

BLACKLOCK'S *Reporter*

MINDING OTTAWA'S BUSINESS

Hon. Senator Leo Housakos, chair
Senate Standing Committee on Transport
and Communications

April 20, 2023

RE: Bill C-18 *An Act Respecting Online News Communications*

1) *Blacklock's Reporter* is a small, independent Canadian news agency specializing in aggressive, high volume, document-driven coverage of Parliament, *Access To Information*, public accounts, courts and tribunals. *Blacklock's* has subscribers and licensees in 13 provinces and territories. Costs are recovered through sales of subscriptions and licenses starting at \$314 annually. Our business model is 271 years old.¹

2) Proponents claim Bill C-18 benefits small publishers like *Blacklock's* as “a framework that is more inclusive of start-ups and small news outlets.”² This is patronizing and misleading.

3) Bill C-18 in fact grants rare concessions that benefit the biggest publishers. Any theoretical gain to small independents is peripheral.

4) The bill grants an entire class of media conglomerates like CBC/Radio-Canada a waiver from anti-trust provisions of the *Competition Act* for no consumer benefit whatsoever. It compels corporations like Google Canada to surrender a portion of revenues to this special publishing class under threat of coercion by federal regulators. We are bystanders.

5) The bill rests on misrepresentations, specifically that a) no Canadian newsroom thrives without federal intervention; b) failing newsrooms are victims of cruel circumstance; c) federal intervention helps little publishers; d) intervention is fair and effective; e) intervention will save democracy. These claims are false.

A. ‘No Canadian Newsroom Thrives Without Federal Intervention’

6) *Blacklock's* is the only Canadian news agency accredited by the Parliamentary Press Gallery that neither solicits nor accepts federal subsidies. We oppose any scheme in which newsrooms assigned to cover the government solicit subsidies from the government.

¹ *The Rise Of The Canadian Newspaper* by Douglas Fetherling, 1990 Oxford University Press, pg. 4: “The first issue of Bushell's *Halifax Gazette* appeared March 1752. It was from this paper that not only today's *Halifax Chronicle Herald* but all of Canada's daily journalism might be said to derive.”

² *Ottawa Citizen* February 14, 2023, “News Act Is Urgent And Essential” by Hon. Senator Peter Harder

7) Federal intervention codifies conflicts of interest in which “government ensures profits of the corporation” as “a new kind of welfare rip-off” where “corporations siphon hundreds of millions of dollars each year from the public trough” and “get a free ride on the free-enterprise merry-go-round.”³ Like publishers targeted by the 1981 Kent Commission, we are “alarmed” by federal interference in the newsroom.⁴

8) *Blacklock's* is in its 11th year. The company is debt-free. We have never missed a shareholders' dividend. We have no “angel investors” or “big tech” funding. We have never paid for Google placements. Our advertising is closed to all but longtime sponsors.

9) We thrive without federal intervention because social media platforms created a marketplace of 33 million Canadian internet users accessible without door-to-door sales. We monetize this through storefront sales of subscriptions and licenses. “Big tech” allowed us to build a national customer base so broad no single licensee accounts for more than one percent of annual revenues.

10) Many publishers recognize paywalls are key: *Times of London*, *Wall Street Journal*, *Jane's Defence Weekly* and others. All are profitable.

B. 'Failing Newsrooms are Victims Of Cruel Circumstance'

11) Large Canadian publishers like CBC/Radio-Canada – the largest beneficiary of Bill C-18 by federal estimate⁵ – also recognize the promotional value of social media platforms. The CBC is Canada's largest digital publisher with 1,000 employees feeding content to its websites.⁶ It claims an average 24.2 million unique visitors per month.⁷

12) Unlike *Blacklock's* the CBC chose not to monetize digital reach through storefront sales. CBC from 1995 instead gave away content to 24,000,000 readers on a mistaken assumption it would recover costs of its 1,000-person digital newsroom by other means.

