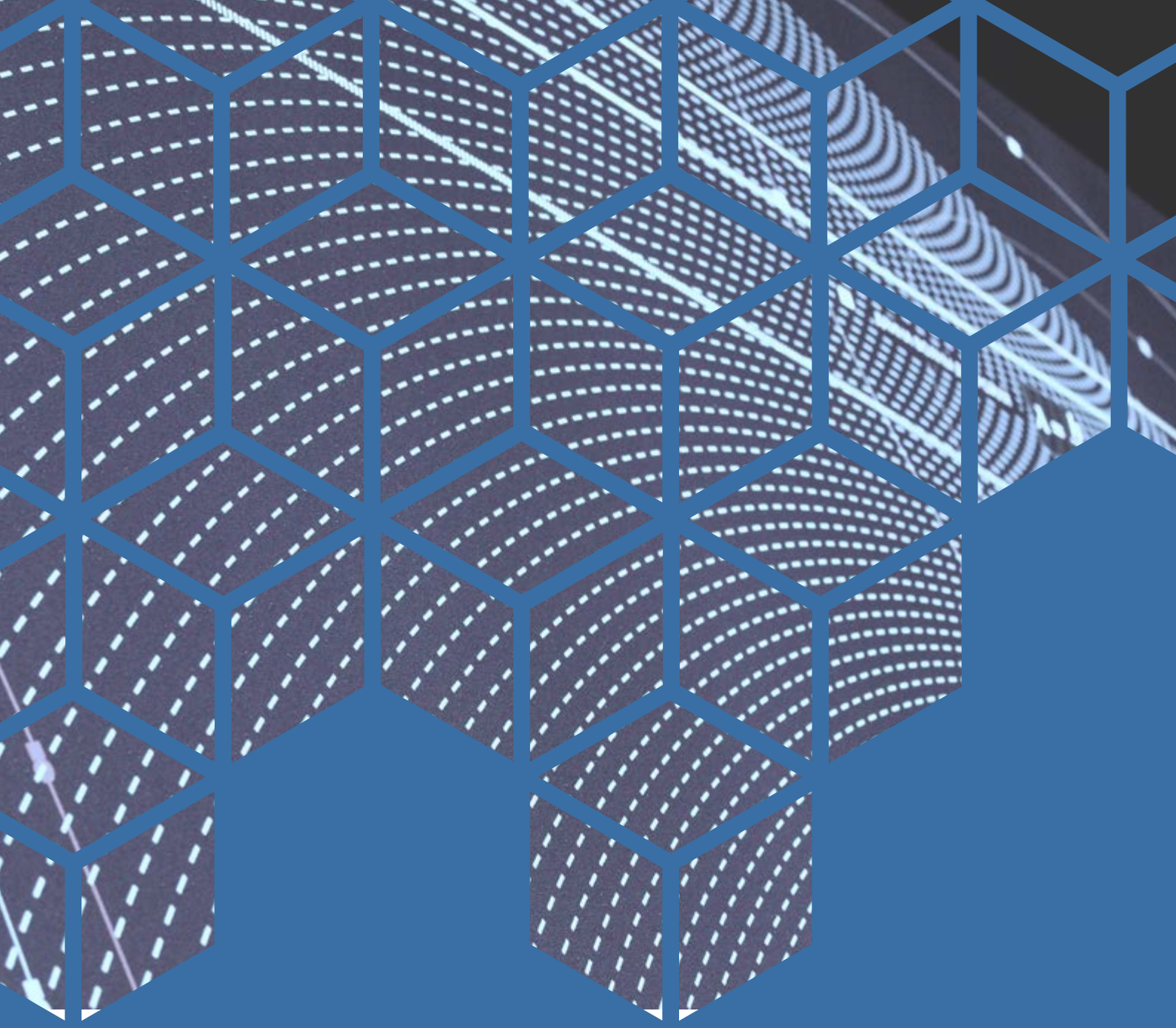

Revised 11th Edition

Growth and Upheaval in the Network Media Economy in Canada, 1984-2021

Global Media & Internet Concentration Project

The Global Media and Internet Concentration (GMIC) Project is directed by Professor Dwayne Winseck, School of Journalism and Communication, Carleton University. An earlier iteration of this effort, the Canadian Media Concentration Research Project, was funded by the Social Sciences and Humanities Research Council between 2012 and 2018. In 2021, the Canadian version of this project was folded into the 40 country GMIC Project, a project that is directed by Winseck and also funded by SSHRC, with participation from 50 scholars and a dozen external partners from civil society, Canadian and international policy departments and regulatory agencies, and industry. The aim of these projects is to develop a comprehensive and long-term analysis of the communications, Internet and media industries in Canada and internationally to better inform public and policy-related discussions about these issues. We expect other country-focused reports to become available in 2023.

Professor Winseck can be reached at dwayne.winseck@carleton.ca or 613 769-7587 (mobile).

Open Access to GMIC Project Data

Data for both projects can be freely downloaded and used under Creative Commons licensing arrangements for non-commercial purposes with proper attribution and in accordance with the ShareAlike principles set out in the International License 4.0. Explicit, written permission is required for any other use that does not follow these principles. The underlying data sets for the figures in this report are available for download as an Excel Workbook here. The full data set for the Canadian segment of the GMIC Project are available through Dataverse, a publicly-accessible repository of scholarly works created and maintained by a consortium of Canadian universities. All works and datasets deposited in Dataverse are given a permanent DOI, so as to not be lost when a website becomes no longer available.

Questions and Corrections: If you have questions or believe that any of the data that we report is mistaken, please let us know. If we make a mistake, we will gladly correct it and acknowledge doing so publicly, in keeping with the standards of good scholarship. Corrected versions of both the data sets and the reports are also explicitly acknowledge in Dataverse.

Acknowledgements

Special thanks to Ben Klass and Xiaofei Han, both doctoral candidates in the Ph.D. program at the School of Journalism and Communication, Carleton University, for helping with the annual data collection and preparation of this report. Ben wrote parts of the wireless section and helped immensely with the online games, gaming downloads and apps and in-game purchases section of the report. Agnes Malkinson, also a Ph.D. candidate in the same program, is responsible for the editorial production of the reports, and keeps the project's database in good order. Miaoran (Blue) Dong, also a Ph.D. student in the Communications and Media Studies program at Carleton, helped to redesign the new data management system for the GMIC Project and to organize the data for the reports. Keldon Bester, an independent researcher and consultant working on issues of competition and monopoly power in Canada, has also helped to bring the prose to life while offering insights on the issues covered in the following pages. Guy Hoskins, the project manager for the GMIC Project and a postdoctoral fellow at Carleton, has also helped immensely on the editorial front and making sure that this project is kept in good order. Many other colleagues in Canada and internationally have also offered crucial guidance on key points in this report, as cited in the pages ahead. Without all this help, our reports would never see the light of day.

Recommended citation:

Winseck, Dwayne, 2022, "Growth and Upheaval in the Network Media Economy, 1984-2021", https://doi.org/10.22215/gmicp/2022.03. Global Media and Internet Concentration Project, Carleton University.

Errata

As per our normal practice, we are reissuing the November edition of this report in order to do three things: 1. clean up a few editorial infelicities; 2. account for newly published data that was unavailable when the orginal versions of the report were issued in November; and 3. correct a few minor errors. The revisions, changes and corrections are listed below.

Data for smart phone and mobile phone adoption rates, household Internet data usage/month and retail internet revenue have been updated based on publication of the CRTC Communications Market Reports - Open Data, Retail mobile in (November 2022).

Our estimate for 2021 online advertising revenue has been revised downward from $12.567 billion to $12.323 billion based on published data from iab.canada—a difference of just under 2%.

