindictive rhetoric and blinkers of prejudice, and to adopt the standards of honesty, fairness, and open-mindedness necessary to interpret for the public the manifold variety and complexity of the contemporary world. The evolution of these concepts and principles could not have produced this result, however, without a parallel evolution in jurisprudence.

The evolution of legal principle

The proliferation of printed matter of all kinds that we see today has been made possible only because of the gradual recognition of the right to the free expression of ideas. This right was established slowly through centuries of authoritarianism. From the recognition of the principle to full protection in law, the road was long and arduous.

In the 16th and 17th centuries, in England as in France, almost nothing could be printed without royal or clerical sanction. The repeal of the Licensing Act in 1695, which paved the way for the development of freedom of the press in England, although this freedom was hampered for a long time by the Stamp Act and the Libel Act, did not follow from the principles of liberty set forth by Milton, but from Parliament's desire to put an end to practices that bothered merchants in the City. Here we see a dividing line marking the profound difference between English and French jurisprudence. While the one would legislate for concrete situations, the other would tend to lay down universal principles which in reality would remain more or less a dead letter. Thus at the time of the French Revolution, the Declaration of the Rights of Man recognized in principle the right to publish and print opinions but the practice was limited by the state. During the 19th century, France went through successive periods of imposition and abolition of censorship, until the Law of July 29, 1881, which made freedom of the press a reality. In the meantime, the French press was the subject of a great number of recommendations and regulations by the omnipresent state. English practice was entirely different.

In fact, British jurisprudence does not recognize any special freedom of the press. Anything that is printed goes — as an extension of freedom of opinion — as long as one does not break the law of libel or other laws. In other words, such freedom is absolute as long as it is not used to damage someone's reputation, act immorally, or betray the nation. And what gave real meaning to freedom of the press in Britain was the rule of law. This allowed a more explicit rendering, case by case, of the libel law which at first served authorities as a weapon to fend off all opinions or information that disturbed them. In 1835, sued for libel and practically convicted in advance, the publisher of the *Novascotian*, Joseph Howe, set a precedent in Canada by getting the jury to recognize the primacy of truth and the public welfare above all else.

In the United States, the great democratic thrust of the Revolution led to a guarantee of the freedom of the press in the basic law of the land. It was the subject of the First Amendment to the Constitution, which today still serves as a safeguard for the freedom of the news media. The amendment — "Congress shall make no law . . . abridging the freedom of speech, or of the press" — sets forth distinctly two rights which are usually not differentiated: the right of freedom of speech, and the

right of freedom of the press. So does the 1960 Canadian Bill of Rights. The "human rights and fundamental freedoms" to be protected are set out in separate clauses: freedom of speech in Section 1(d), freedom of the press in Section 1(f). In the Charter of Rights and Freedoms, proposed in Schedule B to the constitutional bill of 1981, "freedom of the press and other media of information" is set in a much broader context:

Everyone has the following fundamental freedoms:

- (b) freedom of thought, belief, opinion and expression, including freedom of the press and other media of information. . .

The British Royal Commission on the Press, in 1977, had this comment:

Freedom of the press carries different meanings for different people. Some emphasize the freedom of the proprietors to market their publications; others, the freedom of individuals, whether professional journalists or not, to address the public through the press; still others stress the freedom of editors to decide what shall be published.⁶

These, added the Commission, are all "elements in the right to freedom of expression".

Recent international declarations of human rights have departed entirely from traditional usage: neither freedom of speech nor freedom of the press is mentioned as such. Their definitions are broader, they deal with the free flow and exchange of information, insisting explicitly on the necessity of keeping the avenues of communication open. Article 19 of the Universal Declaration of Human Rights (adopted in 1948 by the United Nations) provides that:

Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media, and regardless of frontiers.

Article 19 of the UN International Covenant on Civil and Political Rights is even more explicit. After affirming, in Section 1, that "Everyone shall have the right to hold opinions without interference", Section 2 states that:

Everyone shall have the right to freedom of expression; this right shall include the right to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing, or in print, in the form of art, or through any other media of his choice.

Obviously, the prodigious advances made in electronic communications make it increasingly difficult to refer simply to "the press". Definitions must be broadened. The importance of guaranteeing access to information, of all sorts, and inscribing it as a fundamental right is taking hold in the minds of all levels of society. The International Commission for the Study of Communications Problems (the McBride Commission) had this to say in its 1980 report:

Freedom of the press in its widest sense represents the collective enlargement of each citizen's freedom of expression which is accepted as a human right. Democratic societies are based on the concept of the sovereignty of the people, whose general will is determined by an informed public opinion. It is this right of the public to know that is the essence of media freedom of which the professional journalist, writer and producer are only custodians. Deprivation of this freedom diminishes all others. . . .⁷

This, then, is the heart of the matter: the right of the public to information. From that right flow all the special rights and privileges we extend to the press, for, as Gordon Fairweather, chief commissioner of the Canadian Human Rights Commission, said in a 1981 speech, freedom of expression "cannot take place in the abstract but must occur through the use of various instruments".⁸

For many, the press, and particularly the daily newspaper, is the most important instrument. Cleo Mowers, former publisher of the *Lethbridge Herald*, said in a brief to this Commission:

The daily press, in this increasingly complex society, is the chief instrument for informing the people of the happenings, currents, dangers, and opportunities which they must understand for effective self-government and for preserving their society and civilization.⁹

He added that "newspaper publishing is therefore a solemn, serious, and essentially public responsibility".

We must now take a look at how the different parties involved in publishing a newspaper — owners, publishers, and journalists — view this responsibility.

Management's point of view

Few industries are based on philosophical and moral principles as is the press. Journalistic freedom, won and strengthened since the invention of printing, can nonetheless be defined and looked at differently depending on whether one is the owner, publisher, or editor of a newspaper. What is freedom for one may be undue privilege or a source of abuse for another. Freedom or licence, how to distinguish between them? It is interesting in this respect to see how management and journalists perceive their different roles.

Freedom of the press is a double-edged sword for the owner or publisher. The one edge serves as a defence against the outside, but the other is turned inward. It is the difference between enterprise and the duty to inform. Business is private, but information is public. Rapid industrialization of recent decades has turned this characteristic dilemma of the press into a question of profit and loss.

In general, the closer one gets to the business side, the farther one is from the profession and from purely journalistic ideals and principles. Consequently, the owner tends to think more of profit as the criterion for evaluating a newspaper than of conformity to ethical and intellectual principles. For Thomson, the primary responsibility of a newspaper seems to be its survival. "It has often been observed that the first responsibility of a newspaper is to survive."¹⁰ The same thing was expressed by Gordon Fisher of Southam. "One of our missions is to survive."¹¹ For Péladeau, the main aim is profit. "Profit is the name of the game."¹² He considers a rise in sales as the best proof that a paper is popular with the public, therefore good. Other owners are more circumspect. But it is evident that all tend to see the newspaper first and foremost as a business which, like others, obeys the imperatives of profit and loss. Profitability is understood as a duty since, without profit, the business could not survive and, consequently, could no longer provide this public service known as news.

Publishers of newspapers admit nevertheless that the press is more than a business, and that it fulfills important, indeed essential, functions in a democratic society. They subscribe to the commonly accepted norms of fairness, impartiality,

and diversity of news and commentary.¹³ At times, to counterbalance the enormous power they have on opinion, they impose rules on themselves.

The Southam chain, for example, has drawn up a code of conduct for its papers which it calls its "credo".¹⁴ It is a collection of rules which in most respects a majority of traditional newspapers would endorse. Four objectives are sought. The first is to establish norms for evaluating performance and the integrity of the chain's newspapers; the second to affirm the full freedom of each publisher on editorial content; the third to affirm that each paper's columns should be open to the widest possible variety of subjects; the fourth to set forth the general principles upon which the publication of newspapers in Canada is based. It is stated simply that "freedom of the press is the right of all Canadians and one that publishers should preserve and defend. It is not a special privilege of the press, but a simple extension of the concept of freedom of speech." As for the rest, the Southam credo describes the desirable ingredients of news for every newspaper, the norms of quality and consistency, and the market that should be aimed at: the local community.

In the minds of newspaper owners and publishers, freedom of the press flows from freedom of opinion. It is a private right, one that is inseparable from the freedom to do business. They are loath to admit duties that prevail over economic responsibilities. Just as the shoe manufacturer knows that he must produce good shoes if he is to sell them, the newspaper publisher readily admits that a certain quality pays. Conformity to recognized ethical norms and to high standards of journalism makes it possible to keep both reader and advertiser. In a sense, it was economic development rather than social or moral or ethical considerations that forced the press to give up its religious and political affiliations. There are still many publishers who are not ashamed to admit their bias or to lead fierce political opposition, but the vast majority strive to present a wide range of opinion; only they want it to be of their own free choice. This is a very sensitive question with newspaper publishers: they consider any social responsibility imposed from outside, and especially by the government, as an intolerable blow to free enterprise in the press. For them, as Michael Sifton of Armadale Company Limited expressed it, it is freedom of the press that is the foundation of democracy, not the reverse. "As my father taught me early in my newspaper career, we have a democracy because we had a free press. We don't have a free press because we have a democracy."¹⁵

Newspaper publishers declare that the owner's influence extends mainly, if not solely, to the financial aspects of the newspaper. Content is the business of the publisher, who tends to see himself as the owner's representative. However, since publishing a newspaper has become a complex business, it is natural that the publisher be first and foremost a businessman. The necessity of dividing work in the large media companies has brought about a separation of the editorial department from the business side, and has forced the publisher to delegate his editorial powers to the editor so that he can concentrate more on management. The result is that the publisher becomes more sensitive to the opinions of the business world; his point of view ultimately comes closer to theirs than to any other group's and it is altogether likely this will influence the paper's orientation. How could it be otherwise, since, as a rule, the newspaper publisher moves in the same circles and breathes the same atmosphere as other businessmen?

The editor, on the other hand, is closer to the newsroom. His principal concern is the quality and effectiveness of the paper. While the publisher looks outward, attentive above all to the relations between the paper and the community, the editor's attention is directed inward, to the content, the substance of the paper. This does not, of course, exclude the possibility that the publisher will keep an eye on editorial content, and that the editor will concern himself with profit and loss. In fact, this is more or less how things work. The publisher of the *Gazette*, Robert McConnell, after speaking to the Commission of the growing responsibility his paper has toward the English-language community in Montréal since the *Star's* disappearance, added that his primary responsibility was to the newspaper itself, as an institution, and to the people who work for it.¹⁶ For him, quality of content is the best guarantee of circulation. For his part, the *Gazette's* editor, Mark Harrison, considers that his primary responsibility is to the reader. "But I recognize that in order to discharge that responsibility effectively, the paper has to be a profitable paper."¹⁷

If it must be admitted that in general the notion of social responsibility has not caused great anguish among newspaper publishers up to now, it would nonetheless be wrong to believe that press executives see the world only in dollar signs. The truth is that many avowedly place their papers at the service of certain causes. Setting aside the intense provincial chauvinism of the Irving brothers, we could mention the Halifax papers' defence of the interests of Nova Scotia and the monarchy, the promotion of Canadian unity on the part of the publisher and editorialists of *La Presse*, that of Acadian survival by *L'Évangéline* of Moncton, the defence of the interests of francophones by *Le Droit* of Ottawa. The list could be extended. Even Quebecor's papers have found a mission: to get non-readers to read. It is true that in varying degrees each of these causes has a profitable side.

Perhaps the most authentic idealism still in existence in the Canadian press is to be found at the small daily on Saint-Sacrement street in Montréal. *Le Devoir* was founded in 1910 by Henri Bourassa to uphold the political and religious rights of French-speaking Canadians. This original mandate, rigorously respected throughout the years, makes *Le Devoir* today the conscience of French-speaking Canada. It must be said that the paper never sought to please everyone nor to maximize its profits. For a long time it survived on public subscriptions; only in the past few years has it been able to pay any dividends, still very small. Thanks to its unusual structure of ownership and management, it is the only Québec French-language daily not belonging to a chain. From the outset, Bourassa wanted to shield *Le Devoir* from political and financial obligations by establishing a publishing company, l'Imprimerie populaire limitée, and a trusteeship headed by a publisher appointed, in principle, for life and controlling a majority of shares. In fact, the trust was set up to hold the shares whenever the publisher's chair was vacant. The Imprimerie populaire and the trust name the publisher jointly. Being the majority shareholder allows the publisher total freedom from his board of directors, whose members he can appoint or dismiss at will.

If, as in the case of *Le Devoir*, financial independence helps bring a newspaper closer to the ideal of social responsibility, can it be said that the opposite, concentration, causes the paper to move away from this ideal? Although the two biggest newspaper chains in English-speaking Canada, Southam and Thomson, declare that they

allow full editorial freedom to local papers, there are those who believe that concentration of the press on its own produces laws that have nothing to do with social responsibility. According to Professor Henry Mintzberg of McGill University, "The very management control systems that chains tend to use, which separate the social from the economic goals in principle, in fact give rise to tendencies... which can inhibit social responsiveness in many cases, and in some cases, can even lead to social irresponsibility."¹⁸

The journalists' point of view

At heart, every journalist believes that the press, despite its ups and downs, constitutes the foundation of all freedoms, and that he is one of the principal supports. If he is prevented in any way from reporting an event or from commenting on it as he sees fit, in his eyes democratic society could be threatened with shaking on its foundations. Young or old, he remains deeply attached to the image of righter of wrongs, watchdog of political integrity, that generations of intrepid reporters have forged for over a century and to which Bernstein and Woodward gave new life in uncovering the secret of Watergate.

The journalist likes to see himself as a pure seeker of truth, from which nothing or nobody can divert him. He is devoted first to the facts and to the reader; loyalty to the paper takes second place. Between pleasing the reader and pleasing the paper's management, the journalist would on the whole lean toward the former. But often, especially in the case of the less experienced journalist, this is a concern for an ideal reader who bears no resemblance to the real public. A survey¹⁹ of journalists at French-language dailies in February, 1981, shows clearly that this idealistic view is more common at papers aimed at the few than at those designed for a mass audience. The serious-newspaper journalist, with an intellectual mission, has a tendency to decide for himself what the public needs. At the opposite pole is the journalist who is sensitive to the public's tastes and wants. Thus 93.1 per cent of Quebecor's journalists say they pay attention to public wants. This attitude draws them very close to the company's managers, with whom they share the same marketing imperatives. Since purpose mothers practice, it could be said here: like newspaper, like journalist.

Inasmuch as Canadian journalists have an ideology, it is that of progress, as bequeathed to us by the philosophers of the 18th century. Most of the editorials and commentary in our papers can be summed up in a single sentence: "We can do better." Even if the notion of progress is being increasingly questioned, especially in ecological thinking, newspapers continue to take inspiration from it and to report the worst disasters without learning a lesson from them. This way of thinking goes hand in hand with a capitalism given to the unbridled exploitation of nature, as underlined by the critic, Northrop Frye.²⁰ What is important is not so much to know where one is going, as to go forward, to develop, to progress ever further. The press is all aboard this galley, and all the journalists bend to the oar with more or less conviction. Few know how to learn from the past, because they do not look backward; they are drawn by the future.

Though one may argue that the progressive-libertarian ideology permeates Canadian journalists, certain distinctions have to be made in the case of franco-phones. Because of the particular character of their society and culture, French-speaking journalists have always regarded North American liberalism with distrust.

They tend to see it as a dangerous jungle threatening the survival of their minority group, and hence to fight for collective rather than individual rights. This is why the notion of social responsibility of the media has struck a more sympathetic chord in Québec than anywhere else in North America. In a sense, this notion has never been foreign to Canada's French-language press. The French-speaking journalist, like the priest or politician, has always, willy-nilly, been invested with a certain nationalist mission.

In 1960, the Quiet Revolution, unleashing criticism of institutions and attitudes, opened a veritable Pandora's box. Out of it soon came the radical questioning of all the institutions of Québec society, federalism and capitalism included. The rise in the newsrooms of trade unionism coupled with leftist thinking called in question the very foundations of the traditional press whose inspiration was libertarian. As described in a report prepared for the Commission, "Where American ideology insists on the moral aspect (the notion of social responsibility implying that the paper must and can accept a duty toward society), the Québec ideology tends to give to the same basic principle a political and more combative sense; thus, many critics of the Québec press look at it from a Marxist standpoint, the interests of the business being seen as impossible to reconcile with those of the public."²¹

Long strikes, the disappearance of several newspapers, unfortunate experiences with joint management, and the assumption of power by a highly popular party have all contributed to cooling the burning enthusiasm in the newsrooms of Québec. At the same time, the rise of the Quebecor papers has brought to journalistic ranks a pragmatism that is diametrically opposed to the ideological and trade union militancy which, moreover, shows some signs of waning, the 1981 strike at *Le Devoir* possibly being its last gasp. The criticism which the newspaper business in Québec has undergone for the past 15 years, and which at times has provoked searching debates on the very nature of news, is perhaps about to boomerang on the profession. The spotlight is no longer focused on ownership and management of the newspapers, but on their content. It is journalism itself, its quality, its relevance, which is in question, creating a connection with concerns already noticeable in English-speaking Canada.

A definite malaise, though diffused, is being felt in the country's newsrooms, as a coast-to-coast survey shows.²² The concern is not so much about the future of newspapers, the majority of journalists believing that in one form or another newspapers will survive for some time; rather, the concern is about quality. Most journalists are aware that the press has lost prestige because it often lacks depth. They believe that newspapers should set more audacious goals: get to the bottom of facts and events, go beneath the tip of the iceberg, grapple with difficult, complex, but important subjects, and expose them, explain them clearly to the public, bring out the deeper significance of events, in short, assume the responsibility of finding and publishing what the public should know rather than seeking to satisfy the lowest common denominator of popular demand as determined by market studies and advertising surveys.

The prevailing opinion in newsrooms is that newspapers would improve if managers were at least as interested in journalism as they are in bookkeeping. But despite the grumbling, the demands for quality have not provoked a general uprising among journalists, at least not in English-speaking Canada. However, although jour-

nalistic excellence has not up to now been the major worry of the Newspaper Guild, there have been signs of concern about the subject in recent years. One example is the setting up of a Centre for Investigative Journalism, a joint undertaking of French and English-speaking journalists to upgrade the profession and fulfill one of the essential duties of the press: to dig out the truth beneath the avalanche of events.

The union point of view

It is among the journalists' associations and unions that the notion of social responsibility of the media finds its most ardent defenders. Moreover, they use the notion often to aggravate the antagonisms between the profession and the industry.

This phenomenon is particularly evident in Québec where unionism has gained much influence in the newsrooms. In English-speaking Canada, unions and journalists' associations are not strong enough to allow one to speak of specific tendencies. In general, except in British Columbia where the unions are more radical and resemble, in this respect, those in Québec, anglophone journalists do not question the structure and general principles of the traditional libertarian press.