13) CBC digital revenues are \$85.6 million⁸, the equivalent of \$3.54 per reader. *Blacklock's* by comparison earns 100 times as much per reader through sale of passwords. *Blacklock's* uses platforms to reach customers. CBC uses platforms to shotgun free content across the internet in a belief it will somehow recover costs. This is a business decision, not cruel circumstance. After decades “only about 1% of CBC's revenue is from digital.”⁹

³ New Democrat leader David Lewis, *Globe & Mail* August 12, 1972 pg. 7

⁴ Cabinet minutes, May 6, 1982 pg. 7: “Mr. Fleming stated the recommendations of the Commission had alarmed almost every interest group and individual associated with newspapers.”

⁵ *Blacklock's* April 6, 2022, “CBC Wins Big Under Federal Bill”

⁶ Commons Standing Committee on Canadian Heritage, May 19, 2016, pg.1, Jennifer McGuire, CBC News Editor in Chief: “Altogether we have 350 news gatherers in our local stations who work alongside 650 writers, editors, producers and hosts. All of them work in an integrated way to present our radio and television programs plus our continuous publishing of digital content.”

⁷ CBC 2022 *Annual Report*, pg. 20

⁸ CBC 2022 *Annual Report*, pg. 40

⁹ Commons Heritage Committee May 29, 2016, Editor McGuire, pg. 4

14) This failure is not Google's. It rests with corporations that chose a business model that was not viable. "Our approach will not be to bail out industry models that are no longer viable," then-Heritage Minister Mélanie Joly said in 2017. "Rather, we will focus our efforts on supporting innovation."¹⁰

15) The remedy for CBC/Radio-Canada and other money-losing publishers is not Bill C-18 but adoption of paywall fees, the *Blacklock's* model. This Committee in a 2015 report *Time For Change: The CBC/Radio-Canada In The Twenty-First Century* made the very recommendation: "Paid subscriptions might also be used for access to CBC/Radio-Canada's online properties. This would be an example of the paywalls currently used by some online newspapers."¹¹

16) Are fees like *Blacklock's* \$314 elitist or exclusionary? Publishers charge as little as 27¢ and generate revenue from "literally thousands of articles a week," according to Bob Cox, former chair of the Canadian Newspaper Association.¹² The typical Canadian spends \$2,124 per year on telecom services absent any subscription fees.¹³

C. 'Federal Intervention Helps Little Publishers'

17) The largest benefits of Bill C-18 fall to publishers with the largest digital reach. The largest reach falls to corporations that gave away content at a loss, then relied on federal aid to recoup costs. Harvard University in 2021 documented the gap between digital audiences for free content distributors and paywalled publishers in Canada based on average unique monthly visits:¹⁴

- 25,273,000 CBC/Radio-Canada
- 15,190,000 Postmedia Network
- 10,200,000 Québecor
- 5,226,000 *La Presse*
- 49,000 iPolitics
- 45,300 *Blacklock's Reporter* * (unsubsidized)
- 44,000 *National Observer*
- 14,000 AllNovaScotia.com (researchers' estimate)

18) By these figures *Blacklock's* share of revenue under Bill C-18 is equivalent to one tenth of a cent for every CBC dollar. Proponents bizarrely claim this represents a lifeline for little independents: "Without legislation those smaller outlets will wither on the vine and the lucky few large players to whom the platforms have offered short term deals can kiss them goodbye when their term is up."¹⁵

¹⁰ Blacklock's Reporter September 29, 2017, "No Government Bailout For Dailies"

¹¹ Pg. 49, *Alternative Funding Models*

¹² Commons Standing Committee on Canadian Heritage, May 31, 2016, pg. 4, Cox: "We have what we call a micro-pay system. If you wanted to read just one article on the *Winnipeg Free Press* website you'd pay 27 cents and it's a bargain, by the way, at 27 cents. We've had a fair amount of success. We sell literally thousands of articles a week on a per-article basis."

¹³ CRTC 2020 *Communications Monitoring Report*, pg. 129

¹⁴ Harvard University, *Canadian Media Ownership Index*

¹⁵ Ottawa Citizen February 14, 2023, "News Act Is Urgent And Essential" by Hon. Senator Peter Harder

D. ‘Intervention Is Fair And Effective.’

19) Direct federal intervention in the newsroom dates from 2019 *Income Tax Act* amendments, the \$595 million media bailout. Consequences were perverse. Subsidies have brought no benefit to taxpayers.