Estimates for the number of Facebook users in Canada was revised upwards from 2019 onwards, with corresponding adjustments to the company's Average Revenue Per User (ARPU) as a result.

The labels for rows 4 and 5 in Figure 6: Revenues for the Telecoms and Infrastructure industries had been reversed, I.e. the data in row 4 should be wireline, row 5 should be wireless. That has now been corrected.

The "BDUs & Pay and Specialty TV" label in Figure 15 Communication Services and Device Prices vs the Consumer Price Index, 2002-2021 (page 19) has been changed to "BDU + Subscription TV, Video & Audio Services" to reflect the development of streaming audio and visual services accessed over the Internet and changes in Statistics Canada's reporting in recent years designed to capture these ongoing changes. A footnote has been added to this figure and some of the surrounding discussion revised and expanded to explain the reasons and implications of this change.

In Figure 24, Online Video Services (SVOD & TVOD) in Canada: 2015, 2018 & 2021 (current $, millions), our estimate of 2018 revenue for Google YouTube Premium has been revised. Our estimate for DAZN has also been revised to align the text with our estimate in the accompanying workbook.

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Figures

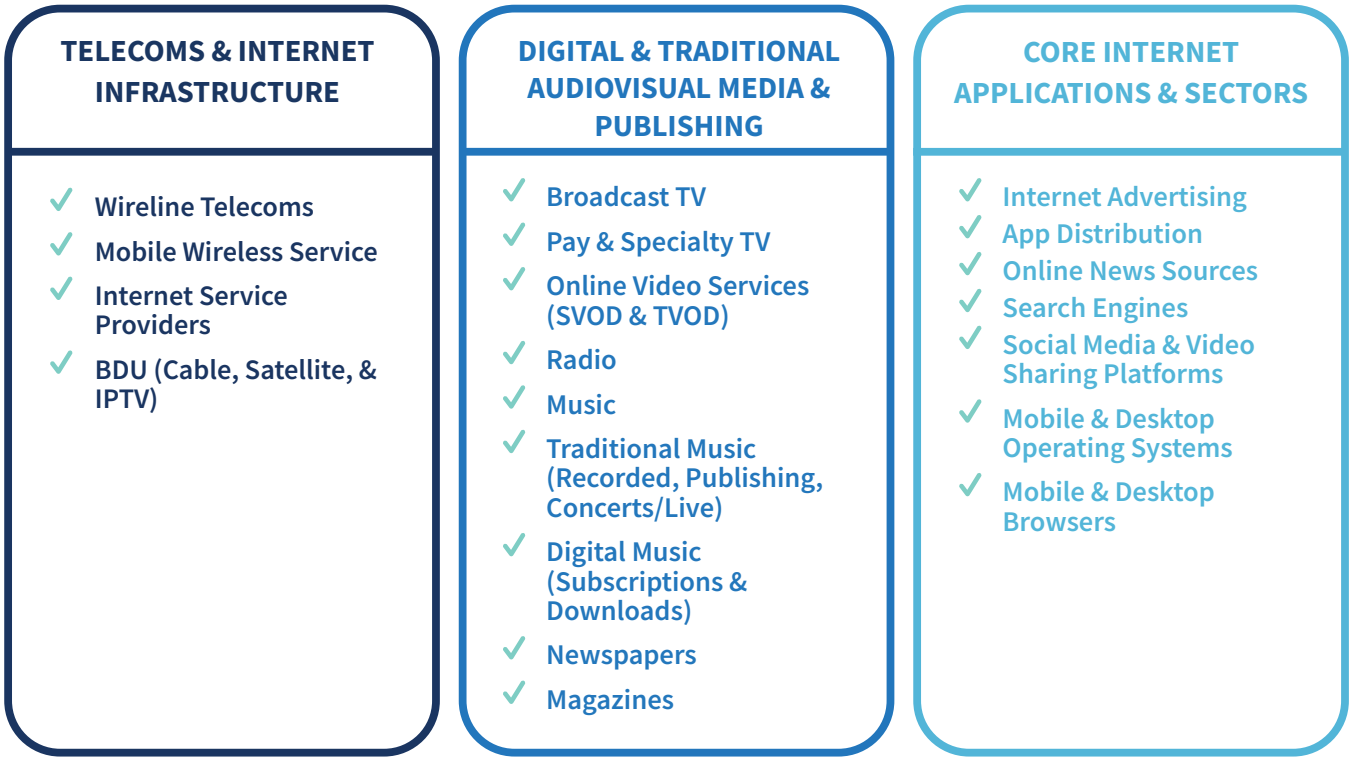
Executive Summary

This is the eleventh edition of the first report in our annual two-part series on the state of the telecoms, Internet, and media industries in Canada (previous versions can be found here for the CMCR Project versions and here for the GMIC Project versions). The two reports in this year's series examine the development of the media economy in Canada between 1984 and 2021.

The reports strive to provide an as comprehensive as possible analysis of the biggest telecoms, Internet and media industries (based on revenue) in Canada while also covering emerging ones as well. The sectors we cover include: mobile wireless and wireline telecoms; Internet service providers (ISPs); broadcasting distribution undertakings (BDU), including cable, satellite & IPTV services; broadcast television, specialty and pay television services as well as online video; broadcast radio; newspapers; magazines; the music industries (i.e. recorded music, streaming and download services, publishing and concerts); Internet advertising; social media and video sharing platforms; digital games, app stores; operating systems; browsers, etc.

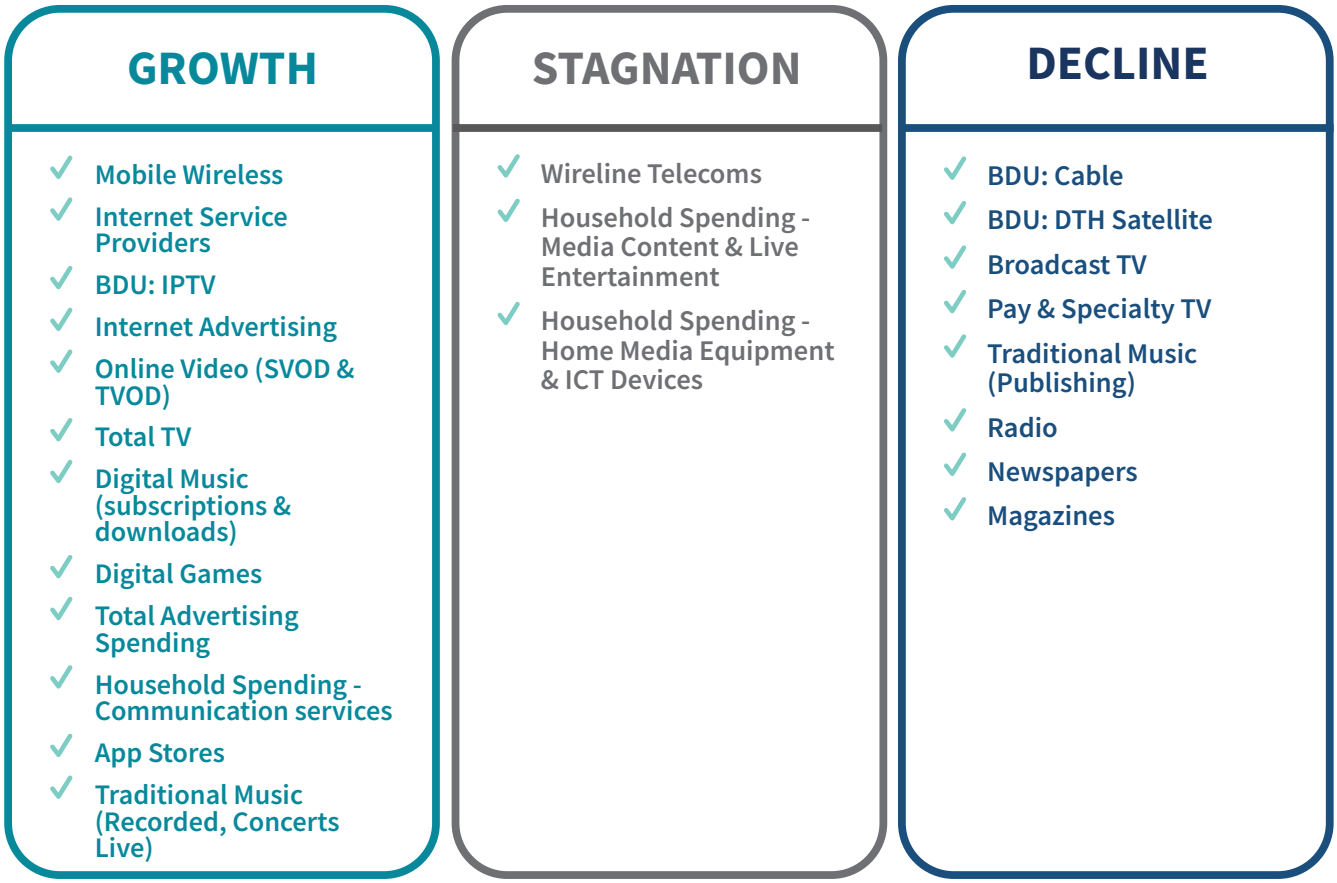
Figure 1 below depicts the segments of the digital and traditional communication and media industries that collectively comprise what we call the network media economy.