However, leftist ideologies — of which the CSN (Confédération des syndicats nationaux) is accused of being a propagandist through the intermediary of the FNC (Fédération nationale des communications) — have not made much headway among journalists who, as individuals, tend to be liberal. Lysiane Gagnon²³ has given a good description of the tension that exists in the newsrooms between the "workers" mentality and that of professionals. The former, regarding the journalist as a simple "intellectual worker", is the winner in time of conflict. But many militant union members see their participation in the newspaper solely from the standpoint of a collective agreement. They become extremely punctilious about respect for the letter of the agreement, but go beyond good sense and the requirements of journalism where work schedules are concerned. These news "workers" are always on a war footing and tend to consider any managerial staff — journalists and administrators alike — as the enemy.

In general, journalists' unions and associations tend to think, and to repeat, that the press is first and foremost the concern of journalists. They argue first that the journalist, better than anyone, is able to defend the public's right to information, and assure a true diversity of opinion in the press; second, they argue that the managers and even the owners of newspapers should be journalists whenever possible; third, that the ideal solution would be for an editorial association to take over the business or at least manage the editorial side. This practice, which one finds in Europe, has had some well-known failures, at *Québec-Presse* and especially at *Le Jour*, where the fights and the firing of journalists by their peers left lasting scars in the milieu. For the moment, joint management has made more progress at *Le Devoir* than anywhere else; there, the journalists' union takes part in an editorial committee and in a business committee which gives it the right to inspect the administration as well as the content of the paper. The collective agreement of 1981 has set up three other committees, one on editing copy, one on the appointment of managerial staff, and the other on the hiring of journalists.

Unions are the severest critics of newspaper ownership. They often pose as the champions of the public's right in order to denounce the groups of financiers who,

according to them, are a threat to the free flow of news. The remarks made by Jan O'Brien of the Vancouver Newspaper Guild serve as an example:

We believe the Commission can make an important stand on behalf of a free press in the country if it is willing to resist the contamination of a press that is in danger of descending to corporate public relations work. . . . The daily press has a unique power and a unique responsibility. As it now stands, that power and responsibility can be bought, sold, subverted and usurped at the whim of a few corporate giants whose first interests are shareholders.²⁴

As a group, too, journalists seek closer ties with the reading public. They are extremely concerned about the declining popularity of the press and its future in relation to other media. Uncertainty about the future tends to dilute the radicalism of unions. Its effects were to be seen in the 1981 *Le Devoir* strike which, in other circumstances, might have lasted much longer. Furthermore, the profession is beginning to think twice about any clannishness that would alienate it from the public. This concern was evident at the June 1981 meeting of the *Fédération professionnelle des journalistes du Québec* when the majority of speakers declared themselves in favor of stronger public representation on the Québec Press Council. This is one indication, among others, of the desire to move closer to the reader, whose attitude can determine a newspaper's growth or decline.

The reader's opinion

What does the reader think? The latest surveys show that for all the criticism and skepticism, perhaps not unusual in an age when many of society's institutions are being questioned, Canadians continue to look favorably on their daily newspapers.

However, this attitude masks certain tensions which are not immediately apparent. In fact, the attitude of the reader today is guarded. He is increasingly concerned that his paper does not respond to his expectations. There is some evidence that these — insofar as responsibilities, ethical standards, and coverage of events are concerned — are often far ahead of the paper's willingness or ability to fulfill. This gap, if it continues to grow, could alienate the reading public and turn out to be fatal for many newspapers.

The loyalty of the reader toward his newspaper is not what it was a few decades ago. In an environment bombarded with information of every sort, and in which the various media are encroaching upon one another's territory, in frantic competition, the bond has inevitably become more fragile. The reader from the beginning of the century has gradually become not merely a reader but also a listener and a viewer of news. He is generally more educated, earns more money, is an urban dweller and is more widely travelled. If female, the chances are she is working outside the home. And this average reader has access to a formidable variety of information and entertainment. As the Royal Commission on Corporate Concentration reported in 1978, he or she is exposed to about 100 sources of information a week.²⁵

Yet, while its importance relative to other media continues to decline, the daily newspaper remains the choice of most people, most of the time. In fact, nearly 90 per cent of Canadians read one in the course of a week. It can be assumed they must find something unique there: a certain quality of information, no doubt, which can be found only in the print media and which suggests, implicitly, a special calling; in

short, a public service which, regardless of what one might say about it, makes the press far more than a simple commercial undertaking.

But what does the public understand by "freedom of the press"? The nationwide study conducted for the Davey Committee came up with a variety of answers, which is characteristic of the confusion surrounding the subject. A study conducted in 1978 in Windsor by Professors Douglas Howard and C. Edward Wilson of the School of Journalism at the University of Western Ontario did not produce much clarification. A small number of persons interviewed thought the news media should have complete freedom of publication, half thought the press should enjoy only limited freedom, with certain news not allowed to be published, and a fifth said the media should have to follow rules of conduct and guidelines drawn up by an external agency. This study showed decisively that the restrictions envisaged for the press were aimed most often at cases that shocked morals and good taste. The means of supervision envisaged were on the whole flexible and did not involve the government.

But to know how the public view the press, how they see its responsibilities, this Commission undertook substantial research.²⁶ It was found, among other things, that the quip by humorist Will Rogers, "All I know is what I read in the papers", should be put to rest as an antiquity.

Canadians may not put newspapers on a pedestal but the great majority believe that newspapers, and the mass media in general, have responsibilities to the public different from those of other businesses. More precisely, 60 per cent of Canadians believe newspapers have responsibilities different from those of television or radio. More anglophones than francophones are inclined to think this way; it would follow then that the Québec public tends not to make a distinction between the media.

In general, people expect newspapers to provide more comprehensive coverage of all subjects and in particular of local events. In this regard, newspapers are considered essential. They are believed to present the widest range of opinions. Television, however, enjoys more influence and authority. An Ontario dietitian, interviewed by our researchers, said that newspapers "have a responsibility to the area or the community they are reporting to. It's a closer relationship than TV or radio can give".²⁷

One in six Canadians believes that his or her daily newspaper does not provide enough local and community coverage. This is a reproach that people of Atlantic Canada, British Columbia, and the Yukon are more likely to make, as are residents of small towns and rural areas. As well, readers of smaller papers are more concerned about community news than are readers of large-circulation papers (100,000 or more). This may suggest that the latter, living in larger urban centres, have the opportunity to obtain local news from community weekly newspapers.

Two out of three Canadians think their local daily is doing a good or an excellent job in fulfilling its responsibilities to the public. Older people are more likely to think this way than the young. French-speaking people also tend to appreciate the social behavior of their newspapers. People in competitive markets rate their papers' performance slightly better than do those living in non-competitive markets. The people of British Columbia are most critical of their newspapers' performance, followed closely by those of Atlantic Canada.

Our research indicates that 89 per cent of all adults read at least one newspaper in the course of a week. Canadians spend an average of 53 minutes reading daily

Newspapers



Radio



Television

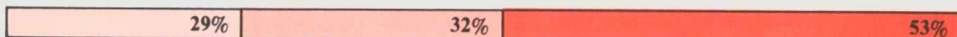


Which of the three information media, newspapers, radio or TV...

Keeps you up-to-date



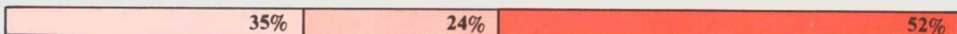
Is most fair and unbiased



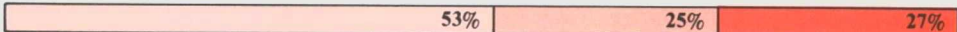
Is most influential



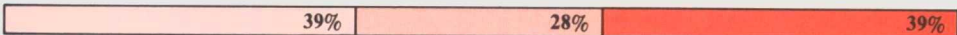
Is most essential to Canada



Is most essential to your community



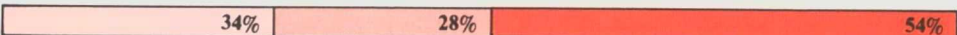
Is most essential to you personally



Presents widest range of opinions



Is most believable



newspapers on a typical weekday, and 66 minutes during the weekend; 69 per cent read five or more issues a week. Those most likely to read newspapers are over 35, have the highest household income (\$25,000 or more), and are highly educated.

More than half of all Canadians, some 54 per cent, are very loyal to their newspaper. These are adults who look upon newspapers as part of their daily lives. Young adults are less likely than their elders to be consumers of news. They read newspapers less, just as they listen to less news on radio or television. However, they are more inclined than older people to read books and magazines. This generation, influenced by television since childhood, may well be questioning the traditional meaning of "news".

Our study reveals — or confirms, depending on one's point of view — that there is no one superior source of information. Rather, there are preferences for one or the

other, according to the type of news or information wanted. Television, for instance, is considered best for national and international news; but for local coverage, newspapers come first.

Generally speaking, adults in competitive markets are more likely to have a favorable attitude toward newspapers. Those who look upon them with least favor live in areas where daily newspapers are not published at all. That is to say, the more one has occasion to read a newspaper, the more one appreciates it as a medium of information. Thus it is hardly surprising that those who favor newspapers most are among those who have the highest education, the highest household incomes, and are between the ages of 25 and 54. Two out of three people interviewed say that the paper they read has improved during the past three years; only 11 per cent say it has become worse.

Television edges out daily newspapers as the preferred source of news by a slight margin. But — and this may be a salutary warning — more than half of Canadians believe that television will become even more important in this sector. In general, the future of the newspaper and the radio seems to them unpromising. Francophones show a marked preference for television. These facts add up to important indications that newspapers must define a new role for themselves, one that complements the TV screen. The coming of videotex is going to hasten this development.

Most Canadians believe that newspapers help make their community a more pleasant place to live. Nonetheless, 78 per cent think that newspapers tend to sensa-

Newspapers



Radio



Television



Respondents chose one of these three information media as being "Best" for keeping informed about:

World and international news



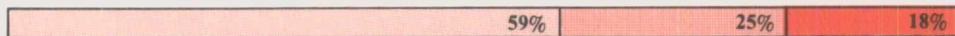
What happens in Canada



What happens in your province



What happens in your area



Things you're personally interested in



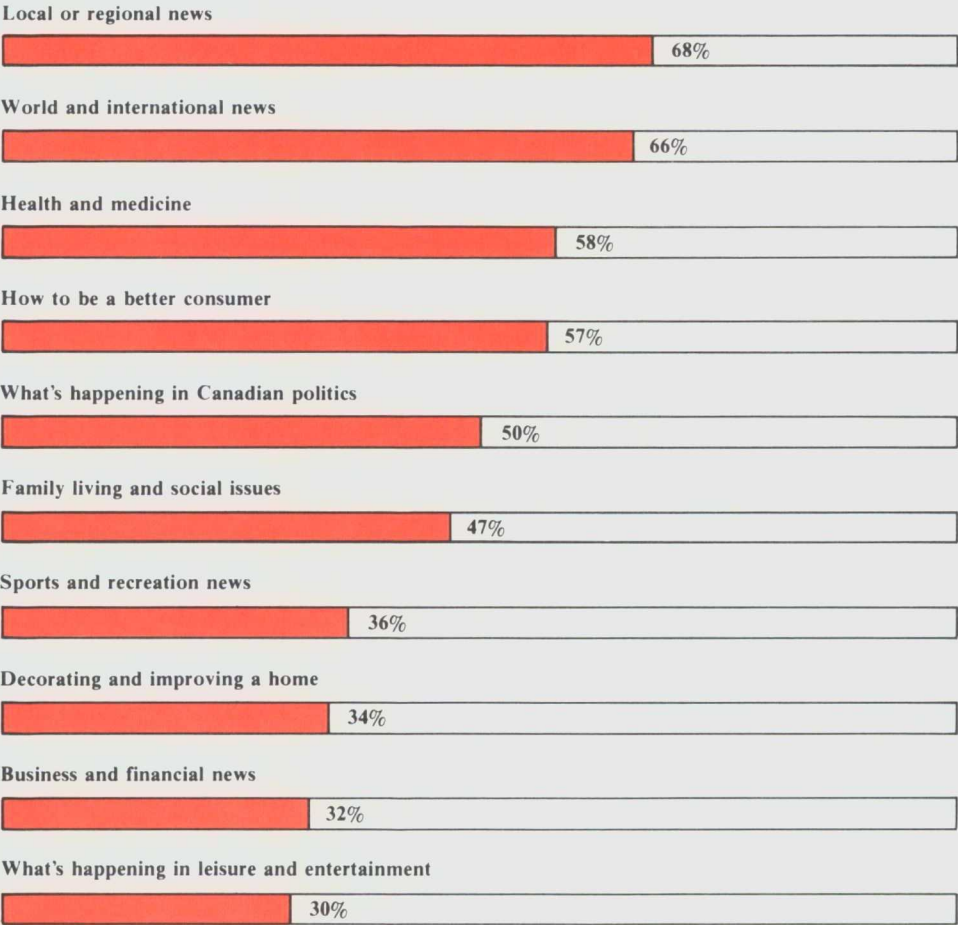
Responses may exceed 100% due to multiple responses.

tionalize the news. And 72 per cent think newspapers play down facts that could offend their advertisers. Forty per cent think that dailies give too much space to advertising.

In reporting “topics people are personally interested in”, it appears that newspapers in central Canada — Ontario and Québec — do a slightly better job. As well, it appears that dailies serving the three largest metropolitan areas in Canada are more favorably viewed than papers in smaller centres. French-language readers are more satisfied with their newspapers in this respect.

Although half of Canadians feel that their newspapers keep them well informed in general, one in nine would like to see more honest, objective, unbiased news reporting. Ten per cent believe that papers don’t provide enough “follow-up”, or that they lack comprehensive or investigative reporting. Young adults (18 to 24) are three times as likely as their elders (55 and over) to mention this shortcoming.

Degree of interest in different kinds of news



Canadians who are more educated and have higher household incomes tend to believe that newspapers favor special interest groups. Older Canadians, francophones, and those with less formal education tend to think that newspapers are the echo of the government. Yet younger and better educated Canadians say newspapers tend to reflect a business bias.

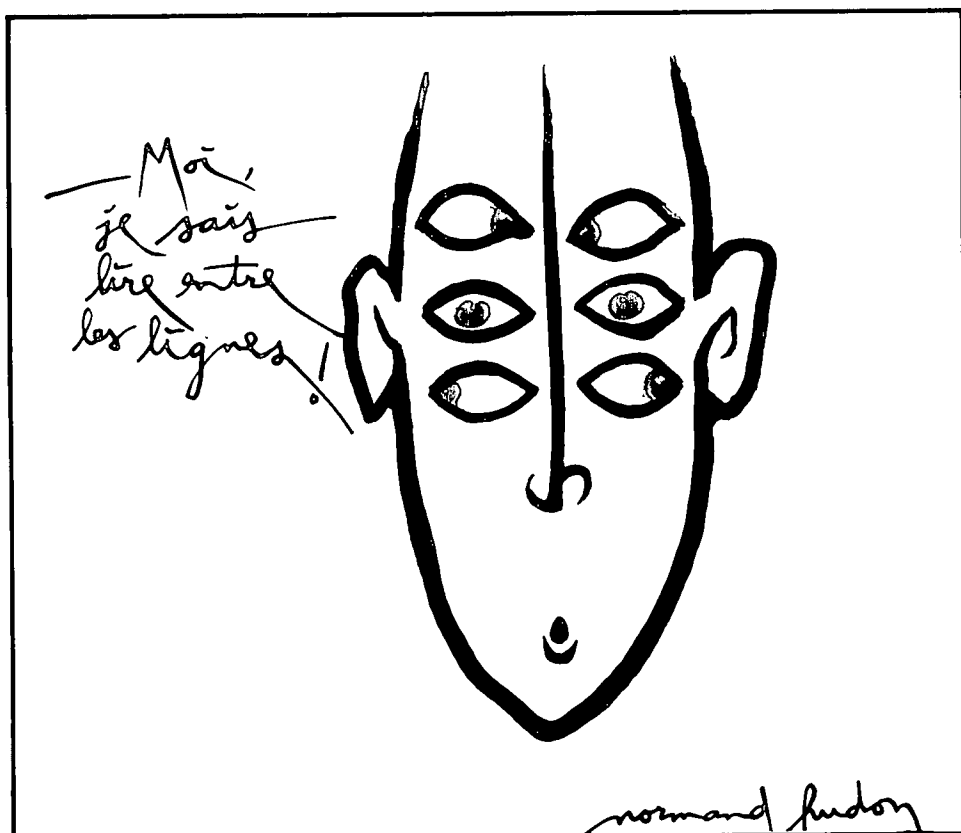
The impression gained from our inquiry — conducted across Canada among more than 3,500 Canadians, men and women, 18 years and over, and from all walks of life — is that people need news and information which help them make sense of their lives. The same impression arises from our coast-to-coast public hearings. A majority of Canadians seem to think that newspapers are still best equipped to fulfill that particularly demanding job.

Since this Commission was established to inquire into daily newspapers as an industry, it seemed appropriate to ask people how they view newspaper ownership and ownership concentration. The response was as follows: 55 per cent of the Canadians interviewed said it did not matter to them who owned the daily newspaper. Even for concerned Canadians, it was not a critical issue. Nonetheless, about three Canadians in four would be concerned a lot, or somewhat, if one company controlled all the daily papers in their province, or if one company had the monopoly of the mass media in their area. Overall, anglophones were more worried about such situations than francophones. This no doubt reflects the different effects the concentration of media has had in Québec. We will analyze this phenomenon in more detail later in the Report.

References

1. William Rivers and Wilbur Schram, *Responsibility in Mass Communication*. Harper & Row, 1969. p. 1.
2. Alexis de Tocqueville, *De la démocratie en Amérique*, tome 1, Editions Genin, 1951, p.291.
3. Donald R. Gordon, *Language, Logic and the Mass Media*. Holt, Rinehart and Winston, 1966. p. 13.
4. Quoted by Robert Fulford in *A Sort of Reckless Courage*. Research study.
5. CDNPA Statement of Principles. (For full text see Appendix VII.)
6. Royal Commission on the Press, *Report*. London: HMSO, 1977. p. 8.
7. UNESCO. International Commission for the Study of Communication Problems, *Report*. Paris, 1980. p. 291.
8. R. Gordon L. Fairweather. *Press Freedom: More than a Platitude*. Notes for an address to the Gerstein Conference on Mass Communication and Canadian Nationhood, Toronto, April 10, 1981.
9. Cleo Mowers. Brief.
10. Royal Commission on Newspapers, *Transcript of Proceedings*. p. 688.
11. *Ibid.*, p. 6555.
12. *Ibid.*, p. 7443.
13. Eugene Hallman, *The Publishers' Views*. Research study.
14. Southam Inc., *Publisher's Credo*, 1972.