20) Intervention resulted in no net job creation according to the Department of Canadian Heritage.¹⁶ Nor did intervention save jobs for employees of corporations that received 25 percent payroll rebates. It was ineffective.

21) According to Nova Scotia Supreme Court records,¹⁷ in one case Atlantic Canada’s Saltwire Network Incorporated pocketed subsidies then laid off 237 employees. A total 111 were permanently terminated including longtime employees in Prince Edward Island who had served the company with up to 33 years’ seniority.¹⁸

22) Intervention was unfair. Subscribers of taxpayer-subsidized publishers like Saltwire are entitled to a 15 percent tax credit. Readers of unsubsidized publishers like *Blacklock’s* are not.

23) To offer the subscribers’ credit a newsroom must be deemed a “qualified Canadian journalism organization” by the Canada Revenue Agency. To become a “qualified Canadian journalism organization” a newsroom must first apply for subsidies. The Revenue Agency does not list a “qualified Canadian journalism organization” that does not apply for corporate welfare.

24) *Blacklock’s* readers are penalized 15 percent because we neither solicit nor accept federal aid. Our competitors’ readers are bonused 15 percent because they do solicit and accept federal aid.

25) The Department of Canadian Heritage to date has never acknowledged the unfairness of its subsidy scheme. “It is there to support an industry that needs it, an industry that is one of the pillars of our democracy, right?” said Heritage Minister Pablo Rodriguez.¹⁹

E. ‘Intervention Will Save Democracy’

26) Advocates of federal intervention justify it as a bid to save our way of life. “It’s about upholding our democracy because our democracy as any democracy needs a free, independent and thriving press,” said the Minister of Heritage.²⁰ “A healthy democracy depends on well-informed citizens and well-informed citizens depend on a free and independent press,” said the former Government Representative in the Senate.²¹

¹⁶ Departmental *Question Period* note, May 5, 2020, “Improvements To Federal Support For Journalism”

¹⁷ *Babineau v. Saltwire* 2021, Nova Scotia Supreme Court 298

¹⁸ *Blacklock’s* November 15, 2021, “Took Subsidies Then Cut Jobs”

¹⁹ Commons Standing Committee on Canadian Heritage, February 28, 2022, pg. 8

²⁰ Heritage Minister Rodriguez, Commons Standing Committee on Canadian Heritage, October 21, 2022 pg. 11

²¹ Ottawa Citizen February 14, 2023, “News Act Is Urgent And Essential” by Hon. Senator Peter Harder

27) Is democracy saved when Saltwire pockets subsidies and lays off 33-year employees? Is freedom enhanced by imposing a 15 percent penalty on *Blacklock's* subscribers because we do not apply for federal aid?

28) Pointing to the financial losses of large news corporations as a barometer of freedom is contrived. Has democracy declined since 1939 when Toronto had seven money-making dailies?²² Have freedoms faded since 1920 when Manitoba had 91 newspapers serving a population of 610,000 and evening dailies nationwide saw average circulation of 1.2 million?²³

29) Proponents of Bill C-18 do not explain why the arithmetic of failing news corporations makes a more valid case for democracy-saving intervention than other constitutionally-protected activity like union membership (down 11 percent since 1981²⁴), church attendance (16 percent of Canadians²⁵), Legal Aid funding (less per capita than U.K. or Australia²⁶) or voter turnout (26 percent in an October 26, 2020 byelection in York Centre, Ont.²⁷).

RECOMMENDATION

Get out of the newsroom.

Respectfully submitted



Tom Korski, managing editor



Holly Doan, publisher

Blacklock's Reporter

²² Dominion Bureau of statistics, Canada Year Book 1939, pg. 759-60: *Globe and Mail*, *Star*, *Telegram*, the *Daily Clarion*, *Varsity Daily*, *Hebrew Journal* and *Xinhua Daily News*

²³ Dominion Bureau of Statistics, *Report On The Printing Trade* 1920, pg. 3

²⁴ Statistics Canada November 23, 2022, *Unionization In Canada 1981 To 2022*

²⁵ Statistics Canada October 28, 2021, *Religiosity In Canada And Its Evolution From 1985 To 2019*

²⁶ *Blacklock's* July 19, 2016, "Admit Poor Record On Legal Aid, Spend Less Than Aussies"

²⁷ Elections Canada