Figure 1: The Network Media Economy in Canada—What the GMIC Project Covers



This focus also allows us to carefully identify which of these industries are growing, which are stagnating, which are in decline, and some that appear to be recovering after years of misery. We also try to identify and understand the key drivers behind these trends either way. Figure 2, below, offers a high- level snapshot of where things stood in this regard at the end of 2021.

Figure 2: The Growth, Stagnation and Decline of Media within the Network Media Economy, 2021



The research method that we use is simple: we begin by examining the individual components of the network media economy. This involves collecting, organizing, and publishing stand-alone data for each media industry individually.

We then group related, comparable industry sectors into three more general categories: the "telecoms and Internet infrastructure media", the "digital and traditional AVMS" and finally, "core Internet applications and sectors". Ultimately, we combine them all together to get a bird's-eye view of the network media economy, taking care to explain how the sectors interact with one another and fit together to form the network media economy as a whole. We call this the scaffolding approach.

Following this approach ensures that we start with a clear, precise definition of "the media" so that readers know what is included in our analysis and what is not. It also helps to ensure that apples-to-apples comparisons are being made with other studies and research reports, both within Canada and internationally. Too often, debates in this area proceed without such an explicit definition. Consequently, some researchers cast a conceptual net so wide that the defining details of specific media are difficult to discern in their analysis, while others cherry pick sections of the media that support whatever story they want to tell. The problems that this raises for public discussion, comparative research, and public policy formation with respect to the communications, Internet and media are enormous, especially now when these debates are on a high boil, in Canada and around the world. We will discuss the nature of those problems at length in this and the next report.

The scaffolding approach not only allows us to focus on the details and relative scale of the various individual segments of the network media economy, but it helps to see how they all fit together. In concrete terms, this allows us to see how major domestic actors stack up against one another and when measured against the activities of global players within the Canadian context. To this end, our reports offer a long-term and systematic analysis of, both, the biggest and specialized, niche communication and media companies operating in Canada, and their development over time.

While our work covers hundreds of companies, the fortunes and fate of the biggest twenty communications, media and Internet companies operating in Canada are often in the spotlight. Those companies, in rank order based on revenue, are: Bell, Telus, Rogers, Google, Shaw, Quebecor, Facebook, CBC, Cogeco, Netflix, Amazon, SaskTel, Eastlink, Apple, Postmedia, Xplornet, Disney, Torstar, CBS-Viacom and Microsoft. All told, in 2021, the revenues of "Big 20" accounted for 91% of the network media economy in 2021.

Ultimately, our goal is also to bring a wealth of historically- and theoretically-informed empirical evidence to bear on contentious claims about the media industries. Within a context where the role of policy and regulators looms large, knowing both the details and the broad sweep of the network media economy allows us to make informed contributions to the debate from an independent standpoint. This is essential given recent reviews of, for example, the *Telecommunications and Broadcasting Acts, Copyright Modernization Act* and the *Personal Information Protection and Electronic Documents Act* (PIPEDA) and the raft of legislative initiatives now on the table: the *Online Streaming Act*, the *Online News Act* and the online harms consultation.[1]

This informed and independent view is also a key input to what could be considered the preeminent debate in this area of policy, the role of digital giants in the future of Canadian and global media markets. In fact, the tide has turned dramatically in the past few years to give rise to fundamental questions about the business models and extraordinary market power of Internet giants such as Google, Facebook, Amazon, Apple, Microsoft and Netflix, to name the most prominent of these entities. Consequently, in the last half decade, there have been over one hundred public policy and/or regulatory examinations of the digital platforms and online streaming services, as governments from India and Australia to the European Union, the United States and Canada all grapple with the far-reaching implications of these new actors and their impacts on journalism, the media, economy and society.[2]

Questions are also being raised about whether these entities have become too big to effectively govern. As a general principle, however, unless the rules shaping such companies' conduct are guided by properly

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1 Government of Canada. (2018, June 5). *Broadcasting and Telecommunications Legislative Review*; House of Commons of Canada. (2018, April 26). *INDU COMMITTEE MEETING: Evidence—INDU* (42-1)—No. 103 (Copyright Modernization Act); ETHI. (2018, February 13). *Personal information protection and electronic documents act (PIPEDA): Towards privacy by design: Review of the personal information protection and electronic documents act*; C-11 (44-1): *Online Streaming Act, An Act to amend the Broadcasting Act and to make related and consequential amendments to other Acts*, (2022) (testimony of House of Commons); C-18 (44-1): *Online News Act, An Act respecting online communications platforms that make news content available to persons in Canada*, (2022). Canadian Heritage. (2021, July 29). *The Government's commitment to address online safety*.

2 The push for a new phase of Internet regulation has been propelled by a tripartite of concerns: entrenched market dominance, the impact of a relatively small number of planetary-scale digital platforms on public institutions and concerns about 'online harms'. In particular, the revelations in early 2018 that Cambridge Analytica had harvested personal information from 87 million Facebook users' profiles—including 620,000 in Canada—and that such information was then used as part of dubious electoral campaign strategies and disinformation campaigns, i.e. the 2016 US presidential election, the Brexit referendum in the United Kingdom, elections in the Netherlands, Germany, Brazil and other countries around the world—led to an explosion in the number of digital platform inquiries in many countries. See the running tally of public inquiries, significant legislative proposals and regulatory/legal decisions and cases compiled in Winseck & Puppis, nd.

constituted legal and democratic oversight by parliaments, the courts, or administrative agencies—as was the case for the changes to the Canada Elections Act in late 2018— demands for the digital platforms to better govern themselves could make their "black box" character even more opaque than they already are. That Amazon, Facebook or Google could be broken up just like AT&T was in 1984—or, way back in 1913—is no longer a far-fetched idea. In fact, such remedies are actively being considered in the US, UK, EU and Australia.[3]

We are fully supportive of concerns regarding the scale of these companies, their clout, and the threats that they pose to the Internet, some media, society and democracy. A new phase of Internet regulations is needed for precisely these reasons. Indeed, the issue is no longer if the platforms and Internet services will be regulated but when and how.[4] Even Facebook's CEO, Mark Zuckerberg now frequently reminds us that he has "repeatedly called for regulation . . . because I don't think companies should be making so many of these decisions ourselves".[5]

However, our analysis also suggests that claims that the Internet hypergiants' fortunes are being made by cannibalizing the revenue that journalism and the music, movie, television and publishing industries need to survive should be met with a healthy dose of skepticism.[6] There is also a need to be vigilant that the push for new Internet services regulation does not just translate into harnessing the Internet-centric communications and media arrangements of today in order to protect approaches to broadcasting regulation and cultural policy of the past. There is also reason for concern that the tough structural and conduct regulatory remedies needed to counteract problems of consolidation at every level of the communications, Internet and media ecosystem are elided by a one-dimensional focus on the Internet giants. So, too, must the unlimited personal data harvesting models that fuel the commercial Internet services, and which are proving to be so corrosive of democracy, be thoroughly addressed across the board, and not just for the global Internet giants. Furthermore, all this needs to be done while avoiding the myopic focus on regulating Internet content in a misguided gambit to solve all of society's perceived ills.