15. *Transcript*, p. 5322.
16. *Ibid.*, p. 3492
17. *Ibid.*, p. 3497
18. *Ibid.*, p. 5395-96
19. Florian Sauvageau, *Journalists on Journalism in French-speaking Canada*. Research study.
20. Cited in Fulford. Research study.
21. Lysiane Gagnon, *Philosophical Evolution of the Press*. Research study.
22. George Bain, *The Journalist's View*. Research study.
23. Florian Sauvageau (in collaboration), "Journaliste et syndiqué: le perpétuel dilemme" in *Les journalistes* (chapter 2, by Lysiane Gagnon), Editions Québec/Amérique, 1980, Montréal.
24. *Transcript*, p. 1403, 1422.
25. Donald H. Thompson, "Reshaping Canadian Newspaper Markets", *Business Quarterly* 45,(4), winter, 1980, p. 50.
26. Communications Research Center (CRC), *The Public's Views*. Research studies.
27. CRC, *National Readership Survey*. Research study.



*Normand Hudon,
Magog, Qué.*

3

Under the law

THE press guards its freedom with jealous fury and that is understandable. It is, in its present evolved form, a freedom but recently won and, even in very recent times, and in Canada, has sometimes been under determined attack. The impulses to censor and to control information run deep in even the most benevolent of governments. Information is power, and authority likes dearly to reserve power to itself.

If the press is to fulfill its responsibilities to the public it must have freedom under the law to do so. But the law does impose some restraints.

Restraints on the press can be imposed in many ways. During the infamous McCarthy era in the United States, harassment and intimidation produced a very cautious press. Newspapers can, of course, impose restraints on themselves, whether these are in response to pressure from advertisers or result from the stabling of sacred cows, and there are both federal and provincial laws which a newspaper must obey.

Division of powers

Under the British North America Act, both provincial and federal jurisdictions can assert competence with respect to newspapers. Although there are areas of uncertainty, and there is judicial interpretation which has not always served to clarify jurisdictional competence, there are many aspects of a newspaper's life over which jurisdiction is reasonably settled.

For example (and these are the most common examples only), Parliament may make laws with respect to copyrights, postal service, and electronic communication; this last is important, particularly in face of the new technology. Parliament also has responsibility for criminal law, and here a newspaper may run afoul of two types of restriction — the classic criminal libel laws, discussed later, and more contemporary provisions affecting business activities, such as monopoly, conspiracy to restrain trade, and advertising. Also within federal jurisdiction are tax measures and the regulation of certain commercial activities such as foreign investment. And, as the

imposition of the War Measures Act in 1970 dramatically demonstrated, the protection of national security can drastically curb the ordinary activities of the press.

The regulation of business is predominantly a matter of provincial competence. Provincial jurisdiction extends over trade and commerce within the province (ownership of land and other property, labor relations, transportation, and supply of newsprint, for example). It also reaches to commercial transactions and marketing activities within a province. Civil rights within a province (including the tort of defamation) come within provincial competence. The provinces also have authority over professions, so that a province could declare journalists to be professionals, subject to provincially legislated professional codes.

In some areas legislative jurisdiction overlaps, so that matters may fall within the competence of both Parliament and the provincial legislatures. Libel and slander (which may be criminal or civil) are examples. Incorporation of companies is another. And both jurisdictions may impose sanctions — fines and imprisonment — for breach of statute. Similarly, both Parliament and provincial legislatures may legislate in the area of human rights: there is a federal Bill of Rights and there are equivalent provincial declarations of rights within the individual provinces.

Parliament can impose censorship: the most recent and most dramatic instance in Canada in peacetime was during the October Crisis in 1970 when the federal Government invoked the War Measures Act. Regulations under the Act prohibited publication of anything which threatened national security or was deemed to promote the viewpoint of the Front de Libération du Québec (FLQ).

Provinces have been known to *try* to impose rules on what a paper may write. Undoubtedly the most extreme example was an Act passed by the Social Credit government of Alberta in 1937 “to ensure the Publication of Accurate News and Information”. It provided, among other things, that newspapers could be compelled to disclose sources of information and to print government statements to “correct” or enlarge upon previous articles. Failure to comply was to be punished by shutting the offending newspaper down.

This and other Social Credit bills were referred to the Supreme Court of Canada which ruled them all *ultra vires*, outside the jurisdictional competence of the province. Three of the six judges who expressed an opinion as to the division of authority in relation to the press held that the Press Bill constituted an invasion of the liberty of the press and of the right of public discussion. This, they said, a provincial legislature was not competent to do. Mr. Justice L.A.D. Cannon made it eloquently clear that freedom of the press was not to be trampled on:

Freedom of discussion is essential to enlighten public opinion in a democratic State; it cannot be curtailed without affecting the right of the people to be informed through sources independent of the government concerning matters of public interest. There must be an untrammelled publication of the news and political opinions of the political parties contending for ascendancy. . . . Democracy cannot be maintained without its foundation: free public opinion and free discussion throughout the nation of all matters affecting the State within the limits set by the criminal code and the common law.¹

He made it equally plain, lest other provinces entertain similar aspirations, that, if anyone was to curtail freedom of the press, it certainly was not going to be a provincial authority:

The mandatory and prohibitory provisions of the Press Bill are... *ultra vires* of the provincial legislature. They interfere with the free working of the political organization of the Dominion. . . . The federal parliament is the sole authority to curtail, if deemed expedient and in the public interest, the freedom of the press in discussing public affairs and the equal rights in that respect of all citizens throughout the Dominion.²

The Chief Justice, Sir Lyman Duff (with Mr. Justice Henry Davis concurring), expressed the view that the preamble to the British North America Act stated plainly that the Canadian constitution was to be "similar in principle to that of the United Kingdom" and that this "contemplates a Parliament working under the influence of public opinion and public discussion".³ The Parliament of Canada, he said, has the authority to legislate for the protection of the right of free discussion. Provinces may have some power to regulate newspapers but when a province legislates something that "effects such a curtailment of the exercise of the right of public discussion as substantially to interfere with the working of the parliamentary institutions of Canada as contemplated by the provisions of the British North America Act and the statutes of the Dominion of Canada", then that province has exceeded its powers.⁴

Chief Justice Duff's comment with regard to free public discussion, made in the *Alberta Press* case judgment, is a classic:

Even within its legal limits, it is liable to abuse and grave abuse, and such abuse is constantly exemplified before our eyes; but it is axiomatic that the practice of this right of free public discussion of public affairs, notwithstanding its incidental mischiefs, is the breath of life for parliamentary institutions.⁵

With a decision of the Supreme Court of Canada in 1957, in the case of *Switzman v. Elbling* (which had to do with the "Padlock Law")⁶ the limitations on provincial power to regulate the "dissemination of ideas" were confirmed. The case involved a 1937 Québec statute, An Act to Protect the Province Against Communist Propaganda, which made it unlawful to make use of a house for the propagation of communism or bolshevism (neither term was defined in the Act) or to use a house to print, publish or distribute a newspaper, periodical, pamphlet, circular, document or writing for that purpose. Under authority of the attorney-general, a house put to such use could be locked with a padlock.

The Supreme Court, with only one dissenting voice, ruled that the legislation dealt with criminal law which is exclusively within the competence of Parliament. Such legislation, according to Mr. Justice G  rald Fauteux, could not come under Section 92(16) of the BNA Act, as a "local matter" within provincial jurisdiction, since the propagation of an "idea" could hardly be said to be a "local matter".⁷ Mr. Justice Ivan Rand was of the opinion that "civil liberties" could never have been intended to be included in the term "property and civil rights" or "matters of a merely local or private nature", which, by Sections 92(13) and 92(16), are within provincial jurisdiction. Right of free opinion, public debate, and discussion were clearly necessary to parliamentary government:

This means ultimately government by the free public opinion of an open society, the effectiveness of which, as events have not infrequently demonstrated, is undoubted.

But public opinion, in order to meet such a responsibility, demands the condition of a virtually unobstructed access to and diffusion of ideas. Parliamentary government postulates a capacity in men, acting freely and under self-restraints, to govern themselves; and that advance is best served in the degree achieved of individual liberation from subjective as well as objective shackles. Under that government, the freedom of discussion in Canada, as a subject matter of legislation, has a unity of interest and significance extending equally to every part of the Dominion. With such dimensions it is *ipso facto* excluded from head 16 as a local matter.⁸

Section 1 of the proposed Canadian Charter of Rights and Freedoms in the Constitution Act, 1981, provides that:

1. The Canadian Charter of Rights and Freedoms guarantees the rights and freedoms set out in it subject only to such reasonable limits prescribed by law as can be demonstrably justified in a free and democratic society.

We will have to wait upon future judicial interpretation to discover precisely how well our rights and freedoms are protected against some possibly capricious legislators of the future.

Restraints: official secrecy

As Professor Arthur Siegel has pointed out, it is a characteristic of the cabinet form of government that it is "secretive or closed".⁹ The American presidential form of government, in contrast, is more open and American political reporters can report and comment on matters kept from their Canadian counterparts. In the words of J.R. Mallory, "a cloak of solemn secrecy surrounds the transaction of cabinet business and we can never know how a decision was reached or on what grounds. The same holds true in describing the decision-making activities of officials."¹⁰

Proceedings of cabinet are secret for constitutional reasons; the Crown's business is confidential. That secrecy is protected both by the Privy Councillor's oath and the Official Secrets Act. The Act is a heavy-handed law; conviction can bring 14 years in prison. The oath is essential to collective responsibility: a policy worked out in cabinet must be publicly supported by all members of the cabinet. A minister who is unable to give such support is expected to resign. Yet, obviously, policies of government do not emerge full-blown from a magical consensus. They are hammered out behind closed doors. No government could work if the public were privy to all the doubts and disagreements that must be resolved before a policy announcement can be made or a bill drafted.

The secrecy practised by senior civil servants about their part in the decision-making process has different roots. It is grounded in the constitutional principle of individual ministerial responsibility. A minister of the Crown is responsible to Parliament for every act and every decision of every civil servant in his department. Therefore ministers, not civil servants, are expected to make public pronouncements and provide information about their departments.

Not all "government secrets" are strenuously protected. There is, for example, the high political art of the judicious "leak", the "trial balloon", which enables governments to test the political winds before they commit themselves to some possibly controversial course of action. Yet the bias is toward secrecy. There is a need to off-

set these pressures through genuinely effective freedom of information legislation to provide for openness and, hence, a better informed public.

Parliamentary privilege

Parliamentary privilege is one of the devices by which parliamentarians protect themselves from the press. It is a subtle device, for it promotes self-censorship by journalists. It is not often invoked by the House of Commons (some provincial legislatures appear to have been rather more ready to use it), yet it is much more than an idle threat. It influences what journalists say about Parliament and legislatures and how they say it; there is a natural reluctance on the part of journalists to expose themselves to the awesome process by which the House of Commons — sitting as the High Court of Parliament — calls a transgressor before the Bar of the House.

That was the fate, in 1906, of one J.E.E. Cinq-Mars, whose article in *La Presse* caused him to be censured for breach of parliamentary privilege. Cinq-Mars was called before the Bar where he was obliged to stand while the members debated the charge against him. It was agreed that the article in question had indeed passed the bounds of reasonable criticism and constituted a breach of privilege. The prime minister himself (Sir Wilfrid Laurier) moved the motion of censure. Cinq-Mars did not have to go to jail, although Parliament, when it sits as the High Court, does have the power of commitment. The power has not been used in recent times, but it is there and there is ample British precedent for its use; the Journals of the British House of Commons record more than a thousand cases of imprisonment for conviction of contempt of Parliament.¹¹

The most recent case involving parliamentary privilege in Canada had to do with a story published by the Montreal *Gazette* about John Reid, the then parliamentary secretary to the president of the Privy Council. (The *Gazette* had accused Reid of leaking budget details, later admitted this was incorrect, but still contended that he had leaked confidential information.) The case produced no convictions, and no motion of censure, but it had a useful result nonetheless. In the course of investigating the breach of privilege charge, the House of Commons Standing Committee on Privileges and Elections held 10 meetings. It heard expert testimony and canvassed all the intricacies of interaction between government and the press. The transcript of those meetings provides a modern, up-to-date survey of the state of the law on parliamentary privilege in Canada today.

Official Secrets Act and Freedom of Information

One of the issues which emerged strongly from the inquiry into the Reid case was the operation of the Official Secrets Act. That statute has long given both journalists and political scientists cause for concern. And it is indeed breathtaking in its scope.

Canada's existing Act, which was drafted in 1939, is essentially a combination of the United Kingdom's Official Secrets Acts of 1911 and 1920. It is useful therefore to consider what the Franks Committee in Britain had to say about the Official Secrets Act in 1972:

The leading characteristic of this offence is its catch-all quality. It catches all official documents and information. It makes no distinctions of kind, and no distinctions of degree. All information which a Crown servant learns in the course of his duty is "official" for the

purposes of section 2, whatever its nature, whatever its importance, whatever its original source. A blanket is thrown over everything; nothing escapes. The section catches all Crown servants as well as all official information. Again, it makes no distinctions according to the nature or importance of a Crown servant's duties. All are covered. Every Minister of the Crown, every civil servant, every member of the Armed Forces, every police officer, performs his duties subject to section 2.¹²

Section 4 of Canada's Official Secrets Act is essentially the same as Section 2 of the British statute. To political journalists, Section 4(3) is of particular importance. It provides that:

Every person who receives any...information, knowing, or having reasonable ground to believe, at the time when he receives it, that the...information is communicated to him in contravention of this Act, is guilty of an offence under this Act unless he proves that the communication to him of the...information was contrary to his desire.

Gordon Fairweather, chief commissioner of the Canadian Human Rights Commission, has commented on one particularly anomalous aspect of the Act. It is an offence to communicate, use, retain, receive, even to fail to take reasonable care of, government information which one does not have authorization to have in one's possession. Yet there is no provision in the Act for the authorization of a person's receiving or having in his possession such information.

There is a presumption that all information held by the government is not to be released unless it is specifically authorized even though there is no process for doing so or any indicated authority who has the responsibility. Consequently, a newspaper which publishes any information or documents in the government's possession, without proper authorization, may be subject to a prosecution under the Official Secrets Act.¹³

The Act is ambiguous, as was illustrated in the recent case which involved the *Toronto Sun*.¹⁴ The *Sun* had published an article which gave details from a government document that outlined suspected Russian spying activities in Canada. Both publisher and editor were charged under Section 4(1) and (3) of the Official Secrets Act. Judge Carl Waisberg of the Ontario Provincial Court dismissed the charges at the preliminary hearing stage. He did so on the ground that the document, although stamped "top secret" and "For Canadian Eyes Only" (not designations with any legal authority), was no longer secret but in the public domain; its contents had been broadcast by a television network and there were some 67 copies of it extant.

The case raises some questions. Would higher courts, had the case been appealed, have upheld such an interpretation, given the extremely restrictive wording of the Act? Does it cease to be an offence to publish information, without authorization, just because some parts of it have already been improperly leaked? When is something *officially* secret and when does it cease to be secret?

Judge Waisberg noted that the Official Secrets Act is a restricting statute which "seeks to curb basic freedoms, such as freedom of speech and the press" and, as such, should articulate in clear and unambiguous language the restrictions intended to be imposed upon a citizen. He cited the Mackenzie Royal Commission on Security to confirm that the Official Secrets Act is "an unwieldy statute, couched in very

broad and ambiguous language".¹⁵ Judge Waisberg went on to say that "complete redrafting of the Canadian Official Secrets Act seems appropriate and necessary".

Such redrafting is needed. Justice Minister Jean Chrétien, in a statement before the Standing Committee on Justice and Legal Affairs on May 26, 1981, had this to say:

The justice department has carried out a great deal of the work in support of efforts to produce a Freedom of Information bill. Associated with this is equally important work in the areas of privacy and official secrets. Proposals are being developed for revision of the Official Secrets Act in areas dealing with the unauthorized release of documents.

Good. But the best way to achieve genuinely open government, and free access by all people to information of public concern, is through a Freedom of Information Act, drafted to ensure what the title suggests.

There are some encouraging signs at this writing. New Brunswick and Nova Scotia have freedom of information statutes on the books. Newfoundland has a bill before its legislature. Ontario is preparing a "discussion paper" based on the report of the Royal Commission on Freedom of Information and Individual Privacy¹⁶ in 1980. Québec is expected to propose legislation in the fall of 1981. Parliament has before it Bill C-43, which will provide both access to government information and protection of personal information. This dual approach is designed to avoid the shortcomings of American freedom of information legislation, under which it is apparently possible to refuse a request for documents on the basis of provisions in the Privacy Act and, conversely, to refuse to protect privacy by citing the FOI Act. Bill C-43 was introduced on July 17, 1980, and was given second reading, approval in principle, on January 29, 1981. From there it went to the Justice and Legal Affairs Committee, where a number of amendments to the original bill were introduced. (As this report is being written the bill is still in committee.)

One of the bill's commendable provisions is an initial appeal to an information commissioner. The commissioner has far-reaching powers, including the right to see all documents and enter any government premises for the purpose of investigating a complaint relating to access to government documents. The commissioner will have the right to take a complainant's case to court if a minister refuses his recommendation to release requested documents. He can also testify in court on a complainant's behalf. Since the commissioner reports only to Parliament, his influence should be considerable and his impartiality assured.

A matter of libel

There is one body of law — the law of libel — which has a vastly more pervasive influence on the way journalists may write than the restraints we have so far described.

We will deal first with the law of criminal libel — with the so-called "classic" offences — which affect least the day-to-day work of the ordinary journalist. These laws have a bloody past; there was a time in English history when a writer put pen to paper at extreme peril if he was not well versed in the legal limitations. The state of criminal libel today is interesting for another reason: it demonstrates the extent to which Canadian judges in recent times have dedicated themselves to the concept of free expression.

The offences of criminal libel, in Canada, are set out in the Criminal Code. They are: blasphemy, sedition, obscenity, and defamation.

Blasphemy

Blasphemous libel in Canada is an offence under Section 260 of the Criminal Code. This crime, once so frequently the reason for indictment in England, is considered today to be a dormant anachronism. The Code does not even contain a definition of blasphemous libel; Section 260(2) says that "it is a question of fact whether or not any matter that is published is a blasphemous libel", a line the Crown has obviously been reluctant to touch.

It was Lord Chief Justice Sir John Coleridge, in 1883, who stemmed the tide of prosecutions for blasphemy. In the famous case of *Regina v. Ramsay and Foote*¹⁷ he instructed the jury that "if the decencies of controversy are observed, even the fundamentals of religion may be attacked without the writer being guilty of blasphemy". In 1917, the House of Lords in the *Bowman* case ruled that expression in proper and decent language in good faith, of an opinion or argument on a religious subject, did not constitute blasphemous libel.¹⁸

It would appear that only four indictments for blasphemous libel have been tried in Canada. Curiously, the last (in 1935) resulted in a conviction. The Court of Sessions of the Peace in Montréal convicted an Anglican minister, Reverend Victor Rahard (who had put up posters outside his church which were unflattering to Catholicism), ruling that:

The expression in writing of an opinion on a religious question in bad faith and injurious to the religious convictions and of such a nature that it might lead to a disturbance of the peace, constitutes blasphemous libel.¹⁹

It is unlikely that the case will ever be followed. Not even the battles between the Jehovah's Witnesses and the government of Premier Duplessis, during the 1940s and 1950s, resulted in prosecution for blasphemy. The obsolete law should long ago have been removed from the books.