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3 See, for example, Khan, L. (2018). Amazon's antitrust paradox. *The Yale Law Journal*, 126(3), 710-805; Kwoka, J. & Valletti, T. (2021). Unscrambling the eggs: breaking up consummated mergers and dominant firms, *Industrial and Corporate Change*, 30(5), 1286–1306; Australian Competition and Consumer Commission (ACCC) (2021) *Digital advertising services inquiry. Final Report*; Bundeskartellamt (2019a) Bundeskartellamt prohibits Facebook from combining user data from different sources; European Commission (2020b). Digital Markets Act; UK, Competition and Markets Authority, 2020; U.S. Federal Trade Commission, 2021; U.S. Judiciary Committee, 2020; United States House Committee on the Judiciary, 2021; Wu, T. 2018. *The curse of bigness*. New York: Columbia Global Reports.

4 France's President Emmanuel Macron's speech to the Internet Governance Forum in November 2018 marked a watershed moment when he observed the choice was not whether to regulate digital platforms but how to steer between the opposing poles of California, Silicon Valley ideology, on the one side, and Chinese-style authoritarian rule, on the other.

5 Zuckerberg, M. (2020). Mark Zuckerberg: Big tech needs more regulation. *Financial Times*, 16 February.

6 See: Jonathan Taplin's polemic against the 'vampire squids of Silicon Valley', *Move Fast and Break Things*. Such sentiments have been embraced in Canada as well, where industry actors, think tanks, trade associations, "creative industries" labour unions and guilds, as well as government-appointed blue-ribbon panels endlessly vilify Google, Netflix and Facebook for allegedly laying waste to Canadian media. See, for example, the Public Policy Forum's *Shattered Mirror* and *Democracy Divided* reports, Richard Stursberg's (2019) book, *The Tangled Garden*, and News Media Canada's (2020) *Levelling the Playing Field* report (also see Winseck, 2017 for a critique of the *Shattered Mirror*). Chapter 3 of blue-ribbon Broadcasting and Telecommunications Legislative Review Panel's *Canada's communication future* (2020) is one of the worst examples of this, with cherry-picked data and analytical timelines chosen to conform to the one-dimensional story of the threats posed by the Internet giants that it wants to tell. That this report has framed the Government's current legislative proposals, especially Bill C11, the *Broadcasting Reform* act, the online harms consultation, as well as the news compensation consultation and the resulting *Online News Act*, respectively, illustrates how far this tendency reaches.

To help understand this tangled knot of issues we need to better appraise where the Internet giants currently stand within Canada. In so doing, our first question should be, these entities loom large, but how large in reality?

Our data show that the US-based Internet giants are consolidating their dominance of digital advertising markets in Canada and are becoming increasingly dominant across the advertising landscape as a whole. The shift to the "mobile Internet" has helped Google and Facebook, in particular, to consolidate their lock on both online advertising and, increasingly, advertising spending across all media, as we will show later in this report. In addition, as the global Internet giants increasingly aggregate and distribute media and cultural content, existing media groups are becoming more platform-dependent, potentially jeopardizing their own economic, technological and cultural autonomy.[7] All of this is critical to comprehending the bleak place in which many advertising-based media now stand.

However, while the growing clout of Internet hypergiants such as Google and Facebook is unarguable, it is a mistake to generalize from their dominance of the Internet advertising market to the $94.6 billion network media economy writ large. Treating developments in the advertising-based sectors as representative of the overall direction of the industry obscures the reality that these sectors constitute a small and, for most of the past decade-and-a-half, receding aspect of the network media economy. Moreover, while the influence of the big five digital platforms—i.e. Google, Amazon, Facebook, Apple and Microsoft, aka GAFAM—and Netflix is significant, they are still outstripped in most countries (Canada in particular) by a large margin by the biggest national telecommunications and media groups, as this and the next report in this series will show.

Ultimately, the media's place in the economy, society and our everyday lives is changing dramatically and is currently up for grabs in ways seldom seen. Some communication and media historians call times like ours a "critical juncture",[8] or a "constitutive moment",[9] when choices made will become embedded in technology, markets and institutions, and then press down on us, for perhaps a century or more. The GMIC Project does its best to engage with such realities in a bid to help secure the communication and media that we need and deserve.

7 Poell, T., Nieborg, D. & Duffy, B. (2022). *Platforms and cultural production.* Hoboken, NJ: Wiley; Myllylahti, M. (2019). Paying Attention to Attention: A Conceptual Framework for Studying News Reader Revenue Models Related to Platforms. *Digital Journalism*, 8(5).

8 McChesney, R. (2014). *Digital disconnect: How capitalism is turning the Internet against democracy*. New York: New Press.

9 Starr, P. (2004). *The creation of the media: political origins of modern communication*. New York: Basic Books.

Summary of key findings and insights

- Last year, revenue across the network media economy rose sharply to $94.6 billion from $89 billion in the previous two years, despite ongoing headwinds from the Covid-19 pandemic.
- The setback of the previous year appears to have only been temporary, with most sectors bouncing back in 2021. Over the long run, the media economy has grown five-fold in size.
- Mobile wireless services also returned to growth last year, rising to $29.3 billion, after having stumbled for the first time in the year prior. The increase in revenue likely reflected increased adoption and usage of mobile wireless services and the return of lucrative international roaming charges as travel across borders resumed.
- Internet access services continued to grow briskly, as revenues rose by a billion dollars to $14.5 billion from $13.3 billion a year earlier. This underscored the importance of broadband access as people increasingly turned to the Internet for work, entertainment, government services, school, and socializing with others.
- Revenue and subscription rates for cable, IPTV and satellite TV continued their long-term decline in 2021. Revenue fell from $8.1 billion in 2020 to $7.8 billion over the year while household subscriber levels fell sharply to 66.2% from 69% a year earlier—well off the highpoint of a decade earlier when 86% of Canadian households had one such subscription.
- In contrast, revenue for digital audiovisual media services (AVMS)—online video, digital music and digital gaming—continued to soar last year to over $5.9 billion. Revenue for Internet advertising jumped from $9.6 billion in 2020 to an estimated $12.3 billion in 2021. Add all the digital AVM sectors together, and total revenue reached $18.2 billion, up from $14.6 billion a year earlier. These sectors are now defining features of the network media economy and accounted for close to one-fifth of all revenue in 2021, nearly double what it had been five years earlier. These sectors also seemed to be “pandemic proof”.
- As a result of these developments, global actors like Google, Amazon, Facebook, Apple, Microsoft and Netflix (the so-called GAFAM+ group of Internet giants) and more specialized, niche services such as Snapchat, Twitter and Tiktok, have become significant figures on the media landscape in Canada. Combined, they had an estimated $14.9 billion in revenue last year from their Canadian operations, up from $11.4 billion the previous year.
- The GAFAM+ group’s combined market share was close to 16% last year.
- The “big 5” domestic companies, however, still account for a massively larger share of the network media economy, with just over two-thirds of all such revenue last year: Bell, Telus, Rogers, Shaw (Corus) and Quebecor.
- Estimated total advertising spending across the media economy soared to $17.6 billion in 2021, an extraordinary year-over-year increase of $3 billion. The vast majority of this increase was in Internet advertising, as noted above. Such buoyant conditions, however, also translated into a sizeable increase in advertising revenue for broadcast as well as pay and specialty television services. Even newspapers saw advertising revenue hold steady over the last two years for the first time since they began their steep, steady drop after peaking a decade-and-a-half ago, circa 2006-2008.
- That said, by 2021, four media that have historically relied primarily on advertising have seen their collective revenues drop by $5.7 billion since 2008, to half of what it had been at that time: radio, broadcast television, newspapers and magazines. While it is fashionable to blame Google and Facebook as *the cause* of this state-of-affairs, such charges are missing other key parts of that story, as we will show in this report.

- As a general rule, most media sectors are vibrant and flourishing. This applies to the digital AVM services sectors and, specifically, to the television marketplace overall, with the addition of new pay TV sectors over time, including online video services, driving total TV programming services revenue (i.e. broadcast TV, pay & specialty services, and online video) to $9.9 billion in 2021.
- Estimated revenue for subscription and download-based online video services grew to $3.5 billion last year, up from $2.7 billion in 2020—a thirty percent rise over the previous year.
- Netflix had an estimated year-over-year average of 7.5 million subscribers in 2021 (just over one-half of all households in Canada) and $1.34 billion in revenue.
- Film and TV production investment was slammed by the onset of Covid-19 public health restrictions in early 2020. Thereafter, investment from foreign sources—i.e. the traditional Hollywood studios and new streaming services such as Netflix and Amazon—returned. However, a steep drop in investment from domestic sources means that total film and television investment fell from $9.5 billion in 2020 to $9.1 billion last year.
- Newspaper revenue in 2021 was $1.9 billion, forty percent of what it was a decade-and-a-half ago, circa 2006-2008, i.e. $4.8 billion. A bottom of sorts seems to have been reached in the last two years, however, with both revenues and the number of journalism jobs staying fairly flat. This is likely due to 3 factors: a bump in government spending on media advertising during the pandemic, significant public subsidies from the federal government's Journalism Support Program and Local Journalism Initiative, and payments from Google, Facebook and Apple News+ for the use of news publishers' content in their services.
- Some new news, information and public commentary sources, including several not-for-profit journalism organizations, are emerging to fill in some of the gaps left by the collapse of traditional journalism, e.g. *National Observer*, Canadaland, Village Media, *The Tyee*, etc. However, whether these new sources come close to filling what's been lost in terms of journalistic resources is doubtful.

The Network Media Economy in Canada: Contemporary Trends and Ongoing Policy Debates

Our 2021 annual series of reports on the state of the telecoms, Internet and media industries marks just over a decade since we began this effort. This, the first report in our annual, two-part series examines the development of the media economy since 1984, with the "media" defined broadly to include data for twenty different sectors grouped into three categories, as depicted in Figure 1 in the Executive Summary above.

Ultimately, we combine all of these separate sectors together to get a bird's-eye view of how all the different sectors of the telecoms-Internet and media industries have developed over time, to understand the scale and pace of the changes that are taking place, and to see how all of the sectors that we cover fit together to form "the network media economy"

To this end, our approach begins by assembling a multisectoral body of data for the telecoms and Internet access, audio-visual media services and core Internet applications and services that collectively comprise "the network media economy". The objective is also to determine which of these media sectors are growing, stagnating or in decline. We also highlight those sectors that have discovered renewed paths to growth, such as the music industry. To this end, the report pays close attention to, for instance, whether online audiovisual media services such as Netflix, Amazon Prime Video and Crave, and online gaming, apps and app stores, are cannibalizing well-established media or helping to expand the size and diversity of the media economy. Other trends such as cord-cutting and cord-shaving are also examined.

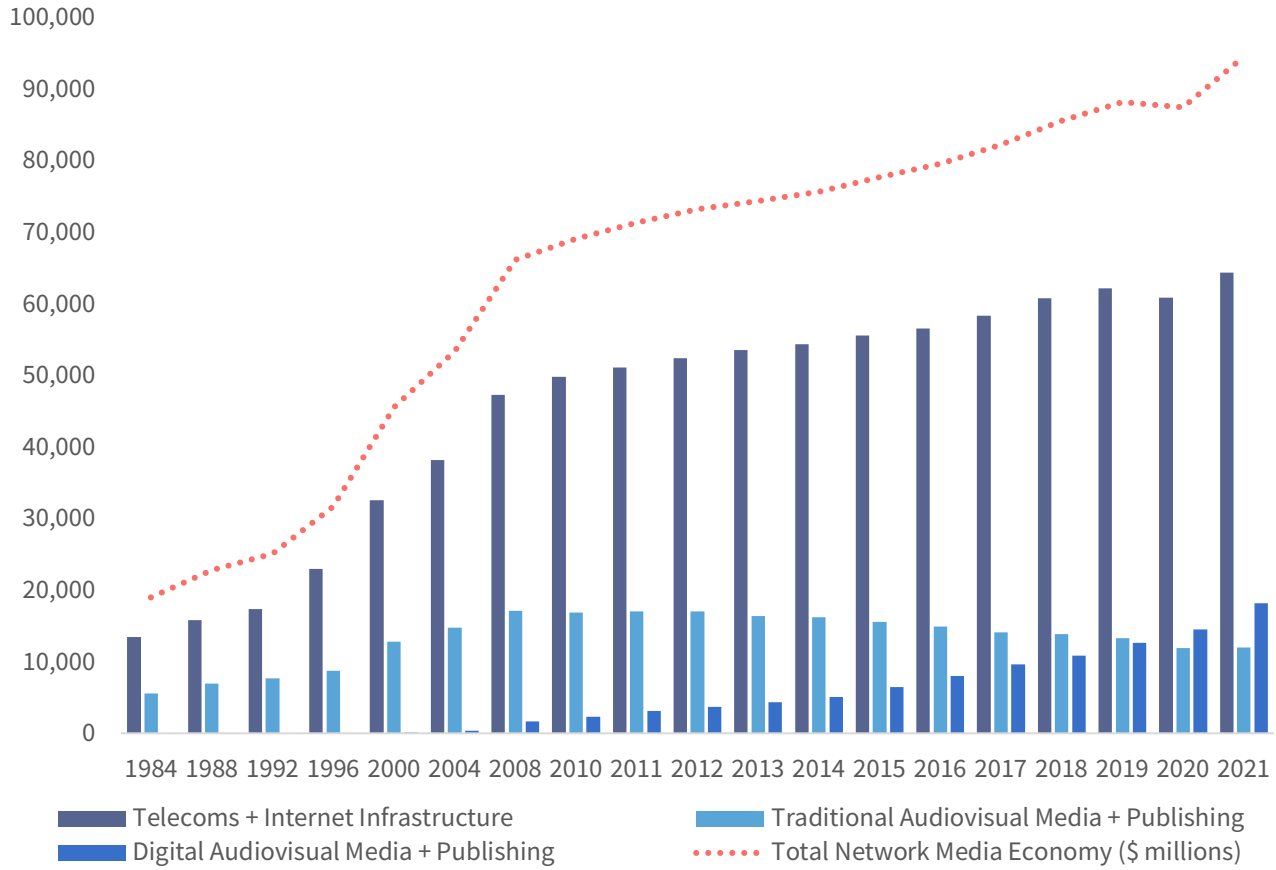
Since the early 1980s when our coverage for this report starts, the rise of entirely new media sectors–e.g. mobile wireless, Internet access, pay and specialty TV, online video, digital gaming, digital music services, and so forth—has added immensely to both the size and complexity of the media economy. Over this period, total revenue for the network media economy in Canada more than quadrupled from $19.4 billion in 1984 to $94.6 billion last year, a sharp uptick after two years of anemic growth on account of the Covid-19 pandemic.