Sedition

The law of seditious libel seems destined to join that of blasphemy in legal oblivion. It, too, had a gory history, the usual punishments at one time including mutilation and death. It also produced some high drama in jurisprudence, as, for example, James Erskine's famous defence of the Dean of St. Asaph and his defence of Thomas Paine against a charge of seditious libel for his authorship of *The Rights of Man*. Until 1792, truth was not a defence against the charge; it was only necessary to prove that the accused had actually written or printed the offending statement. With the passage of Fox's Libel Act, in 1792, the jury, not the judge, had to decide whether a libel was seditious.

During the 17th and 18th centuries the definitions of seditious libel were wide enough to suppress all criticism of the government, as they were intended to do. Today, Section 60 of the Criminal Code specifies a seditious intention (and *intention* is the critical element in establishing the crime) as the teaching or advocating, or the publishing or circulating of any writing which advocates "the use, without the authority of law, of force as a means of accomplishing a governmental change within

Canada". So, the advocacy of the use of force is now necessary. Section 61 sets out a comprehensive "saving clause". What it provides, in essence, is that the advocacy of change, by lawful means and in good faith, is exempt from prosecution.

All this is progress, for it was not always so. During the First World War, with patriotism running high, seditious libel was a common charge. Indeed, Mr. Justice Charles Stuart, in the case of *R. v. Trainor*,²⁰ appeared finally to have had enough of it. "There have been more prosecutions," he said, "for seditious words in Alberta in the past two years than in all the history of England for over 100 years. . . ." Mr. Justice Stuart, writing for the majority of the Appellate Division of the Alberta Supreme Court, made the statement in the course of allowing the appeal of a man who had said (in a drug store) that it was "good" that the German forces had sunk the *Lusitania* because England had "killed as many women and children as Germany" with its food embargo.

With the decision of the Supreme Court of Canada in the *Boucher*²¹ case, in 1950, the law on seditious libel was effectively turned around to represent a protection of free speech, rather than a suppression of it. The case involved a charge against a Jehovah's Witness for distributing a pamphlet entitled *Quebec's Burning Hate for God and Christ and Freedom Is the Shame of all Canada*. It was a denunciation, in extreme language, of alleged interconnections between politics and church in Québec. The Court held that extreme language was not sufficient to lead to conviction. Neither was the intention to promote ill-will and hostility among Canadian citizens. Only an intention to incite the Canadian people to violence and to create public disorder and disturbance would suffice to convict.

Mr. Justice Ivan Rand, in the course of his opinion, had this to say:

Freedom in thought and speech and disagreement in ideas and beliefs, on every conceivable subject, are of the essence of our life. The clash of critical discussion on political, social and religious subjects has too deeply become the stuff of daily experience to suggest that mere ill-will as a product of controversy can strike down the latter with illegality. . . .²²

He described what is essentially the present Section 61 of the Criminal Code as a provision which, with

its background of free criticism as a constituent of modern democratic government, protects the widest range of public discussion and controversy, so long as it is done in good faith and for the purposes mentioned.²³

There have been no successful prosecutions for sedition since then.

Obscenity

Unlike the offences of blasphemy and seditious libel, the offence of obscenity has considerable currency. But it seems unlikely that a Canadian daily would run afoul of it.

To establish the offence it is necessary to show that the "dominant characteristic" of the publication charged is the "undue exploitation of sex". To determine what is "undue", the court must take into account the "internal necessities" of the work and the "standards of acceptance in the community". By "community" is meant the *total* Canadian community. As to what those standards of acceptability are, it is, ultimately, up to the individual judge or the jury to decide.

What is acceptable to the community is a judgment every editor makes every day. The imperatives of appealing to readers, many readers, ensure that newspapers will not likely be much bothered by the law of obscenity. As the case of *R. v. McLeod and Georgia Straight Publishing Ltd.*²⁴ in 1970 illustrates, even the sometimes highly innovative "underground" press seems to have little to fear from the law of obscenity.

Criminal libel

The law of criminal libel (criminal defamation) must not be confused with civil libel and slander which are torts, civil wrongs. The offence is defined in section 262(1) of the Criminal Code as

matter published, without lawful justification or excuse, that is likely to injure the reputation of any person by exposing him to hatred, contempt or ridicule, or that is designed to insult the person of or concerning whom it is published.

Conviction merely for publishing a defamatory libel is punishable by imprisonment for up to two years. Publishing a defamatory libel *knowing it to be false* may draw a sentence of up to five years.

The defences to a prosecution for defamatory libel are set out in detail in Sections 267 to 279 of the Code. They include: publication of proceedings of courts or of Parliament; fair reports of parliamentary or judicial proceedings or public meetings (which are the defences of "privilege"); matters which are true, or believed to be true (the defence of "justification"), and which are relevant to matters of public interest, the public discussion of which is for the public benefit; fair comment on public persons or works of art; matter published on the invitation or challenge of the person alleged to be defamed; matter published in good faith for the purpose of seeking remedy or redress of a private or public wrong.

Section 267(1) applies specifically to newspapers and establishes that it is the *proprietor* of a newspaper who is deemed to do the "publishing". The proprietor escapes liability if he can prove that the defamatory matter was inserted in his newspaper without his knowledge, and without negligence on his part. He may also escape if he can establish that he has given "general authority to manage or conduct the newspaper" to an editor or another person, provided it is not proved against him that he intended that authority to extend to the insertion of defamatory matter in the newspaper or that he continued to confer such general authority after he knew that it had been used to publish defamatory matter.

There have been so few prosecutions for criminal libel in Canada that there is little judicial guidance on just what all that may mean. One recent case²⁵ does shed light on which of the statutory defences may not work in some circumstances. The case again involved the Vancouver publication, the *Georgia Straight* which, being wroth at a certain magistrate, compared him to Pontius Pilate. It was held that it was no defence that the statement was meant as a joke. It was held further that, since the statement referred to a particular magistrate (as distinct from the law in general), the defences of reasonably believing the statement to be true, showing that it was relevant to a matter of public interest, public discussion of which is for the public benefit, and that it was fair comment about a public person, all failed.

Civil defamation

There is one species of libel which imposes constant and drastic restraints on the press. That is civil defamation, civil libel. A libel suit can be very expensive for a newspaper, even when the suit does not succeed. So alert are newspapers to this ever-present threat that many of them retain legal counsel to whom they routinely submit items prior to publication.

What constitutes a libel? Generally, "any written or printed words which tend to lower a person in the estimation of right-thinking men, or cause him to be shunned or avoided, or expose him to hatred, contempt or ridicule."²⁶ But it is not only words that are capable of being sued upon as being libellous. Pictures may be and, as the recent case of *Vander Zalm v. Times Publishers et al*²⁷ illustrates, so may cartoons. (That case failed on appeal, but there was nothing in the judgment to rule out cartoons as being the subject of a libel action.)

Libel law is complicated. It is the subject of both statute law and common law. In the standard work on the subject, *Gatley on Libel and Slander*, the discussion runs to more than 700 pages²⁸ and an English study, in 1979, concluded that:

A mystique has come to be associated with this tort. . . . In some respects the law of defamation has become unduly complex and technical. It must, however, be borne in mind that some of the complexities stem from the need to maintain the balance between the individual's right to his reputation and the public interest to preserve free speech.²⁹

The laws of libel and slander fall within provincial jurisdiction and the details of applicable statute law vary considerably from one province to another. What is more, the traditional distinction between libel and slander (in which the former was considered to be written defamation and the latter oral) has become blurred, so that even the nomenclature varies. Thus, British Columbia, Saskatchewan, and Ontario have libel and slander statutes; Alberta, Manitoba, New Brunswick, Nova Scotia, and Prince Edward Island have Defamation Acts; Newfoundland has a Slander Act and, in Québec, the equivalent statute is called the Newspaper Declaration Act. Manitoba even has what may be termed a "group defamation" law. By Section 19 of the Manitoba Defamation Act an action lies for a libel against the members of a particular race or the adherents to a religious creed. In all other provinces, the common law applies to libels involving race or creed so that it is necessary for a plaintiff to show that the libel has damaged him personally; where no particular member of a group has been specifically libelled, no individual can sue.

There are other differences. Some provinces, for example, have statutes dealing specifically with headlines and captions. Manitoba, Nova Scotia, New Brunswick, and Prince Edward Island have such provisions in their statutes and, in these cases, headlines and captions are treated as "reports" within the context of those sections of the statutes concerned with fair and accurate reports of matters subject to privilege. Alberta's statute relates headlines and captions to reports of court proceedings only. There are also variations with regard to the time period within which an action for libel may be brought and in the degree of strictness with which libels against candidates for public office are dealt.

And so on. It is not our purpose here to canvass the law of civil libel in any detail; excellent discussions on the intricacies of libel law are contained in two research studies published in conjunction with this Report.³⁰

What is of concern to us is whether that critical balance — the balance between the public interest in free speech, which includes the right of the press to publish without undue inhibitions, and the individual's right to his reputation — is being maintained. Generally speaking, we believe that it is.

One reason for confidence is the dual aspect of libel law, which is in part the product of precedent at common law and in part the result of provincial legislation. Legislatures have the power to cure where judge-made law has left matters uncertain. And in that respect the recent case of *Cherneskey v. Armadale Publishers Limited et al*³¹ is most significant.

The case involved a suit brought against the Saskatoon *Star-Phoenix* by a Saskatoon alderman who complained that he had been defamed by a letter-to-the-editor. The letter had been written by two law students who had since left the province. They did not appear at the trial and at no time was evidence adduced as to whether the letter writers believed what they had written to be true. The editor testified that neither he nor the publisher believed the comments contained in the letter (*inter alia*, that Cherneskey's opposition to the location of an Indian and Metis alcohol rehabilitation centre was racist). The result was that the trial judge refused to allow the defence of fair comment (a defence provided both by statute and at common law) to be put to the jury. The jury adjudged the letter to be defamatory. The Saskatchewan Court of Appeal upset the verdict, but a majority of the Supreme Court of Canada overruled the Court of Appeal and restored the trial judgment. According to Mr. Justice Ronald Martland:

Freedom to express an opinion on a matter of public interest is protected, but such protection is afforded only when the opinion represents the honest expression of the view of the person who expresses it.³²

That view, as Mr. Justice Brian Dickson in his dissenting judgment made clear, put editors and publishers in an impossible situation with regard to letters-to-the-editor. The usual defences of justification (truth) and qualified privilege (as, for example, in a report on a public meeting) are not relevant in such a case. If the defence of fair comment is also denied, a newspaper may as well not risk publishing letters. According to Mr. Justice Dickson:

The important issue raised in this appeal is whether the defence of fair comment is denied a newspaper publishing material alleged to be defamatory unless it can be shown that the paper honestly believed the views expressed in the impugned material. It does not require any great perception to envisage the effect of such a rule upon the position of a newspaper in the publication of letters to the editor. An editor receiving a letter containing matter which might be defamatory would have a defence of fair comment if he shared the views expressed, but defenceless if he did not hold those views. As the columns devoted to letters to the editor are intended to stimulate uninhibited debate on every public issue, the editor's task would be an unenviable one if he were limited to publishing only those letters with which he agreed. He would be engaged in a sort of censorship, antithetical to a free press. . . .³³

The decision in *Cherneskey* did not remain the law for long. Within a year, at the urging of the Canadian Daily Newspaper Publishers Association and the Ontario Press Council, four provinces had already drafted amendments to their Libel and

Slander or Defamation Acts to get around the rule in the *Cherneskey* case. Thus, in Ontario, whose amendment is fairly representative, it is now enough, in order to succeed in the defence of fair comment, to show that a person *could* honestly have held the opinion expressed, not necessarily that he did. As this report went to press, Manitoba, Saskatchewan, Alberta, New Brunswick, the Northwest Territories and the Yukon, as well as Ontario, all had amended their statutes to overcome the reasoning of the majority in *Cherneskey*.

Supports: the Post Office

Canadian newspapers, both daily and weekly, are quick to argue that government interference of any sort is antithetical to freedom of the press. They are equally ready to assert that they claim no special privileges and receive no government support. The Canadian Daily Newspaper Publishers Association, in one of its briefs to the Commission, had this to say:

In Canada, daily newspapers are published freely and independently. They are independent from subsidization of any sort.³⁴

That is not exactly the way it is. There are, for example, the excise tax exemptions. And there is the Post Office.

Newspapers and periodicals (with some exceptions) are subsidized in Canada through a system of concessionary postal rates. They are classed as second class mail and, as such, are entitled to lower rates. According to the finance department, that subsidy to newspapers cost the Canadian taxpayer more than \$27.5 million in 1980.

Concessionary postal rates for newspapers have existed since 1867 when the first Dominion Parliament established the Canadian Post Office on a national basis. There were excellent policy reasons for the subsidy. The Government was anxious to encourage the dissemination of news to all parts of the new federation — for purposes of national development, for education purposes, and for the promotion of democratic ideals.

By the 1940s, the context within which the Post Office operated had changed and the reasons for the early subsidization had diminished greatly. The Post Office was no longer the only general means of communication. Education was becoming universally available. Other forms of communication had developed — radio and, later, television — and virtually every town and city had access to a newspaper.

Postal deficits, meanwhile, climbed and climbed. There were periodic rate adjustments but second class mail subsidies remained intact. During the early to mid-1960s, three Royal Commissions wrestled with the problem of concessionary second class rates and, in 1965, the Post Office itself set up a Second Class Rates Study Committee.

The position generally taken by Post Office officials is that the world is now vastly different from what it was when the subsidization policy was begun. The economics of publishing have changed. The costs of publishing are supported primarily by advertisers and more than half the content of most publications is made up of advertising so that the advertisers, in fact, have become the beneficiaries of the government policy of subsidizing second class mail. Most newspapers are no longer struggling little enterprises; many are owned by large corporations and conglomerates. Why, in these circumstances, should the taxpayer, reader and non-reader alike,

contribute to their wealth? It is imperative that the Post Office balance its books and concessionary rates which long ago lost their original validity are a good place to start.

That is the Post Office view. The contrary position of the publishers is set out forcefully in the CDNPA's submission, in 1979, to the Government with regard to Bill C-42, which established the Canada Post Corporation:

Since the early 1700s Parliament has recognized that, to the extent that rate subsidization on the transmission of newspapers existed, that subsidy was a subsidy to the people, not a subsidy to the newspaper publishers. The people were subsidized to ensure an unrestricted free press was available to all Canadians at low cost. A strong democracy requires a fully informed electorate. . . . The facilitation of the movement of this information at an economical cost to Canadians, regardless of where they live, is vital to the welfare of our society, to the maintenance of our freedoms.³⁵

The Davey Committee was persuaded to this latter view, although it also made the comment that, in the main, daily newspapers are not heavily dependent on the mails.

This Commission does not advocate the abolition of concessionary rates. It particularly sympathizes with the publishers of weekly newspapers who pleaded with us to recommend against increased postal rates and against reclassifications from second class categories; their very persuasive argument was simply that, without concessionary rates, they would cease to exist.

However, we raise the issue of Post Office subsidies in order to make another point. Because newspapers are indeed fundamentally critical to our democratic society, their publishers should feel no need to be defensive if society values them accordingly and agrees to reward their efforts by way of a subsidy. They should not be heard to say that they are "independent from subsidization of any sort" when what they really mean is that they accept subsidy provided their right to publish as they see fit is not compromised.

Excise taxes

The newspaper industry in Canada enjoys large benefits from the indirect subsidies provided under the terms of the Excise Tax Act: it escapes the sales tax.

The manufacturer's sales tax is the principal federal commodity or excise tax. It is a tax of general application, although there are a few exceptions, notably newspapers, magazines, and periodicals. It applies to sales of goods to wholesalers, retailers, and individual consumers. Services are not taxed, but any manufactured or produced goods used in the provision of services are.

Newspapers and magazines, however, unlike other printed materials, have always been exempt from tax on their outputs; that is, on the physical newspaper or magazine produced. Since 1927, they have also been exempt from tax on the manufactured goods which go into their production.

These exemptions are tax expenditures, as the Department of Finance calls them, tax monies that could be collected but are not. And the purpose of tax expenditures is, according to the finance department,³⁶ to "grant a subsidy or incentive for those engaging in a specific activity or for those in certain special circumstances. . . ." They are *indirect* subsidies, but they are subsidies nonetheless.

The newspaper industry, which declares itself to be utterly opposed to direct subsidies, is right in contending that indirect subsidies, tax expenditures, are different: they are much more valuable than direct grants. According to the Department of Finance:

In considering the value of any particular tax expenditure item, it must be realized that the value to the taxpayer of a dollar of tax preference is often worth substantially more than a dollar of equivalent direct spending. This results from the fact that, while all tax expenditures directly increase after-tax incomes of taxpayers by the amount of revenue foregone, government grants are generally taxable to the recipients. Thus, the value to the taxpayer of a dollar's tax preference may be one-and-a-half to two times the value of a dollar of direct spending.³⁷

It is difficult to assess with precision the benefit, in actual dollars, of the excise exemptions to the newspaper industry. However, a conservative estimate would be in the neighborhood of \$70 million, under methods of calculation used by the finance department.

Again, as in the case of concessionary postal rates, we can find no fault with a public policy that recognizes the special nature of newspapers and the vital role they play. We merely point out that newspapers do have these public supports.

Bill C-57

Over the years, Revenue Canada, partly in an attempt to limit the range of publications entitled to claim the sales tax exemption, developed eligibility guidelines for newspapers. To be eligible for exemption, a publication must not have more than 70 per cent of the space in more than 50 per cent of its issues devoted to advertising — the same definition used by the Post Office in establishing who is eligible for second class mailing privileges.

In 1978, a decision of the Federal Court of Canada³⁸ negated the department's power to prescribe definitions by regulation. Bill C-57 was passed in order to provide the stricken regulation with the force of law. The new definition, slightly modified in response to representations from weekly newspapers, is now 75/25, advertising to editorial.

Given that Bill C-57 merely codified what had been a long-standing practice with regard to the eligibility formula, the onslaught made on that bill before the Commission was nothing short of astonishing. The CDNPA, in its brief, described the 75/25 formula as "an unacceptable intrusion into the editorial sector of a newspaper publisher's responsibility". Further:

Control by percentage of editorial content is only one short step away from control of editorial content. We believe this section of the proposal has the potential for striking at the heart of our free press. We believe it represents an unacceptable encroachment into the editorial and publishing process.³⁹

And publishers did not like the other provision in Bill C-57 — the removal of the tax exemption on advertising inserts — any better. J.P. O'Callaghan, publisher of the *Edmonton Journal*, urged the Commission to deal with the "baleful threat" of Bill C-57. He warned that henceforth bureaucrats, not publishers, may decide what a newspaper contains; that "the sticky hands of government are never far away from

our traditional freedom of speech and freedom of the press." He added that Bill C-57 "is the newest weapon in this assault on press freedom" and urged the Commission's support "in blunting its firepower".⁴⁰ Because advertising inserts are to be taxed like the ordinary flyers they in fact are? Such protestations are more purple than persuasive.