In contrast to those who claim that the media economy in this country is a pygmy amongst giants, especially relative to the United States, it is important to highlight the fact that of the thirty countries examined in Who Owns the World's Media, the sum total of which account for roughly 90% of the world's media revenues, Canada ranked as having the 9th largest media economy.[1] This is still, more or less, the case today.

Figure 3 below illustrates the immense growth and transformations of the network media economy in Canada that has taken place over the past thirty-six years.

1 Noam, 2016, pp. 1018-19.

Figure 3: Development of Telecom & Internet Access Services vs Digital and Traditional Audiovisual Media, 1984-2021 (current $, millions)



Source: see the "Figure 3" data sheet in the Excel Workbook accompanying this report and the "Total Revenue" sheet in the GMIC Project—Canada open data sets.

While all segments of the media economy have grown substantially over the long-run, there are trends and unique differences among them that merit close attention. A key development identified in this report, for instance, is the fact that revenue for most communication, Internet and media sectors flat-lined or fell during 2020, before rebounding briskly last year.

We also continue our previous work highlighting how media that have historically relied primarily on advertising revenue as the core of their business models were caught between the pincers of stagnating, or by some measures, falling, advertising revenue for nearly a decade after the financial crisis of 2008, while simultaneously facing the rapid rise of Google, Facebook and, in recent years, Amazon, and these companies' fast-consolidating grip on ad spending across all media. In this regard, four specific advertising-supported media sectors appear to be in terminal decline: broadcast television, radio, newspapers and magazines. Collectively, their revenue has collapsed; last year it was roughly a half what it was in 2008, when their fortunes went into tailspin from which they have never recovered (and probably will not).

That said, there is no general crisis of the media. This is because advertising-funded media have been steadily eclipsed by the telecoms and Internet access sectors as well as "pay-per" audiovisual media services.[2]

Thus, while there is no doubt that advertising is and will continue to be an important part of the media economy, it only underpins a relatively small part of the media economy and that part had steadily receded between 2008 and 2016, before inching upwards again over the next few years until thrown into reverse by a sharp drop in 2020 on account of the pandemic. Last year, however, advertising spending across all media surged to reach $17.6 billion. That said, however, advertising-funded media still accounted for a modest 19% of the $94.6 billion media economy in 2021.

The real centre of the network media economy consists of the communications and Internet access segments, i.e. the pipes, bandwidth, and spectrum-based–connections that are now central to effective participation in society, the economy and daily life. In 2021, they had total combined revenues of $64.4 billion, or 68% of all revenue generated across the network media economy.

Adding to the shift away from ad-supported media, and displaying remarkable resiliency even amidst the pandemic, the combined revenue for online video, digital music and digital games continued to rise last year to $5.9 billion, up by $900 million dollars (or 20%) from the previous year. This was in keeping with the fast-paced growth of these sectors over the last decade.

In fact, combined revenue for communications and internet access services as well as subscription-based digital AVM services have come to outstrip that of advertising-funded media, including Internet advertising, by a 4.3:1 ratio. The upshot of these developments is that, in an increasingly Internet- and mobile wireless-centric world, it is network connectivity and subscriber fees, not advertising-supported media, that are king.[3]

We also see similar trends in household spending. In fact, spending on communication services such as broadband Internet access and mobile wireless services as a percentage of all household outlays has doubled over the last four decades, while the percentage of income that households spend on media content, cultural goods and live entertainment services has stayed remarkably stable at an average of 1.3%, despite the advent of a vastly more complex and diverse array of such services. At the same time, spending on communication, information and media technology, in contrast, has fallen over time because even though people are buying more such equipment, the cost of such technology has plunged.

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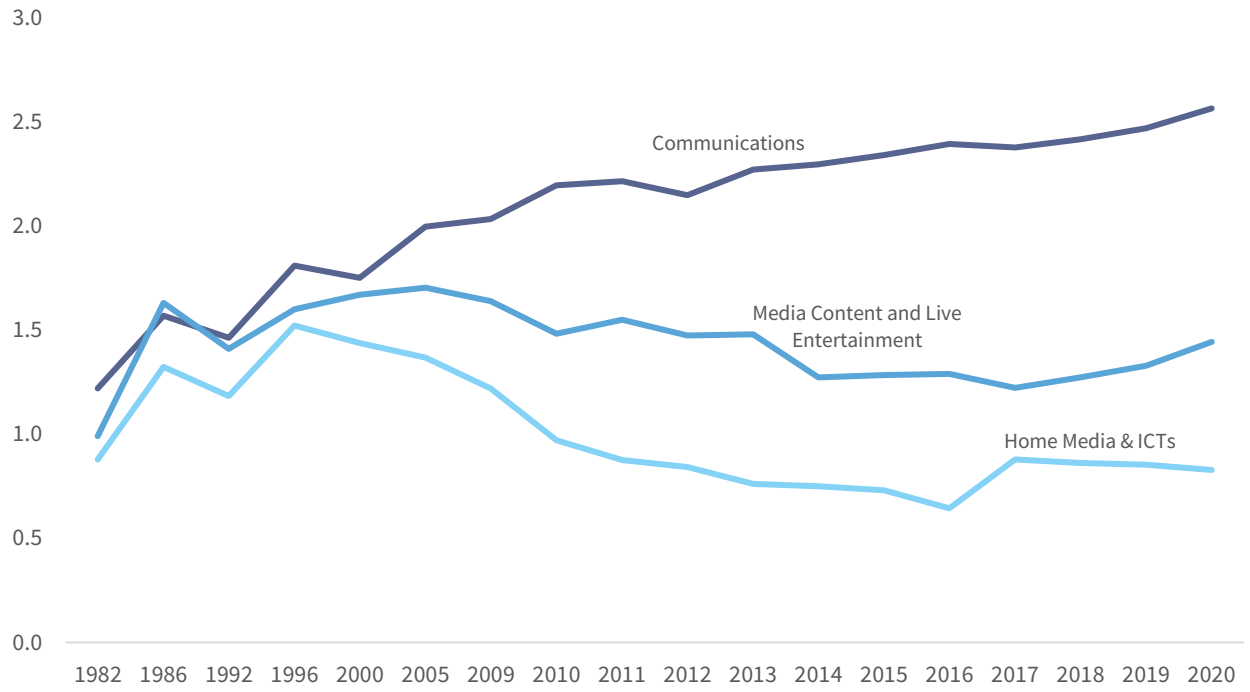
2 Pay-per media refer to those media that people pay for through subscriptions or purchase directly. They include telecoms and Internet access as well as pay and specialty TV; Internet video and music services; music; digital games, app stores such as Google Play or Apple iTunes and Apple App Store, newspaper subscriptions, etc. They are different from media that are subsidized by advertising or government-funding (as in the case of the CBC) or wealthy patrons (as in the "high arts"). I take the "pay-per" term from Vincent Mosco's Pay-Per Society (1989). The film and book industries are not included in this report due to data availability limitations but see PriceWaterhouseCooper's Global Entertainment and Media Outlook for evidence that bolsters the point being made here.

3 Odlyzko, A. (2001). Content is not king. *First Monday*.

Figure 4 below illustrates the point.

Figure 4: Household Spending on Communications and Media Services and ICTs, 1982-2020



Sources and note: Statistics Canada (2022). Table 203-0021 Survey of household spending (SHS), household spending, Canada, regions and provinces. See "Figure 4" sheet in the Excel Workbook accompanying this report.

The upshot of this is that enterprises providing media, entertainment and culture services are battling one another for a bigger slice of a relatively fixed pie. This phenomenon where household spending on such services stays fixed over time has been called the "law of relatively constant media expenditures" by observers from a wide array of theoretical and political positions. It is compounded by the fact that much the same phenomenon applies to total advertising spending across all media, as this report shows in the pages ahead.[4]

What this means in practice is that different segments of the communication, Internet and media industries have distinctive characteristics and follow different evolutionary paths. This is one more reason why we need to rely on the scaffolding approach just outlined, i.e. because using this method helps to shed light on these distinctive characteristics and the different development paths of different media over time.

Figure 5 below depicts each sector covered in this report and its evolution over time separately in order to reveal the specific details and broad trends being introduced here and that we will return to over the course of the following pages in this report.

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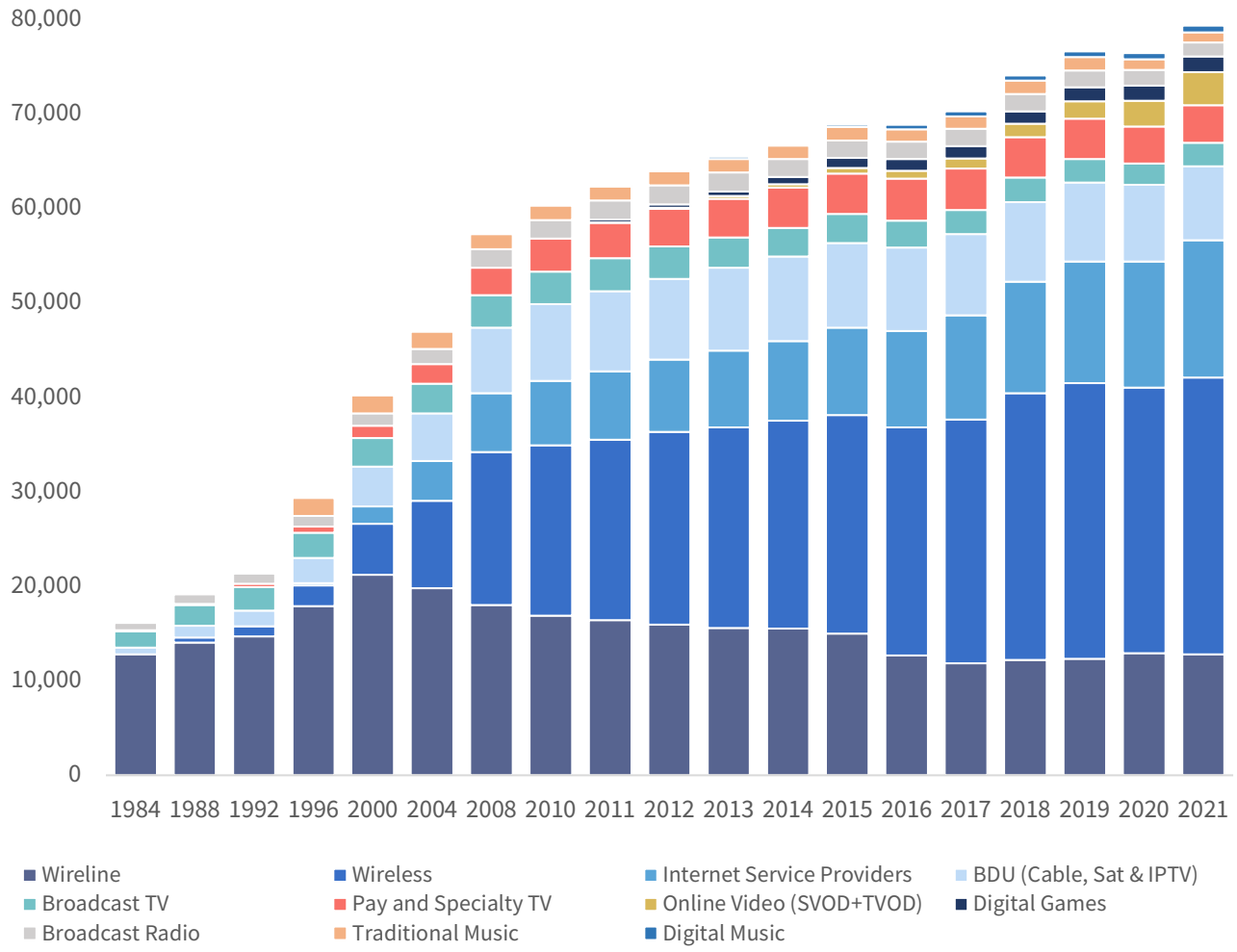
4 Picard, R. G. (2011). T*he Economics and Financing of Media Companies.* Fordham Univ Press; Garnham, N. (1990). *Capitalism and communication: Global culture and the economics of information*. Sage Publications; Miège, B. (1989). *The capitalization of cultural production*. International General.

Figure 5: Separate Media, Distinct Evolutionary Paths and the Network Media Economy, 1984–2021 (current $, millions)



Source: See "Figure 5" sheet in the Excel Workbook accompanying this report and the "Total Revenue" sheet in the GMIC Project—Canada open data sets.

The basic message of Figure 5 is this: while all areas of the telecoms-Internet and media industries have grown substantially over the long-run, and changes have been especially fast moving with respect to the digital AVMS sectors in the last decade, there are also unique differences among all of them that merit closer attention.

To be sure, communication and media companies in Canada are facing intensifying competition with Google, Amazon, Facebook, Apple and Microsoft (the GAFAM group of Internet giants) as well as more specialized, niche services such as Netflix, Twitter, Snapchat and Tiktok. In addition, as the Internet companies take on a growing role in the aggregation and distribution of media content, existing media groups are becoming more platform-dependent, battling one another over a relatively "fixed pie", given the remarkable stability of household spending on media and entertainment services, as observed above. The upshot is that the competition between these companies is intense, and becoming more so, even if the markets they operate in are still highly concentrated.

These developments have ignited fierce debates over the impact of GAFAM and other Internet services on the media in Canada and around the world. They are also a key driver of proposals for fairly aggressive,

new forms of digital platform regulation that would have been unfathomable just a few years ago. They have also re-ignited long-dormant debates over technological sovereignty that have not been seen with such intensity since the 1970s and 1980s.

These debates, however, and regrettably, also tend to be reduced to simplistic, ideologically-driven binaries between cultural nationalists, and think tanks joined at the hip with domestic communication and media conglomerates on the one side versus free and open Internet advocates whose views, wittingly or not, line up with the interests of GAFAM, on the other. The fact of the matter is that the reality and potential solutions to the issues now before us are more complex than either of those positions allow. The rigidity, indeed, orthodoxy on both sides, is stultifying.

The aim of this report and the next—and all of our work—is to bring out the greater complexity behind the issues at stake. It is also to provide a systematic and long-term body of independent analysis that we hope others will draw on to inform their positions.