Advertising inserts became tax-exempt as the result of a departmental interpretation in the early 1970s which classed them as raw material used in the manufacture of a newspaper. The practice of using newspapers to distribute advertising flyers grew rapidly. Advertisers reaped a dual advantage: one, they escaped the nine per cent tax on the cost of printing which they would have to pay were the identical flyers distributed in any other way; two, by arriving in the subscriber's home as part of the newspaper — a newspaper wanted and paid for — the advertising matter, in effect, borrowed status from the newspaper; so introduced, it would be less likely (at least that is the theory) to be chucked directly, unread, into the garbage. Newspapers benefited from the extra revenue, which, one uncharitably suspects, may be the real reason for the hue and cry about freedom of the press being infringed by the tax on the piggy-backing inserts.

In Bill C-57 the government clearly opted for the principle that, in order to qualify for tax subsidy, printed matter must have a social value over and above offering something for sale. That is an admirable principle.

The Income Tax Act: Sections 19 and 20

A number of witnesses pointed out to us the anomalous effects of several amendments to the Income Tax Act enacted during the heyday of Canadian nationalism in the 1970s. Intended primarily to assist Canadian magazines in their competitive struggle with foreign publications, and to prevent foreign ownership of Canadian newspapers, the effect of the amendments appears to have been to contribute to concentration in the publishing industry.

Section 19 of the Act, originally passed in 1965, stipulates that advertisements published in non-Canadian newspapers and periodicals but aimed primarily at Canadian readers cannot be deducted, for tax purposes, as a business expense. It defines a Canadian publication as one that is printed, edited, typeset, and published in Canada. (In 1976 the advertising provisions were extended to include advertisements beamed into Canada by television and radio stations along the Canada-U.S. border.) Moreover, a corporation publishing or broadcasting in Canada must, in order to be considered Canadian under the law, be three-quarters Canadian-owned and directed and must be incorporated in this country — an effective block to foreign ownership of a Canadian publication.

This provision in the Income Tax Act must be seen in connection with another. Section 20 of the Act, which was designed to put Canadian firms on an equal footing with foreign companies, extends the deduction for interest on money borrowed to purchase assets to money borrowed to purchase shares of another company. Since any interest deduction is of greatest value to those who can borrow the most, the effect of this section is to help owners of large corporations to buy up more existing companies.

Thus with Section 19 eliminating competition from outside the country and Section 20 providing a tax deduction for large corporate chains wishing to buy more

papers, the two together, it was represented to us, have contributed to concentration of ownership in the newspaper industry.

Anti-combines and competition law

From Victoria to Halifax, wherever the Commission held hearings, one issue invariably arose: the inefficacy of existing combines legislation. The Commission received more than 130 separate submissions which recommended tougher, more effective competition laws.

There is also no doubt that there is official concern. During the 1970s, the Crown lost every major anti-combines case to come before the Supreme Court of Canada. On March 31, 1981, while our hearings were in progress, the Minister of Consumer and Corporate Affairs, André Ouellet, told the Montreal Chamber of Commerce: "I think we are past the point of wondering whether it is necessary to reform Canada's competition policy. All we have left to decide is when and how we are going to go about it."

As far as newspapers are concerned, we are now left with the legacy of the *Irving* case.⁴¹ It is a sad legacy.

The Director of Investigation and Research, Combines Investigation Act, observed, in 1978, that the Supreme Court of Canada decision in *R. v. K.C. Irving, Limited, et al* "disposed of whatever hopes may have remained that the present criminal prohibition of mergers could be an effective instrument".⁴² Christopher Green, professor of economics at McGill University, has said that, after *Irving*, the situation is that "short of having a monopoly and exploiting it for all it's worth, Canadian firms will *not* be convicted of monopoly or monopolizing under Canadian anti-combines law".⁴³

The Supreme Court of Canada in that case seems to have drawn the last of the present Act's few teeth. Since it is also the only prosecution under the Act which involved the newspaper industry, it may be useful to examine some aspects of the case.

The events leading up to the prosecution are well known in the newspaper industry: the Irving family, father and three sons, had, through their various companies, acquired all five (that is, counting the two-in-one papers as separate titles) English-language daily newspapers in New Brunswick. They were charged under the Combines Investigation Act with two counts of merger and two counts of monopoly.

One of the issues that arises from the wording of the definitions of "merger" and "monopoly" in the Act is the question, what constitutes "control"? Mr. Justice Albany Robichaud, the trial judge in *Irving*, wrestled with the question. "Control," he said, "does not mean a temporary and uncertain, but rather continuous and certain control of the affairs of a company, which can only be obtained by an undisputed majority of the stock."⁴⁴ The evidence submitted to the court was that K.C. Irving, Limited and associated companies did not *directly* influence the publishers and editors of their papers. Control, that is, "management at the top", was actually exercised by Ralph Costello (publisher of the Saint John *Telegraph-Journal* and the *Evening Times-Globe* and president of New Brunswick Publishing Company, Limited) who, in the words of the court, was "definitely Mr. Irving's right-hand man". Mr. Justice Robichaud ruled that "*the right to control* the said newspapers *ipso facto* became perquisite, or the attribute and prerogative of the acquiring company".⁴⁵

The Appellate Division of the New Brunswick Supreme Court did not agree. Mr. Justice R.V. Limerick, for the court, stated that the trial judge had erred in disregarding his own finding of fact (that the Irvings allowed their newspapers editorial autonomy) and "becoming involved in the realm of theory, holding that in spite of the facts since the legal right of control remained in K.C. Irving, Limited and Mr. Irving personally, the potential was always present to be exercised at any time and the *likelihood* that such control could be exercised was always present".⁴⁶ The appellate court then held that the trial judge also erred in his interpretation of the meaning of the word "likelihood", holding that it meant "will probably", not "may possibly".⁴⁷ The Supreme Court of Canada, in its judgment upholding the appellate court, left the point open, although Chief Justice Bora Laskin noted *obiter* that "it seems incongruous that a prohibited merger or monopoly should not include newspapers in respect of their editorial direction. . . ."⁴⁸

Almost every phrase of the definitions set out in the Act, as well as in the section setting out the offences, has been subject to progressively narrower judicial interpretation. It is, however, through the courts' interpretation of the phrase "to the detriment or against the interest of the public" that the Combines Investigation Act has lost all vitality. The decision in *Irving* was merely the administration of last rites.

It is not intended here to discuss the meaning of "detriment" as it has evolved through judicial interpretation. (For a comprehensive analysis, the reader is referred to a study entitled "The treatment of the term 'to the detriment or against the interest of the public'", prepared for the Commission.⁴⁹) It is relevant here, however, to see how it was dealt with in the *Irving* case.

At trial, Mr. Justice Robichaud held that, although detriment must be affirmatively established, "once a *complete monopoly* has been established. . . detriment, in law, resulted".⁵⁰ The emphasis here is on complete monopoly. But the learned judge went further: ". . . any agreement or arrangement designed to prevent or lessen competition, to restrain trade, or even tending to take it out of the realm of competition, must be considered to be against public policy and consequently illegal, even although it may not appear to have *actually* produced any result detrimental to the public interest."⁵¹

A line of cases had established that the particular interest of the public to be protected in a combines situation was economic interest; that is, the public, through free competition, was to be protected against "enhancement of prices". Thus, in the case of *R. v. British Columbia Sugar Refining Co. Ltd. et al.*,⁵² in 1960, Chief Justice E.K. Williams ruled that not only must the Crown establish "excessive and exorbitant profits or prices" in order to show detriment to the public but "the Crown must also establish a virtual stifling of competition". More than that:

. . . it is not all combines that come within the operations of the Combines Act but only those that have operated *unduly*, or are likely to operate *unduly* to the detriment or against the interest of the public. . . .⁵³

The appeal court in *Irving*, after ruling that detriment must be found as a fact, not as a matter of law, specifically struck down the idea that the lessening or elimination of competition through monopoly or merger raises a presumption of detriment. Detriment must be specifically proven and proven, apparently, in terms of economic harm. According to Mr. Justice Limerick:

The evidence discloses no detriment to the public relating to the newspapers as articles of trade or commerce or even as to editorial policy if such can be considered as being included in the contemplation of what is detrimental to the public interest. The (Irving) papers were among the last in Canada to raise their price from eight cents to 10 cents. Their advertising rates per line and per milline are not above the average rates in Canada.⁵⁴

The Supreme Court cited the trial judge's finding of fact that New Brunswick's economy and industry had benefited because "all profits have been reinvested in New Brunswick enterprises".⁵⁵

Proof, in a criminal case, must be established beyond a reasonable doubt as to all essential elements of the charge — a virtual impossibility, if specific instances of material harm must be demonstrated. Such a test applied to newspaper competition, where the potential harm in the lessening or elimination of competition is the undermining of one of the requisites of democracy, is ludicrous. G.B. Reschenthaler and W.T. Stanbury, writing in the *Canadian Business Law Journal*, have commented that the Supreme Court's decision in *Irving* "is a triumph of business power in the context of a very strictly construed statute almost totally inappropriate to the task at hand". They commented further that, by that decision, "the merger provisions have been effectively read out of the Combines Investigation Act".⁵⁶

Consumer and Corporate Affairs Minister André Ouellet, in the speech referred to earlier, promised to decriminalize merger and monopoly provisions in proposed new competition legislation. That would mean that the standard of proof would no longer be "beyond a reasonable doubt"; the much less demanding "balance of probabilities" test, the standard of proof in civil cases, would apply. Ouellet promised further to delete the terms "detriment" and "against the interest of the public" — all but impossible to define — from future legislation, and to establish a mechanism for scrutinizing *proposed* mergers of significant size before they took place. (The *Irving* case dealt with *completed* mergers.)

All that would help, provided any new competition legislation proposed is not once more allowed to expire on the Order Paper. It is the Commission's considered view, however, that competition laws, regardless of how strengthened, are simply inappropriate to the regulation of monopolies in the newspaper industry.

The simple, inescapable fact is that newspapers are *not* like other business ventures. The public's interest in vigorous competition among newspapers is not one that can be quantified in any dollars-and-cents terms. It has to do with the number and quality of independent voices finding expression, voices undaunted and undiminished by dollar concerns.

The point is well made in an opinion written, in 1970, by the United Kingdom's Monopolies and Mergers Commission:

The special risk arising from (newspaper) concentration lies rather in the fact that, if the owner of a wide-ranging group were to use whatever power in this respect his ownership gave him so as to prevent accurate presentation of news or free expression of opinion, or were he indeed to abuse this power in any other way, the damage would be much greater because of the area over which the harmful effects would be sustained.⁵⁷

The United Kingdom's Royal Commission on the Press, in 1962, had this to say:

Then it may be said — and said truly — that the proposal involves treating the newspaper industry differently from industry in general. The answer is that the public interest in relation to the newspaper industry is different. The discrimination is based on the proposition that freedom and variety in the expression of opinion and presentation of news is an element which does not enter into the conduct of other competitive industries and that it is of paramount public interest.⁵⁸

This is a public policy approach — to treat newspapers differently — that this country would do well to emulate.

References

1. *Reference Re Alberta Statutes*, [1938] S.C.R. 100 at 145-146.
2. *Ibid.*, 146.
3. *Ibid.*, 133.
4. *Ibid.*, 134-135.
5. *Ibid.*, 133.
6. [1957] S.C.R. 285.
7. *Ibid.*, 320.
8. *Ibid.*, 306.
9. Arthur Siegel, *The Interaction of the Press and Parliament in Canada*. Paper prepared for presentation to the 48th Annual Meeting of the Canadian Political Science Association, Québec City, Québec, 1976. p. 4.
10. J.R. Mallory, *The Structure of Canadian Government*. Macmillan, 1971, p. 111.
11. Siegel, p. 23-24.
12. Departmental Committee on Section 2 of the Official Secrets Act, 1911. *Report*. Cmnd. 5104. London, 1972.
13. R. Gordon L. Fairweather. *Press Freedom: More than a Platitude*. Notes for an address to the Gerstein Conference on Mass Communication and Canadian Nationhood, Toronto, April 10, 1981.
14. *R. v. Toronto Sun Publishing Limited et al* (1979), 47 C.C.C. (2d) 535.
15. Canada. Royal Commission on Security. *Report*. (Abr.) Ottawa, 1969. (Chairman: M.W. Mackenzie.) p. 75.
16. Ontario. Royal Commission on Freedom of Information and Individual Privacy. *Report*. Toronto: 1980. (Chairman: E. Carlton Williams.) 3 vols.
17. (1883), 15 Cox C.C. 231 at 238.
18. *Bowman et al v. Secular Society, Limited*, [1917] A.C. 406.
19. *R. v. Rahard* (1935), 65 C.C.C. 344.
20. (1916), 33 D.L.R. 658.
21. *Boucher v. The King*, [1951] S.C.R. 265.
22. *Ibid.*, 288.
23. *Ibid.*, 290.
24. [1970] 73 W.W.R. 221.
25. *R. v. Georgia Straight Publishing Ltd. et al*, [1970] 1 C.C.C. 94.
26. Alexander Stark, *Dangerous Words*. Paper delivered to Canadian Managing Editors' Conference, Niagara Falls, Ontario, January 28, 1950.

27. [1979] 2 W.W.R. 673 (trial); [1980] 4 W.W.R. 259 (appeal).
28. Sir Robert McEwen and Philip Lewis. *Gatley on Libel and Slander*. Sweet and Maxwell, 1974.
29. The Committee on Defamation (The Faulk Committee). *Report*. UK Cmnd. 5909. London, March 1979. p. 5.
30. See Walter S. Tarnopolsky, *Freedom of the Press*, and Colin Wright, *The Daily Newspaper and Government Policy*. Research studies.
31. [1979] 1 S.C.R. 1067.
32. *Ibid.*, 1072-73.
33. *Ibid.*, 1095-96.
34. CDNPA. Supplementary statement to brief.
35. Presented to the Secretary of State, October, 1979, p.2.
36. Canada. Dept. of Finance. *Government of Canada Tax Expenditure Account*. Ottawa: Tax Analysis and Commodity Tax Division, 1979, p. 1.
37. *Ibid.*, p. 28.
38. *E.W. Bickle Ltd. v. Minister of National Revenue*, [1979] 2 F.C. 448.
39. Royal Commission on Newspapers, Transcript of Proceedings. p. 5121.
40. *Ibid.*, p. 3884.
41. *R. v. K.C. Irving, Ltd. et al* (1974), 16 C.C.C. (2d) 49 (trial); (1975), 23 C.C.C. (2d) 479 (N.B.S.C., App. Div.); [1978] 1 S.C.R. 408 (S.C.C.).
42. Canada. Director of Investigation and Research (Combines Investigation Act), *Annual Report*, 1978. p. 14.
43. Christopher Green, *Canadian Competition Policy: Past and Present*. Paper presented at McGill University, October, 1980.
44. *R. v. K.C. Irving, Ltd. et al* (1974), 16 C.C.C. (2d) 49 at 87.
45. *Ibid.*, 93.
46. *R. v. K.C. Irving, Ltd. et al* (1975), 23 C.C.C. (2d) 479 at 494.
47. *Ibid.*, 495.
48. *R. v. K.C. Irving, Ltd. et al* [1978] 1 S.C.R. 408 at 415.
49. See Edith Cody-Rice, *The treatment of the term 'to the detriment or against the interest of the public'*. Research study.
50. *Supra*, n. 44, at 104.
51. *Ibid.*, 115.
52. 129 C.C.C. 7 at 60.
53. *Ibid.*, 16.
54. *Supra*, n. 46, at 490-491.
55. *Supra*, n. 48, at 418.
56. G.B. Reschenthaler and W.T. Stanbury. Benign Monopoly: Canadian Merger Policy and the K.C. Irving Case. *Canadian Business Law Journal*. Vol. 2, No. 2. p. 163.
57. The Monopolies Commission. *George Outram & Company Ltd. and Hamilton Advertiser Ltd., and Baird and Hamilton Ltd.* A report on the proposed transfer of six weekly newspapers. HMSO. London, January, 1970. p. 21-22.
58. Royal Commission on the Press. *Report*. HMSO. Cmnd. 1811. London, 1962. p. 106.



*Anthony Jenkins,
Toronto*

4

The newspaper as a business

THE business of the newspaper can be summed up in the names commonly given to many of the early ones, *Intelligencer* and *Advertiser*. The paper delivers news to readers, readers to advertisers. Canada still has one *Intelligencer*, or “bringer of news”, in Belleville, Ontario. The country’s first daily paper, founded in 1833, was the *Montréal Daily Advertiser*, but there are no papers of that name left, although about four-fifths of Canadian daily newspaper revenue comes from advertising.

Unless a newspaper is supported by a government, a political party, a church, an institution, or some other well-wisher, who thereby gets an opportunity to influence content, it must rely for its livelihood on selling in two markets. Editorial content — news, comment, analysis, entertainment — goes to readers. The readership is sold, in the form of space in the newspaper, to marketers of goods and services, who in turn add to the readership through the appeal of their ads. In other words, the newspaper is in trade and must make its own internal peace, on behalf of its readers, between service and profit.

Writing of the “variety of commercial pressures” faced by newspapers, two British authors said, “To some extent these are healthy. They encourage editors and journalists to write for readers rather than for themselves. Less effectively, they encourage newspaper managements to watch their costs and improve their efficiency.”¹ On the other hand, the authors noted, commercial pressures lead to newspaper closings. They deter entry of new papers. And they lead newspapers to tailor content to reach the particular audiences sought by advertisers, according to social class, income, and spending habits.

The Commission was told by Eric Wells, a former editor of the *Winnipeg Tribune*, “Advertising is in fact a very important part of information.” But he thought the Winnipeg newspapers had “gorged themselves to death on a surfeit of advertising”. Summing up his view of the Canadian daily newspaper industry, he said, “The news is not the biggest overhead of the newspaper today; most of the cost is to be found in the overhead of servicing the ads.”²

To get to the bottom — and the bottom line — of this country’s newspaper economics, the Commission undertook an extensive study through questionnaires

answered in confidence by the newspaper proprietors.³ This has given us the general picture of revenues, expenses, and net income (before payment of interest and taxes), shown in Table 1, which we will examine in some detail. But, first, let us take a look at how the seven-year story of newspaper finances which we are presenting fits into the context of Canadian newspaper development.

The turn of the century was the critical period for the creation of modern newspapers. Hearst and Pulitzer in the United States, Harmsworth (later Lord Northcliffe) in Britain, had revolutionized the press by creating the cheap, mass-circulation daily to match the readership market of the growing cities. When Alfred Harmsworth's *Daily Mail* rolled off the presses for the first time in 1896, 397,215 copies were sold for a ha'penny each, half the price of competing newspapers. (Even today in Canada, only the *Toronto Star* sells more than that many copies a day.) But low price did not apply only to what would now be called a "down-market" paper for the masses, such as the *Daily Mail*. In that same year, Adolph Ochs bought the *New York Times* with firm plans for "up-market" influence; he cut its price from three cents to a penny.

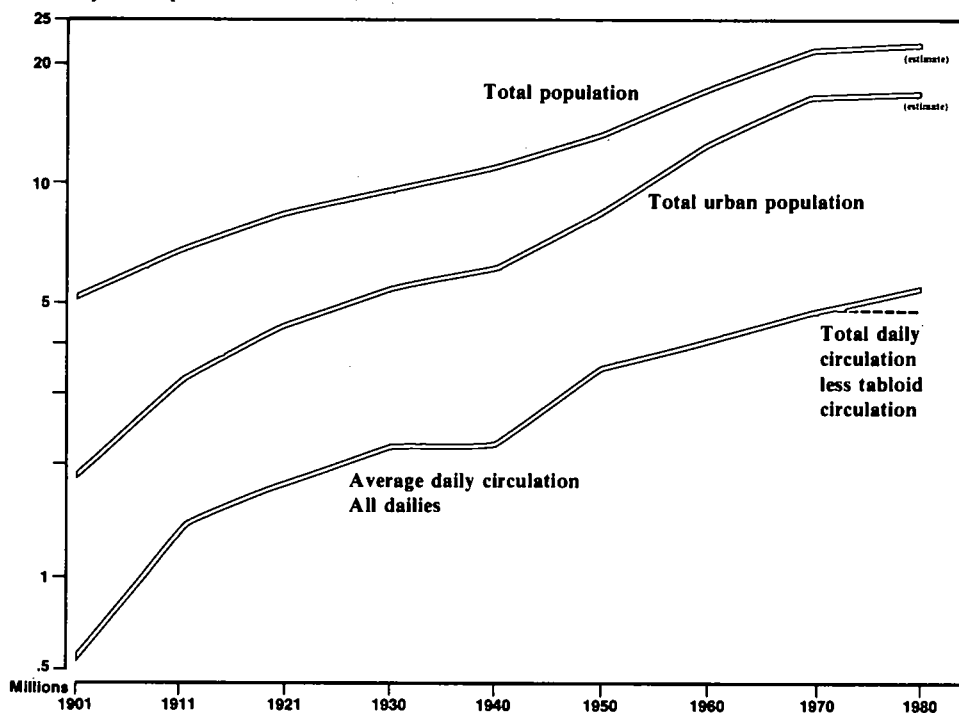
In Chart 1, we can see the soaring rise of circulation in Canada during the period from 1900 to 1911. A combination of the linotype, high-speed presses, and a decade of rapid population growth, gave newspaper proprietors the opportunity to work the newspaper revolution in this country. Daily circulation per capita almost doubled between 1901 and 1911, going from 0.105 to 0.192. In general content and reach into urban markets, the modern Canadian newspaper had reached its age of maturity by the time of World War I. Future circulation growth was to depend on population growth — particularly urban growth — and the agility of the papers in keeping pace with changing tastes and changing distribution of audiences during the rural-to-urban shift and the evolution of the cities. There were the flights to suburbs and exurbs, the returns to downtown cores, the generation of new buying habits. Per capita circulation hit 0.207 in 1930, dropped during the Depression, rose during the postwar boom to 0.237 in 1955, and is now at about 0.230, or only some 20 per cent higher than in 1911.

Looking at circulation on an aggregate weekly basis, which is what we do in our detailed studies, the Canadian daily newspaper industry was selling one-and-a-third newspapers a week per capita in September of 1980. Daily newspaper buying was highest in Prince Edward Island — Canada's most even balance of town and country — at 1.66 copies a week, or 5.97 per household, which means that on average there was a daily paper going into P.E.I. homes six days a week. Ontario was second at 1.64 per capita and 5.01 per household. Québec, with its established preference for weekly newspapers, and its present devotion to television, was well down the list at 1.09 per capita and 3.49 per household. This approached the low level of un-citified provinces such as Saskatchewan (0.85 per capita, 2.70 per household) and Newfoundland (0.54 and 2.23).

These variations by province call for a word of warning that is necessary as we go on to look at aggregate figures on revenues, expenses, and profits. Although we can give some breakdowns by classes of newspaper, or regions, we are using proprietorial information that the companies are entitled to keep to themselves. The aggregate figures we can provide differ from the particular financial structures of individual newspapers. What is true for the Canadian daily newspaper industry in general is not true for each newspaper.

Chart 1**Population and circulation trends, 1900-1980**

(Data are plotted on a vertical logarithmic axis which facilitates comparison between rates of change, shown by the slope of the trend lines)



Source: *Culture Statistics. Newspapers and Periodicals*. Statistics Canada (87-625).

Population figures from Statistics Canada. Census Division.

1979 figures from Communications Research Center.

Total circulation, per-capita circulation, and circulation per-capita of urban population for selected years 1901 to 1980

Year	Total daily circulation	Index of total circulation (1950 = 100)	Per-capita circulation	Ratio Total circulation/Urban population
1901	600,000	18.1	0.105	0.298
1911	1,380,000	41.7	0.192	0.422
1921	1,700,000	51.4	0.194	0.391
1930	2,145,000	64.8	0.207	0.385
1940	2,165,000	65.4	0.188	0.346
1950	3,310,000	100.0	0.236	0.384
1955	3,780,000	114.2	0.237	—
1960	3,850,000	116.3	0.216	0.303
1965	4,250,000	128.4	0.216	—
1970	4,640,000	140.2	0.215	0.284
1975	4,954,000	149.1	0.215	0.284
1980	5,409,000	163.4	0.229	0.304

Source: *Printing, Publishing and Allied Industries*. Statistics Canada (36-203).

Population figures from Statistics Canada. Census Division.

Revenues: circulation

The average daily newspaper costs less than a good cup of coffee, except in the case of some of the big weekend editions now being produced in the larger cities. The price is designed, relatively speaking, to bring in readers for the ads rather than for revenue. That has been basic to mass-circulation journalism from the beginning. It is no less basic today, when television and radio news are available "free".

The trend over the past 30 years, if we smooth out the ups and downs, has been to look to the cover price of newspapers for a steadily declining proportion of revenue: 28.1 per cent in 1950 and about 20 per cent today. The Commission's own study for the seven-year period 1973-74 through 1979-80, based on replies to questionnaires and some estimating, includes very small revenues from sources other than cover price and advertising, such as contract printing, and differs very slightly in its results from Statistics Canada, which has a less ample data base. But the trend and the figures are almost the same. Circulation revenue dropped from 23.8 per cent of total revenues in 1974, to 20.2 in 1980. (See Table 1, right-hand side, fifth row of figures from the top.)

In actual money from subscribers and single-copy purchasers, that represented prices ranging from 10 to 20 cents per issue in the earlier year and from 15 to 35 cents in 1980. Translated into constant 1971 dollars, the price of a newspaper actually went down slightly — from an average of about 12 cents an issue to 11 cents.

Could the newspapers get more from subscribers and single-copy purchasers in order to become less reliant on advertisers? We found no clear pattern to help provide an answer. Three small-town papers with daily circulation under 40,000 increased prices from 15 to 20 cents in 1976 and 1977: all suffered losses in reported circulation in the following period. Another newspaper in the same range increased its price three times — going from 10 to 25 cents — and enjoyed circulation gains throughout the period. Another example comes from a competitive market in which two newspapers increased prices in 1975 and 1977. In both cases the circulation of the smaller newspaper, a tabloid, increased; the circulation of the other newspaper dropped after the first increase, but rose after the second.

What the cut-rate price of a newspaper does is hold readers in difficult economic times such as Canada was undergoing through much of the 1974-80 period. Readers cannot make much of a saving by dropping their paper. With its low price, the paper is reaching through the reader to the advertiser. The cover price is the loss leader to ensure sale of the more profitable item, advertising space.

Gordon Fisher, president of Southam Inc., told us that the newspaper is "a remarkable bargain".

What else can you buy for the price of a daily newspaper today? Do I think that newspaper readers are sufficiently loyal to the values of our products, that they would be willing to pay more if we jacked our prices up pretty aggressively? Yes, I think they would. . . . But every time a newspaper increases its subscription price, its circulation drops slightly, depending upon circumstances, and then comes back. . . .

I think I would say that we are closer to charging advertisers the fair economic rate for what they buy from us than we are in charging individuals the fair economic price for what they buy from us, but I wouldn't moralize over that.⁴

Table 1

Newspaper industry in Canada—In historic dollars

All reporting newspapers plus estimates for others

	INCOME STATEMENT							(income and revenues—% of gross revenues) (expenses—% of gross expenses)						
	1974	1975	1976	1977	1978	1979	1980	1974	1975	1976	1977	1978	1979	1980
(thousands of dollars)														
Advertising revenue														
National	82816	97076	108682	125961	134754	138644	157596	14.4	14.1	13.8	13.9	13.8	13.6	13.5
Retail	221962	258766	299931	346175	379548	394960	446785	38.6	37.6	38.0	38.2	38.8	38.7	38.4
Classified	114129	148232	166498	192698	204849	212438	239514	19.8	21.5	21.1	21.3	21.0	20.8	20.6
Inserts	10909	16101	22421	32087	38306	49562	65439	1.9	2.3	2.8	3.5	3.9	4.9	5.6
Circulation revenue	136860	157799	181420	196700	206305	210541	234608	23.8	22.9	23.0	21.7	21.1	20.6	20.2
Other revenues	9044	10776	10402	12430	13237	15320	19276	1.6	1.6	1.3	1.4	1.4	1.5	1.7
Total revenues	575720	688750	789354	906051	976999	1021265	1163218	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Production expenses														
Newsprint	96768	118574	149640	174044	193562	201573	244192	19.9	20.6	22.0	22.1	22.5	22.0	23.1
Printing	129984	151527	174695	195665	209688	217247	240753	26.8	26.3	25.7	24.9	24.4	23.7	22.7
Circulation and distribution	64831	78332	93616	111418	120627	135079	158444	13.4	13.6	13.8	14.2	14.0	14.7	15.0
Advertising and marketing	45134	51691	61366	71535	80388	85540	100807	9.3	9.0	9.0	9.1	9.4	9.3	9.5
Administration														
and other	70164	82966	90772	107480	114701	118726	130201	14.5	14.4	13.4	13.7	13.1	12.9	12.3
Editorial expenses	78278	93255	109166	126160	139994	158681	184477	16.1	16.2	16.1	16.0	16.3	17.3	17.4
Total expenses	485159	576345	679255	786302	858960	916846	1058874	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Newspaper income	90561	112405	110099	119749	118039	104419	104344	15.7	16.3	13.9	13.2	12.1	10.2	9.0
Expenses included above														
Salaries + bfts	234077	274681	320959	366329	386408	404661	465644	48.2	47.7	47.3	46.6	45.0	44.1	44.0
Depreciation	13042	16447	18039	20708	24010	25330	28927	2.7	2.9	2.7	2.6	2.8	2.8	2.7
Inter-corp chgs	13907	17240	20684	25526	38365	38587	18756	2.9	3.0	3.0	3.2	4.5	4.2	1.8
Research + dev	20	533	442	513	204	126	86	0.0	0.1	0.1	0.1	0.0	0.0	0.0

Revenue: advertising

The newspaper that the advertiser wants the reader to have is a mighty forest-guzzler. It lands with a heavier thump on the doorstep each year. Drop a Saturday edition of a big-city paper on the stairs and it will cascade downward as though coming off the press anew — news sections, sports section, business section, entertainment section, lifestyles section, sections on this, sections on that, comics, supplements, inserts, TV schedule, enough to paper a hundred birdcages, and then some.

The advertising revenues that produce the fatter papers have expanded from 74.7 per cent of newspaper revenues in 1974 to 78.1 per cent in 1980. Statistics Canada puts the proportion a shade higher. Unlike the newspapers' cover price and circulation revenues, they have also grown in uninflated dollars. The figures can be followed year by year on Table 1 for each of the main categories of advertising. They are summarized in Table 2.

Table 2

Daily newspapers—1974 and 1980

	Millions of dollars		Annual compound growth rate	
	1974	1980	Current \$ %	Constant \$ %
Retail	\$222.0	\$446.8	12.7	2.6
National	82.8	157.6	11.8	1.8
Classified	114.1	239.5	13.5	3.4
	418.9	843.9	12.7	2.7
Supplements, inserts, shoppers	10.9	65.4	35.1	23.2
	\$429.8	\$909.3	13.7	3.5

The longer-term series from Statistics Canada, Table 3, shows the development of advertising revenues as a proportion of total newspaper revenues.

The effects of changes on the size of newspapers, and on the proportionate amount of editorial space, can be seen in Table 4. We have segregated newspapers by circulation groups in the left-hand column, the figures being for aggregate weekly circulation. In the small-town group, Thomson papers and others are shown separately. The second column shows the average number of pages for each group in 1980; the third shows the annual compound growth rate in numbers of pages during the period. The fourth column shows the proportion of the papers devoted to editorial content, rather than ads; the fifth indicates the number of percentage points by which this "news hole" was up, down, or even by comparison with 1974.

Looking at growth of advertising and newspaper size, we see the papers growing bigger at a slightly greater rate than the increase in advertising revenue in constant dollars during the period. But there is exceptionally heavy growth in the size of the

Table 3

*Daily newspapers' advertising revenue
as a percentage of total revenue, 1968-1979*

1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
72.7%	73.8%	73.2%	73.1%	74.8%	76.3%	77.4%	77.0%	77.9%	79.0%	80.1%	79.3%

Source: *Culture Statistics. Newspapers and Periodicals, 1978*. Statistics Canada (87-625) p. 9.
Preliminary figures for 1978-79 supplied by Statistics Canada.

small-town newspapers other than Thomson's. In all but the biggest papers, more ads have meant proportionally more editorial content. On average, papers were putting two-fifths or more of their space into the news hole, though a number of people maintained at our public hearings that some of the material in the news hole — travel articles, real estate coverage, some of the entertainment coverage, and so on — related more to the interests of advertisers than to those of readers.

Reviewing the figures, it can be said that by the time this Report is read the Canadian daily newspaper industry will be taking in advertising revenue at the rate of about \$1 billion a year, compared with circulation revenue at about \$250 million. As the Davey Committee researchers put it a little over a decade ago, "the economics of advertising ultimately determine all other decisions basic to the operation of a newspaper."⁵

The volume of advertising from which newspapers can draw their share moves, generally speaking, with the economy, and more particularly with the level of con-

Table 4

Average number of pages per daily newspaper — 1980

Aggregate weekly circulation	Total pages		Editorial pages, proportion*	
	Number of pages	Annual compound growth rate % 1974-1980	%	Change in percentage points 1974-1980
under 250,000				
— Thomson	24	4.0	45	—
— Other	39	23.5	49	+7
250,000-500,000	57	5.7	43	+3
500,000-1,000,000	76	3.2	39	+1
over 1,000,000	85	4.3	40	-5

*Editorial pages as proportion of total, or news hole.

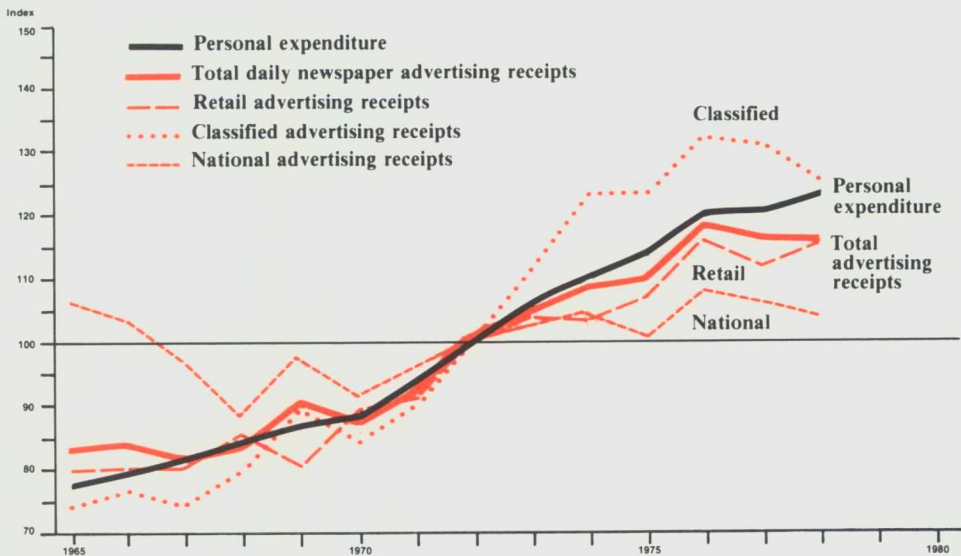
sumer spending on goods and services that newspapers advertise. Chart 2 shows how advertising revenues of the newspaper industry and consumer spending per capita have moved together over recent years.

Of particular importance to newspapers is the level of retail advertising, which contributes the largest share of their total advertising revenue. The Davey Committee's economic research showed retail growing from 50.71 per cent to 52.44 per cent of newspaper advertising revenues between 1961 and 1967. This Commission's research shows it is now at the level of 56 per cent, if advertising inserts are included in this category. These inserts, listed as "other" under Advertising Revenue on Table 1, have been a growing source of revenue, moving from 1.9 per cent of the total — both advertising and circulation — in 1974 to 5.6 per cent in 1980. Traditional "run-of-press" retail advertising remained steady, between 38 and 39 per cent of total revenue, during that period.

The second most important category of advertising, from the revenue point of view, is classified. The third is national, a confusing term since it can as readily be regional as national. It means advertising that is more general in scope than that directed at selling things locally. For example, governments at all levels and their

Chart 2

Index of per-capita personal expenditure on consumer goods and services and per-capita advertising receipts by daily newspapers in constant dollars (1971 = 100)



Source: *Printing, Publishing and Allied Industries*. Statistics Canada (36-203).

National Income and Expenditure Accounts, 1965-1979. Statistics Canada (13-201). Table 54. Updated by Statistics Canada.

Population figures from Statistics Canada. Census Division.

agencies, taken together, are now the largest single source of advertising and this is considered "national", whether it be in fact federal, provincial, municipal, or school board.

The three types of advertising — retail, classified, and national — have to be seen in reverse order when considering revenue in relation to space occupied in the newspaper. That is, retail gets more space for its dollar than does classified, and classified more than national. Those bulging mid-week newspapers carrying the super-market ads reflect the space-eating nature of the retail sector, as do the Friday or Saturday papers carrying the big department store ads.

In recent years we have seen the retail advertiser tending to splurge on certain days, dry up on others, creating an accordion effect in the daily newspaper. The newspaper has responded by trying to make each day a "special" day, with its own supplement, thereby taking on the nature of a daily magazine, or a daily weekly.

What a newspaper is selling is, of course, not just space, but space that will be seen by readers. The measurement used is a hypothetical agate line — a column-width line of small type — that will be seen by a million readers in return for payment of the "milline rate". The advertiser has to relate the agate-line rate on the newspaper's advertising rate card to the newspaper's latest published circulation figures in order to estimate the cost per reader.

The rate cards that newspapers publish are not much of a guide, however, to what they actually charge, since so many sweeteners are offered for volume and frequency of insertion. A picture of the actual recoveries made by newspapers over the seven years of the Commission's research study is given in Table 5 in constant 1971 dollars. It shows recoveries for the small-circulation dailies running behind inflation. For other newspapers the pattern is mixed. Mid-circulation newspapers have made gains in retail and national recoveries whereas the largest dailies have not kept pace with inflation in these advertising categories. Both the mid and large circulations have remained about even in constant dollar recoveries in classified advertising.

The structure of the rate cards, reflecting economies of scale, provides a lower milline rate as the newspaper's circulation rises. The advertiser is interested in the cost per consumer reached. Thus, as an American writer recently put it, "a single newspaper in a given location can typically offer an advertiser a lower rate than could competing papers reaching the same total market."⁶

At our hearings, Alasdair McKichan, president of the Retail Council of Canada, confirmed that when a newspaper closes in a two-paper market, the total dollar outlay on advertising decreases. Some of that spending might go to other media, he said, but "my impression would be that the majority of the monies would actually be saved from promotional expense."⁷ McKichan estimated that total retail advertising in Canada, of which newspapers get the major share, runs at a little under two per cent of the value of total retail sales. It was his view that advertisers were becoming concerned that the readers' "attention span" was strained by the number of pages in some of the higher-circulation newspapers.

This type of testimony recalls Eric Wells's remark about newspapers "gorging themselves to death". McKichan's testimony on the savings to be made by advertisers through elimination of newspaper competition recalls another view that we heard at the Winnipeg hearings. Merlin Lewis, who served successively as national advertising manager and retail advertising manager of the Winnipeg *Tribune* before his

Table 5

Advertising recoveries, per agate line, in constant dollars

Circulation group	Retail		National		Classified	
	1974	1980	1974	1980	1974	1980
under 250,000	.123	.106	.158	.132	.135	.109
250,000-500,000	.162	.178	.224	.239	.151	.150
500,000-1,000,000	.293	.325	.400	.417	.245	.240
1,000,000 and over	.553	.507	.993	.980	.608	.615

retirement, saw the seeds of destruction of the *Tribune* in 1980 sown years earlier in the refusal of an increasing number of department stores to advertise in that paper as well as in the front-running *Free Press*.

The turning point for the *Tribune* came, I believe, in the late 1950s when Simpsons-Sears opened their first store at the new Polo Park Shopping Centre. We were quite pleased that a new advertiser had appeared on the market, but our joy was short-lived. We were very soon to learn that the policy of this U.S.-influenced management company was such that they demanded domination of the media with the largest circulation, and they chose to interpret "media" as a choice between two newspapers. . . . They paid no heed to the long-time practice of Eaton's and the Bay, who placed virtually equal linage in both papers so as to reach the total market.⁸

Lewis went on to say that the same problem was encountered with Woolco, K-Mart, and Zeller's, all important retail advertisers.

The present national retail advertising manager of Simpsons-Sears, Douglas Utter, appearing before the Commission in Ottawa, said advertising is placed "in those newspapers which have the best circulation cost per thousand and reach the particular audience. . . ." ⁹ This type of advertising behavior has a tendency to favor or reinforce monopoly newspaper situations.

Where newspaper markets have grown large enough to provide more than one "particular audience" of interest to the advertiser, two or more newspapers have been able to exist to serve these segments. Then, competition becomes a matter of trying to encroach on one another's segments.

The lessening of competition between papers has led them, as a group, to pay ever more attention to the competition for the advertising dollar from other segments of the information industry: community newspapers, television, radio, magazines, and so on.

The response to the challenge of the community newspapers, which have been attracting more pinpointed local advertising, has been for the dailies to try to gobble them up. The Davey Committee's researchers noted the beginnings of the trend and cited five dailies that had acquired weeklies within their market areas. This Commission's researchers found 30 spread across the country, ranging from the very large (Torstar) to the very small (several of the Sterling chain). The Hamilton *Spectator*

digested the weekly *Burlington Gazette* so thoroughly that it now appears as a weekly supplement to the *Spectator* in the appropriate area of distribution. There is always the possibility that other weeklies owned by dailies will suffer similar fates, perhaps even being absorbed into zoned editions of the daily, as has occurred in the United States.

But the principal challenge to the dailies has come from broadcasting, particularly television. Television appears to have started cutting seriously into the newspaper share of advertising revenue in 1955. Statistics Canada has reported that "until 1971, radio and TV advertising revenue grew at a much faster rate than that of daily newspapers. Since then the gap between them has remained relatively constant."¹⁰ The relative shares of advertising revenue of the different media in recent years are shown in the bar graphs in Chart 3. The daily newspapers, though losing a little proportionally, still account for as much revenue as television and radio combined.

The evidence obtained at the hearings and from a research study¹¹ indicates that the professionals in the advertising business regard the newspapers as a rather lazy medium. But the media services vice-president of one of the leading advertising agencies told us that newspapers have built-in advantages of immediacy, defined market areas, and "news value".¹² For getting across detailed information about quality, contents, and prices, the print media have an advantage. But for getting an image across, imposing an impression of a product or service, television is ahead; it also benefits from the fact that the people who create the ads belong to the television generation and like using TV best.¹³

Of greater interest to the public than the useful, but limited, competition for advertising revenue between newspapers and broadcasting is the extent to which dependence on advertising may influence editorial content. Robert Troutbeck of McCann Erickson Advertising of Canada, the media vice-president quoted earlier, said that advertising agencies tried to "match the environment of the media with the desired tone of the commercial message". Our research study on media selection by advertisers found that the advertiser, after pinpointing his market, sought "credibility and congruity of the medium selected to reach this group".¹⁴

In other words, what the advertising department wishes to put together, let not the editorial department put asunder. It is the formula for what today's reporters call "market-survey journalism". In the more blatant era of forelock-tugging journalism of 30 years ago it was summed up, and sent up, in William Weintraub's satiric novel, *Why Rock the Boat?*, based on the old *Montréal Gazette*. We heard fears that the boat is, indeed, being rocked today, that the fat press is also sassy. For example, Keith McKerracher, president of the Institute of Canadian Advertising, said at an Ottawa hearing:

And you know, it's the view of the industry that we have absolutely no influence at all. And as a matter of fact, we often wish we did, because we believe that to a large extent, journalists in general — and I am not talking about newspaper journalists, I am talking about all journalists in all media, and most particularly younger ones — are extremely anti-business and hesitate not one whit in biting the hand that feeds them.¹⁵

Our research study found less hesitancy about pointing the finger specifically at the newspapers:

A few executives commented on the fact that newspapers could be seen as being "sensationalistic". This was particularly apparent when newspapers carried stories about the industry or company with which the respondent was involved. Some of the executives attributed this to a perceived adversary relationship that seems to exist between newspapers and advertising clients, which does not appear to be found in dealing with other media. One possible exception are those major television stations who are always in a sold-out position.¹⁶

Expenses: production

The newspaper business is a manufacturing industry. Close to half its expenses go into this side of the operation. The factory expenses themselves can be divided

Chart 3

Percentage of advertising expenditure by medium, 1972 and 1980

1972  \$1,303 Total advertising (millions of dollars)

1980  \$3,528 Total advertising (millions of dollars)

Daily newspapers



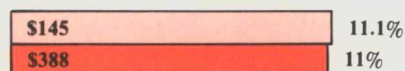
Catalogues, direct mail



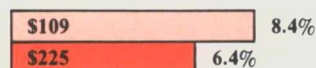
Television



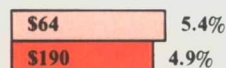
Radio



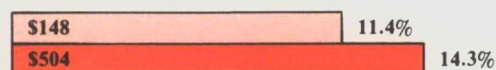
Outdoor advertising



Weeklies



All others

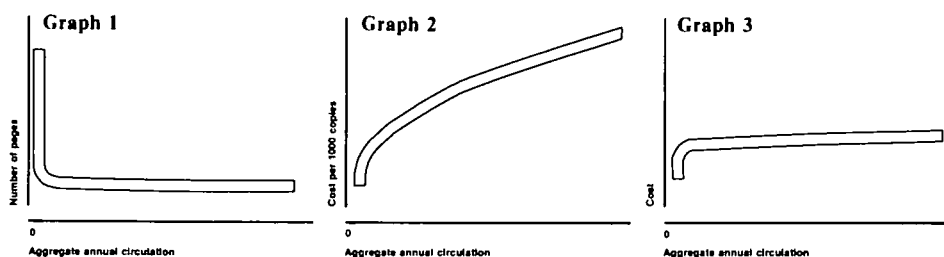


roughly in two: half for raw materials (newsprint) and half for manufacturing (type-setting and printing). There are exceptions to this picture, such as *Le Devoir*, which contracts out its printing, as does the *Globe and Mail* for parts of its national edition printed outside Toronto. The weekly newspaper industry has seen a steady trend toward the centralization of printing of many different papers at one plant. But nearly all daily newspapers still roll their own.

The Commission's research study caught the industry during a seven-year period characterized by increasing capital intensity. In Table 1 readers can follow the economies effected by new plant and equipment as printing expenses dropped from 26.8 per cent of the total in 1974 to 22.7 in 1980. Replacement of hot-metal typesetting by computerized cold-type methods (see Chapter 11) was going forward apace during this period, and heavy expenditures were also being made on new presses. At the same time, however, the newspapers were expanding in circulation and in individual size, thus consuming more newsprint, which was rising in price. Newsprint went from 19.9 per cent of newspaper expenses in 1974 to 23.1 per cent in 1980: that is, the raw materials had started costing more than the manufacturing process.

For every newspaper there is a "first copy cost", consisting of all the expenses up to the moment the presses start rolling. Then, as the presses pour out the product, unit cost plummets but, as press runs lengthen, additional costs are fed back into the system. The bigger the circulation, the fatter the paper, the more the expenses.

The process is seen in Graphs 1, 2, and 3. The curves on each graph are derived from the actual performance of the Canadian daily newspaper industry from 1974 to 1980. On the left, the sharp downward curve represents cost per circulated page against total annual circulation. It shows how the cost per circulated page for lower



The way cost per page drops as press run increases is shown in Graph 1. The way the paper increases in size to meet the advertising and news needs of larger and larger audiences is shown in Graph 2. The combined effect of economies of scale and costs of size-of-newspaper are shown in the mainly flat line of Graph 3.

circulation dailies is substantially higher than that for the larger papers. It explains why the larger papers can charge less per circulated line of advertising than the smaller ones. The graph in the middle shows how the number of pages in a daily newspaper increases with the size of its circulation. Finally, the economies of scale and the costs of volume are combined in the graph on the right, which shows cost per

copy against circulation. The slight rise to the curve suggests that cost per copy increases fractionally as circulation increases.

Production speed, and quality, are critical to the newspaper. It is a highly perishable product and, if not delivered on time, is dead. Standards for reproduction quality, especially of pictures and color, are demanding in the television age. At our hearings we heard complaints that newspapers too often gave advertisers "off-register" color. Undoubtedly one of the factors that helped the *Citizen* get out in front of the *Journal* in Ottawa was the higher quality of its color and print job after it moved to a new plant with offset presses in 1973.

Expenses: circulation and distribution

Roughly speaking, the farther a newspaper goes, the more it costs to get there, and the less likely it is to fall into the hands of a reader who is wanted by the advertiser. All over North America, newspapers have been pulling back into their retail trading zones, concentrating circulation in the areas of heavy coverage of the TV and radio stations. Some papers are deliberately national, or regional, in the audiences they try to attract, but most are local; and if there is one point on which all our hearings and research produced near-unanimity — on the part of owners, publishers, editors, advertisers, and readers — it is that the daily newspaper is seen primarily as a local institution. Both the cost of distribution, relying on intricate delivery networks and armies of young carriers, and the demands of advertisers, have dictated increasing attention to the quality of circulation. Our research study found:

The increased sophistication of advertisers and marketers is demonstrated in how they select their target audiences. Broad audience generalizations are being replaced by increasingly detailed descriptions of the primary target audience for a particular product or service.¹⁷

The importance of distribution of circulation was dramatically illustrated by the fate of the Ottawa *Journal* in its losing contest with the *Citizen*. E.S. Leigh, former general manager of the *Citizen*, told us the tide was really turned in the *Citizen's* favor in the late 1950s. At that time, it was still behind its rival in overall circulation but had taken a lead in the rapidly growing Ottawa urban market. The *Journal's* advantage in rural areas and nearby towns and villages was expensive, both in terms of distribution costs and lower appeal to advertisers. Arthur Wood, the last publisher of the *Journal*, brought the story up to date when he told us that the resurgence of circulation of the *Journal* in its last year, when it was revamped as a morning newspaper, was again of the expensive exurban variety which failed to bring in advertisers.

The effort that newspapers put into circulation and distribution is reflected in Table 1, which shows this item going from 13.4 to 15 per cent of total newspaper expenses between 1974 and 1980.

Expenses: advertising and marketing

Just as advertising is a big revenue producer, so it merits some discussion on the cost side as well. The expense connected with putting out the average 50 to 60 per cent of newspaper content that is devoted to advertising — it can go to 70 per cent on some days — is, of course, spread over several departments. Though circulation brings in only a fifth of the revenue, the cost of putting out an adless paper would be much less

than five times circulation revenue; but since readers want the ads, as many surveys have shown, there is little point in speculating on what newspaper economics might be without them.

Whether people want the amount of advertising they are now getting in the bigger papers is another matter. Our readership survey put the question, "What one thing do newspapers do too much of?" "Advertising," said 40 per cent of respondents. The runner-up, at 15 per cent, was "sensationalizing, dramatizing or reporting of scandals". Third was "nothing" (eight per cent), fourth "too much sports" (seven per cent), and tied in fifth place were "bias" and "violence" (five per cent).¹⁸ The results on advertising appear to tie in with the concern about strains on the readers' "attention span" mentioned earlier.

From our hearings and research we received what at first seemed contradictory evidence about advertising. On the one hand, newspapers were failing to provide advertisers with sufficiently precise information and therefore not selling all the advertising space they could. On the other hand, there were fears that newspapers were becoming so overburdened with ads as to reduce their effectiveness, not only as news providers, but as carriers of advertising itself. The answer may be that newspapers could slim down their advertising, without losing net revenue, by putting more effort into precision service, and at the same time improve their news and make it more readable. At the hearings, we heard from the president of the recently formed Newspaper Marketing Bureau, Donald Gibson, of some measures the industry is taking. The bureau represents 48 daily newspapers accounting for 75 per cent of national circulation. Gibson said the main area in which newspapers had been failing to hold their own was national advertising, in which television is particularly potent. Our readership survey showed TV also to be the stronger medium for general national and international news, as contrasted to specific local news. That is, newspapers may be failing on both the news side and the advertising side to bring home to local audiences the significance and excitement of information from outside their bailiwicks. On the advertising side, the aim of the bureau, using a Newspaper Audience Data Bank (NADbank), is to make it easier for national advertisers to plan and carry out good newspaper advertising campaigns.

For the newspaper industry as a whole, advertising and marketing expenses remained level at between 9 and 10 per cent of total expenses during our study period. They included not only the cost of bringing in the ads, but of promoting the circulation of the newspaper itself, though this is normally a relatively minor element.

Expenses: administration

It is said that the newspaper business is a five-finger exercise. The editorial department brings in readers, and revenue from their subscriptions and single-copy purchases. Circulation gets the paper out to the readers and tries to bring in more while keeping those it has. Advertising brings in the bulk of the revenue, and some more readers. Production gives circulation something to deliver. And administration sees that the other fingers are doing the exercise right.

Administration extends from boss to office boy or girl. Along with a few other comparatively minor charges such as research and development, administration gradually declined as a percentage of total newspaper expenses from 14.5 in 1974 to

12.3 in 1980, reflecting in part the computer revolution in the office which paralleled the one in the composing room and the newsroom.

This item in our financial account represents an area of much testimony and research, covered extensively in other chapters. Administration in the Canadian newspaper business has been greatly affected by the movement to bigger newspapers with a monopoly in their areas, and by concentration of ownership in chains. Sophisticated management-selection and personnel-appraisal policies have been developed by chain and conglomerate owners, along with close budgetary control. Centralized services to advise on common problems in the various aspects of newspaper management have brought a certain uniformity of approach. Local editorial control is proclaimed by all, but it exists within the confines of what is deemed necessary to the selling of newspapers at a profit.

What particularly struck the Commission in all we heard about administration was the extent to which the Thomson chain, at least in relation to its old string of small-town newspapers, relies on this one cost-cutting finger to produce its exceptional results and seems to be neglecting the marketing side of its operation. It is also a limiting factor on the extent and quality of news coverage in the Thomson newspapers.

Expenses: editorial

Since the bulk of this report is concerned with the editorial function of the newspaper, we shall not dwell long on it here. The computerized newsroom emerged during the 1970s, shifting a great deal of "the back shop" into the front and leaving behind greatly reduced personnel and a heap of electronics. The process is described in Chapter 11. The word processors, or VDTs, linked to the computers and photo-composition units in the back shop, made the newsroom a duller place but are also a highly efficient working machine for writing, rewriting, and editing. Editorial costs as a percentage of the total increased modestly, from 16.1 to 17.4 per cent, between 1974 and 1980, partly because bigger papers meant more editorial space to be filled.

As a general rule, about two-thirds of editorial costs are internal to the newspapers. The remainder goes to news services, syndicates, and purchased supplements. There is much variation, however, between types and sizes of paper. The smaller ones — except for Thomson dailies — tend to spend proportionally more on internal costs and less on news services.

Expenses: labor

Taking all the newspaper departments together, the proportion of their expenses accounted for by salaries and benefits dropped in each of the seven years of the Commission's research study. This movement toward greater capital intensiveness, or greater labor productivity, can be seen in the breakdown at the bottom of Table 1, which shows labor costs dropping from 48.2 per cent of the total in 1974 to 44 per cent in 1980.

The total number of people employed by the newspapers in our study was 20,875 in 1980; but one must add to this figure the close to 600 in news services, and others in the few newspapers for which we did not obtain data, to arrive at the overall figure of about 22,000 employees in the daily newspaper industry as a whole. The distribution of employees by department is shown in Table 6. The last column con-

Table 6*Employees by department in Canadian daily newspapers*

	Employees in 1980	% 1974	% 1980	Annual compound change %
Editorial	4,250	20.3	22.3	+2.6
Production	5,950	35.7	30.6	-2.2
Marketing, sales, circulation and distribution	5,650	31.2	33.8	+1.8
Administration	1,875	9.7	9.8	+1.0
Other	600	3.1	3.5	+2.6
Not classified	750			
Sub-total	19,075	<u>100.0</u>	<u>100.0</u>	+1.0
Full-time equivalent of part-time employees	1,800			
Total	<u><u>20,875</u></u>			

tains only those newspapers — about two-thirds of the total — which were able to report for the full seven years of the study.

The new technology brought gains in labor productivity, but not uniformly through departments or through the industry. In the production area, the average number of pages printed per production employee rose from 203 in 1974 to 326 in 1980. The number of advertising pages sold per employee in the marketing area went up in the same period from 158 to 174, but the gain was confined to smaller dailies. By the end of the period, the largest newspapers were showing much higher manpower requirements per page of advertising sold. The number of pages published per editorial employee rose throughout the industry from 176 to 201. But the smaller papers made the big gains. The largest papers showed a one-third drop. Matching total daily circulation to total employees in circulation and distribution departments, the average daily circulation per employee fell from 850 copies a week to 790.

As we noted in discussing production expenses, economies have tended to get eaten up to produce the fattening press, with its annual increase in numbers of pages ranging (for most categories) from three to six per cent. As we see from the last table, deployment of the labor force shifted noticeably with the introduction of new production methods. Editorial employment was up from 20.3 to 22.3 per cent of the total; production employment was down from 35.7 to 30.6 per cent.

The Commission's research project into industrial relations looked deeply into work patterns and labor conditions in six major cities that have undergone significant changes in newspaper patterns during the past decade: Vancouver, Winnipeg, Toronto, Ottawa, Montréal, and Québec City.¹⁹ The results of the technological revolution, combined with newspaper closings, were that hundreds of unionized employees were thrown out of work and most others had to learn new ways of doing

their jobs. Craft unions found themselves with no jurisdiction left to protect; several went out of existence altogether.

Trade union presence and activity within newspaper plants across the country differ widely. Vancouver is regarded as the most tightly organized and toughest, with management accused of "union-busting", unions accused of "featherbedding", and two long strikes to show for it during the decade. Montréal, considered a mature and fragile newspaper-labor market in the wake of the *Star* and *Montréal-Matin* closings, is characterized by high wages, particularly for production workers, and the shortest working hours in the country.

In Toronto, the long and eventually unsuccessful strike by members of the International Typographical Union (ITU) in the 1960s brought a sharp decline in trade union influence throughout the newspaper industry in that area. Both Ottawa (on the craft side) and Québec City (on the journalistic side) were scenes of bitter labor struggles during the 1970s. By comparison, the newspaper labor scene in Winnipeg was tranquil.

The Commission's researchers were asked to examine the sequence of events in all six cities to determine whether, or to what extent, newspaper closings could be attributed to a failure in labor relations. Like others who have studied the problem in this country and abroad, they concluded that while labor strife may have been the precipitating cause in some cases, such as the *Montréal Star* and *Montréal-Matin*, or a contributing factor in others, such as the *Ottawa Journal* and the *Toronto Telegram*, the underlying cause in all instances appeared to have been market conditions affecting circulation and advertising revenue.

The surviving publishers found themselves in a much stronger position at the end of the decade than at the beginning. The position of their employees was less enviable. Our economic study shows that the increase in average wages, from \$9,300 in 1974 to \$16,000 in 1980, failed to keep pace with inflation; that is, newspaper workers on average suffered a slight loss in earning power. Our labor study shows that the unions were only partially successful in cushioning the effects of technological change. Craft unions were able to negotiate job guarantees for their members in a number of cases, but they could only slow down, not stop, the tide. The director of our labor research concluded, "In a sense it can be said that the fight is over. . . and the unions have lost it."

Stripped of all the upset that lay behind them, the total figures for labor expenses — salaries, wages, and benefits, expressed in millions of dollars — during the period of our study were those in Table 7.

Table 7

*Daily newspapers, labor expenses,
Millions of dollars — 1974-1980*

1974	1975	1976	1977	1978	1979	1980
234	275	321	366	386	405	466

Expenses: capital spending

While labor expenses increased by 12.2 per cent (in current dollars) at a compound annual rate, and expenditure on goods and services went up by 15.5 per cent a year, the greatest rise in factor costs was in plant and equipment. Capital spending rose 16.5 per cent a year from 1974 to 1980. In the years 1975, 1976, and 1977, both Thomson and Southam were investing heavily in computerized typesetting and photo-composition. A new plant in Hamilton for Southam's *Spectator* in this period was followed by heavy investment in new plants in Edmonton and Calgary. The Toronto *Sun*'s rapid growth in Toronto and expansion to Edmonton also contributed to the generally high capital spending level.

In millions of dollars, the figures on capital spending for the whole industry are shown in Table 8.

Table 8

*Daily newspapers, capital spending,
Millions of dollars — 1974-1980*

1974	1975	1976	1977	1978	1979	1980
22	34	30	29	33	47	55

Special cases: the "tabs"

Each newspaper, as we pointed out earlier, is a special case. But over the past decade several large Canadian cities have seen the phenomenal growth of papers that belong to a whole group that is a special case, the tabloids. Using less newsprint per page, and less of just about everything else than the broadsheet newspapers with which they compete, the tabs have a revenue and cost structure different in several important ways from the broadsheets. They can be economic at a lower readership level. They make life difficult for established omnibus newspapers.

A comparison provided by our economic researchers showed, for example, that in 1980 broadsheet papers (excluding those which failed that year) received 18.7 per cent of their revenue from sales to readers, 79.7 per cent from advertising, and 1.6 per cent from other sources, such as contract printing. The four largest tabs, on the other hand, obtained far more from circulation — 31.8 per cent — and only 66.2 per cent from advertising, with a further 2.0 per cent from other sources. The higher proportion of revenue from circulation offset the lower proportional revenue they received from national advertising, as distinct from retail and classified, where the tabs' proportions were close to the broadsheets'.

On the cost side, the tabs do not lose in total number of pages the advantage they get as newsprint consumers through a smaller page size. Yet newsprint is still a considerably higher proportion of their total expenses than it is for broadsheets — 34.4 per cent compared to 22 per cent in 1980. Typography and printing is also higher, at 26 per cent compared to 22.1. In relation to these, we then see other economies. Tabs rely chiefly on street sales, usually having little or no home delivery (though the *Sun* has had to depart from this pattern in Edmonton and Calgary). Cir-

culatation and distribution expenses for the four largest tabs in 1980 were only 8.1 per cent of total expenses, compared with 15.9 per cent for the broadsheets. Administration expenses, at 5.1 per cent of the total, were less than half the proportion they constituted for the broadsheets, at 12.9 per cent.

John Hamilton, publisher of the Calgary *Albertan* at the time it was converted into a tabloid in 1977, said, "Our format of tight editing rules related to young people brought up on television. They're used to brief presentation of news."²⁰ Pierre Péladeau, whose two daily tabs have half Canada's tabloid circulation and enjoyed the fastest growth of any Canadian newspapers in the 1970s, sees them as a complement to television. Ability to live with TV is particularly important in Québec, where TV audiences are less fragmented than in English-speaking Canada because the fewer French-language outlets command larger audiences. "TV in Québec remains a really good buy," we were told in Montréal by Aimé Lacombe, president of Mediaplex, an advertising consulting firm.²¹

The importance of the tabs to the general level of the industry is indicated in Chart 1, where their portion of total circulation is the area indicated under the upper end of the circulation curve. That does not mean that none of that circulation would have existed if the tabs had not taken it up. But they have certainly attracted many readers, especially young people, who were not reading newspapers before they came along.

There are other "special-case" groups of papers. We have indicated some of the differences between the large, medium, and small circulation groups, though it must be remembered that the large and medium ones also included the special performance of the tabs. Another interesting case would be the "national" newspaper, which has its own particular balance of revenues and expenses. But since there are just two examples, and they are two very different papers, the *Globe and Mail* and *Le Devoir*, we could not give details of their operation without disclosing confidential proprietorial information.

Net income and profitability

In moving on to look at the profits of the newspaper industry, let us briefly review our findings on revenues and expenses. The cover price, which brings in circulation revenue, is low to help keep newspaper sales moving upward with population. Chart 1 shows that daily newspaper circulation has indeed moved with population, particularly urban population, most of the time. There was a falling off during the Depression, and again after 1955 when television started consuming more of people's time and the population balance was influenced by the baby-boom generation, too young to read newspapers, let alone buy them. By the mid-1960s, when university professors were worrying about "a generation of illiterates", the newspapers were worrying about a lost generation of newspaper readers. By the 1970s, however, newspaper circulation was again on track with the general growth of population and the industry was sprouting new types of journalism with a particular eye on the now-adult baby-boom generation.

The newspapers, with the bulk of their revenue more and more dependent on advertising, and advertising dependent on the level of consumer spending on goods and services, tried to attune themselves ever more closely to what the market surveys told them. Chart 2 shows the intimate connection between the lines for consumer spending, advertising expenditures in newspapers and, more particularly, advertising

culatation and distribution expenses for the four largest tabs in 1980 were only 8.1 per cent of total expenses, compared with 15.9 per cent for the broadsheets. Administration expenses, at 5.1 per cent of the total, were less than half the proportion they constituted for the broadsheets, at 12.9 per cent.

John Hamilton, publisher of the Calgary *Albertan* at the time it was converted into a tabloid in 1977, said, "Our format of tight editing rules related to young people brought up on television. They're used to brief presentation of news."²⁰ Pierre Péladeau, whose two daily tabs have half Canada's tabloid circulation and enjoyed the fastest growth of any Canadian newspapers in the 1970s, sees them as a complement to television. Ability to live with TV is particularly important in Québec, where TV audiences are less fragmented than in English-speaking Canada because the fewer French-language outlets command larger audiences. "TV in Québec remains a really good buy," we were told in Montréal by Aimé Lacombe, president of Mediaplex, an advertising consulting firm.²¹

The importance of the tabs to the general level of the industry is indicated in Chart 1, where their portion of total circulation is the area indicated under the upper end of the circulation curve. That does not mean that none of that circulation would have existed if the tabs had not taken it up. But they have certainly attracted many readers, especially young people, who were not reading newspapers before they came along.

There are other "special-case" groups of papers. We have indicated some of the differences between the large, medium, and small circulation groups, though it must be remembered that the large and medium ones also included the special performance of the tabs. Another interesting case would be the "national" newspaper, which has its own particular balance of revenues and expenses. But since there are just two examples, and they are two very different papers, the *Globe and Mail* and *Le Devoir*, we could not give details of their operation without disclosing confidential proprietary information.

Net income and profitability

In moving on to look at the profits of the newspaper industry, let us briefly review our findings on revenues and expenses. The cover price, which brings in circulation revenue, is low to help keep newspaper sales moving upward with population. Chart 1 shows that daily newspaper circulation has indeed moved with population, particularly urban population, most of the time. There was a falling off during the Depression, and again after 1955 when television started consuming more of people's time and the population balance was influenced by the baby-boom generation, too young to read newspapers, let alone buy them. By the mid-1960s, when university professors were worrying about "a generation of illiterates", the newspapers were worrying about a lost generation of newspaper readers. By the 1970s, however, newspaper circulation was again on track with the general growth of population and the industry was sprouting new types of journalism with a particular eye on the now-adult baby-boom generation.

The newspapers, with the bulk of their revenue more and more dependent on advertising, and advertising dependent on the level of consumer spending on goods and services, tried to attune themselves ever more closely to what the market surveys told them. Chart 2 shows the intimate connection between the lines for consumer spending, advertising expenditures in newspapers and, more particularly, advertising

expenditure in newspapers in the three main categories: retail (the most important), classified, and national. Note how total advertising expenditure in newspapers tends to over-react to slight changes in consumer spending, how retail and classified advertising are close to this curve, and how national advertising has fallen off since the early 1970s. Plainly to be seen on the graph are the reasons for lower newspaper income in the second half of the 1970s.

The tremors on the revenue side were reflected by three main types of action on the expense side. First, there was the introduction of cost-cutting technology. Secondly, economies of scale were exploited through newspaper mergers and closings, which could be passed on to the advertiser in comparatively lower rates. Thirdly, and at the extreme, there was the count-the-pencils type of cost control for which the Thomson papers have become legendary. But the first type of saving must be preceded by heavy investment in equipment and plant. As well, some attention to the human element, on the insistence of unions if not otherwise, also means a delayed pay-off of the full benefits. Similarly, acquisitions of newspapers, and settlements with dismissed workers after closings, also require major outlays by the surviving firms, again the cause of some delay in reaping the full benefits. In sum, our research study caught the industry in a period of considerable outlays when the movement of the economy and consumer spending did not favor the revenue side.

One reflection of the outcome is to be seen opposite "income" in Table 1, which shows net operating income, as a proportion of total revenues, dropping each year, from 15.7 per cent in 1974 to 9.0 per cent in 1980. If we were to follow the same movement in uninflated 1971 dollars, it would be from 15.4 per cent to 6.5 per cent.

There is a significant contrast, however, between broadsheets and tabloids. The figures for 1980, excluding broadsheets that failed that year, show net income at 10.7 per cent of gross revenues for broadsheets, against 16.7 per cent for the four leading tabloids.

For the whole industry, we move to a measure of profitability which we can use to compare newspapers to one another, and to make a rough comparison between the newspaper industry and other industries. This yardstick is net income as a percentage return on net assets employed, as shown in Table 9.

The utility of this measure of return lies in the fact that many daily newspapers operate as divisions of chains and larger corporations. Debt and equity are not

Table 9

Return on net assets employed in the daily newspaper industry

	Net operating income (\$ millions)	Net assets employed (\$ millions)	Return on net assets employed
1973-4	90.6	274.8	32.9%
1974-5	112.4	300.0	37.5%
1975-6	110.1	353.1	31.2%
1976-7	119.7	362.4	33.0%
1977-8	118.0	377.3	31.3%
1978-9	104.0	422.5	24.7%
1979-80	104.3	482.3	21.6%

allocated to the individual newspaper divisions, and there is no basis for doing so. For the same reason, there are often no charges to individual newspapers for the cost of capital used, or for income taxes.

Our measure of net operating income leaves out these items. To obtain a picture of net assets employed by newspapers, we have taken the sum of non-cash current and fixed assets used by the individual newspapers, less fractional local liabilities such as subscriptions received in advance and deposits made by distributors and carriers. (In this latter regard, the Commission was disturbed to find that young carrier people were not, in many instances, receiving a fair rate of interest on their deposits; but it appears that at least the two major chains have taken steps to rectify this situation.) Return on net capital employed ignores differences in the capital structure — levels of debt and their offset, cash and short-term investments, share capital, retained earnings, and other surpluses — because these reflect, not the operating characteristics of the business, but the financial policies of the management. This measure of return thus brings a degree of comparability to businesses whose financing and operating methods may be dissimilar.

The sharp drop in return in the last two years reflects both the heavy capital spending to which we referred earlier and severe losses by some newspapers owing to work stoppages or the failing position of the newspaper, or both.

A rough comparison with some other industries, Table 10, indicates that the newspaper industry continued earning relatively good profits despite unpropitious economic times. We stress that the comparison can be deceptive since the physical assets are measured in historical costs.

Newspapers ran neck and neck with private broadcasting in both years. Only in 1978 did any other industry come close: beverages. Given the economic circumstances of the times and the internal adjustments that we have described, the daily newspaper industry continued to be in general highly profitable. While the major

Table 10

Return on net assets employed in selected industries

	1975 %	1978 %
Newspapers	37	25
Non-CBC Broadcasting	35	26
Other Industries—		
Food	7	10
Beverage	15	25
Textile mills	9	7
Wood industries	2	20
Metal fabricating	14	9
Electrical products	22	9
Wholesale trade	6	5
Retail trade	25	21

Note: Industry returns, apart from newspapers and broadcasting are calculated as averages of data from highest and lowest categories of returns reported in Statistics Canada listings. Broadcasting returns are medians for radio and television outlets in major cities.

newspaper owners were telling us at our public hearings that their chief concern was "survival", our financial research was telling us that they were surviving quite nicely. For its owners, the Canadian newspaper industry is, so to speak, the Queen Elizabeth of life rafts.

References

1. Fred Hirsch and David Gordon, *Newspaper Money*. Hutchinson, 1975. p. 11.
2. Royal Commission on Newspapers, *Transcript of Proceedings*. p. 117-123.
3. P.F. Oliphant and R.C. White, *Financial and Economic Analysis*. Research study. Financial and statistical study of daily newspapers published in Canada during the period September 1, 1973, to August 31, 1980. Based on data from questionnaires which guaranteed confidentiality of proprietorial information. Covers nearly all dailies, including two discontinued newspapers, the *Winnipeg Tribune* and *Montréal-Matin*. Auditors provided material for partial reconstruction of financial histories of three dailies which were either discontinued or restructured during the period: the *Calgary Albertan*, the *Ottawa Journal*, and the *Montréal Star*. A few smaller papers, some published for only a short time, did not submit data. The Chinese and Italian dailies in Toronto, Montréal, and Vancouver were not included in the study. The newspapers' financial year-ends, falling between September 1 of one year and August 31 of the next, are attributed to the second year. Thus 1973-1974 to 1979-1980 becomes 1974 to 1980: an adjustment is necessary in comparing data in the study with data from sources using calendar years. Except where otherwise noted, this chapter and its tables are based on the Oliphant and White study.
4. *Transcript*, p. 6590-91.
5. Canada. Special Senate Committee on Mass Media, *Report*. Ottawa: 1970. (Chairman: Hon. Keith Davey). Vol. 2, p. 199.
6. *Who Owns the Media?*, ed. Benjamin M. Compaine. Harmony Books, 1979. p. 36.
7. *Transcript*, p. 5235.
8. *Ibid.*, p. 75.
9. *Ibid.*, p. 5238.
10. *Culture Statistics. Newspapers and Periodicals, 1976-77*. Statistics Canada (87-625). p. 15.
11. Communications Research Center (CRC), *The Advertiser's Role*. Research study.
12. *Transcript*, Robert Troutbeck, p. 6135-36.
13. *Transcript*, Aimé Lacombe, p. 3167.
14. CRC, *The Advertiser's Role*. Research study.
15. *Transcript*, p. 6146.
16. CRC, *The Advertiser's Role*. Research study.
17. *Ibid.*
18. CRC, *National Readership Survey*. Research study.
19. *Labor Relations*. Research study co-ordinated by Gérard Hébert.
20. *Culture Statistics. Newspapers and Periodicals, 1976-1977*. p. 13.
21. *Transcript*, p. 3183.



Roy Carless,
Hamilton