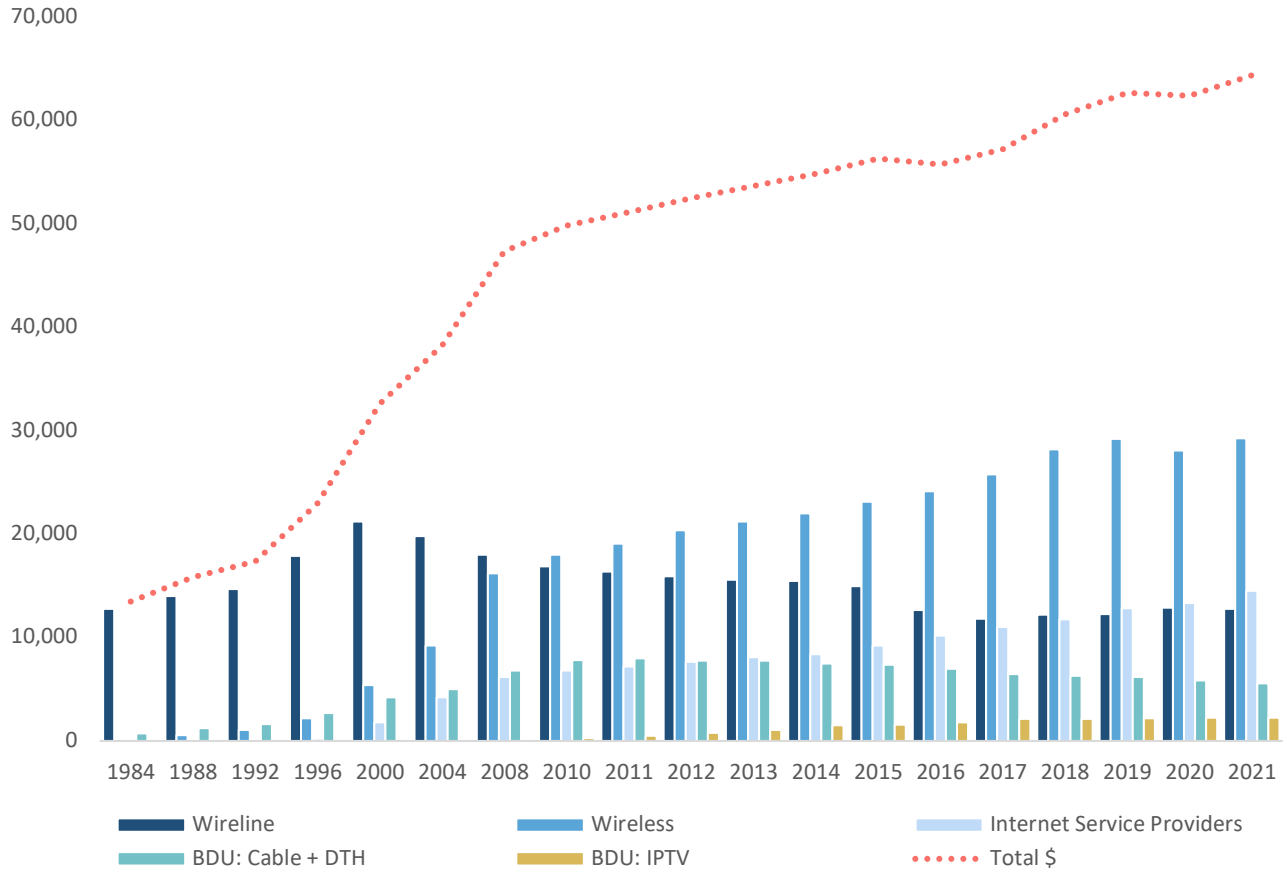
The Telecoms and Internet Infrastructure Sectors: Bandwidth is King, Not Content

Anchor Findings

- Mobile wireless and Internet access services continue to grow at a brisk pace, but Canada's struggle to meet its targets for universal, affordable broadband internet access continues to be a significant issue.
- Canada's adoption of IPTV services is high relative to other countries, but lags international peers in "fibre to the premises" access, the gold standard for communications infrastructure.
- Following favourable regulatory outcomes related to minimum service standards and net neutrality in the mid-2010s, a change in CRTC leadership since 2017 has put the future of broadband regulation and even the legitimacy of the agency itself into jeopardy.

The telecoms and Internet access industries have grown enormously, from $13.8 billion in 1984 to $64.4 billion last year. They account for 68% of all revenue, and are thus the fulcrum upon which the media economy pivots. Figure 6 illustrates their development over time.

Figure 6: Revenues for the Telecoms and Internet Infrastructure Sectors, 1984-2021 (current $, millions)



Source: See "Figure 6" sheet in the Excel Workbook accompanying this report and the "Total Revenue" sheet in the GMIC Project—Canada open data sets.

Mobile Wireless

The mobile wireless services sector in Canada has grown tremendously since its debut in the early 1980s. These services began as luxuries and exclusive business tools, but by the turn-of-the-century the mobile wireless market was on track to hit the mainstream, and has expanded quickly since then. Today, the mobile sector represents a cornerstone of the digital media ecology.

Mobile wireless services overtook plain old wireline telephone services in 2009 in terms of revenue, while in 2014 the number of Canadian households subscribing exclusively to mobile services for their voice calling needs exceeded those relying exclusively on landlines for the first time.[5] Mobile wireless represents the largest sector of the network media economy by far, with revenue having grown more than five-fold from $5.4 billion in 2000 to an estimated $29.3 billion last year.

The growth last year reversed the losses in 2020, when revenue had declined by $1.1 billion during the first year of the COVID-19 pandemic as major operators suspended overage fees and saw international roaming fees dry up as travel was suspended. That dip proved to be short term, however. In 2021, the national mobile wireless operators' revenues recovered as pandemic restrictions were relaxed and on account of subscriber growth and an expanding array of services.

5 CRTC. (2015). *Let'sTalk TV - The way forward – Creating compelling and diverse Canadian programming.* p. 1.

Interestingly, the revenue declines in this sector during the early pandemic were specific to Bell, Rogers, and Telus—the three national incumbent mobile operators—while the regional competitors Videotron, Freedom Mobile, Sasktel, Tbaytel, and Eastlink each continued to grow. This contrast shows that competitive pressure brought by regional providers has continued to have an impact on market dynamics, the result not just of entrepreneurial innovation but also of concerted policy efforts to improve outcomes in this sector.

Canada's mobile wireless market is not just large in historical terms but also in international standing: it is the 6th largest mobile market in the world, based on revenue, as Figure 7 depicts.

Figure 7: Mobile Wireless Markets in the OECD, EU and Other Select Countries Ranked by Revenue, 2021 (current $, millions)

	Country	Revenue		Country	Revenue
1	United States	357,370.5	19	Netherlands	6,108.7
2	China	146,890.8	20	Switzerland	5,818.0
3	Japan	96,553.6	21	Argentina	5,135.8
4	Germany	39,086.6	22	Belgium	5,041.5
5	Russia	33,285.8	23	Poland	4,353.7
6	Canada	29,268.0	24	Kenya	4,080.0
7	Korea	26,181.4	25	Austria	3,747.0
8	India	25,472.7	26	Denmark	3,151.5
9	France	21,863.9	27	Sweden	3,110.8
10	United Kingdom	21,178.1	28	Finland	3,027.9
11	Australia	19,371.3	29	Norway	2,983.7
12	Brazil	15,554.3	30	Czech Republic	2,878.4
13	Spain	12,540.6	31	Portugal	2,598.6
14	Mexico	12,054.5	32	New Zealand	2,598.0
15	Italy	11,253.0	33	Israel	2,488.3
16	South Africa	9,668.3	34	Ireland	2,318.8
17	Nigeria	8,587.0	35	Chile	2,301.6
18	Turkey	7,264.5	36	Slovakia	1,461.7

Note: Sources cited in each individual cell. Annual average exchange rate from the Bank of Canada. 2021 data = no highlight; 2020 data = light green shading. See "Figure 6 Biggest Mobile Markets" sheet in the Excel Workbook accompanying this report.

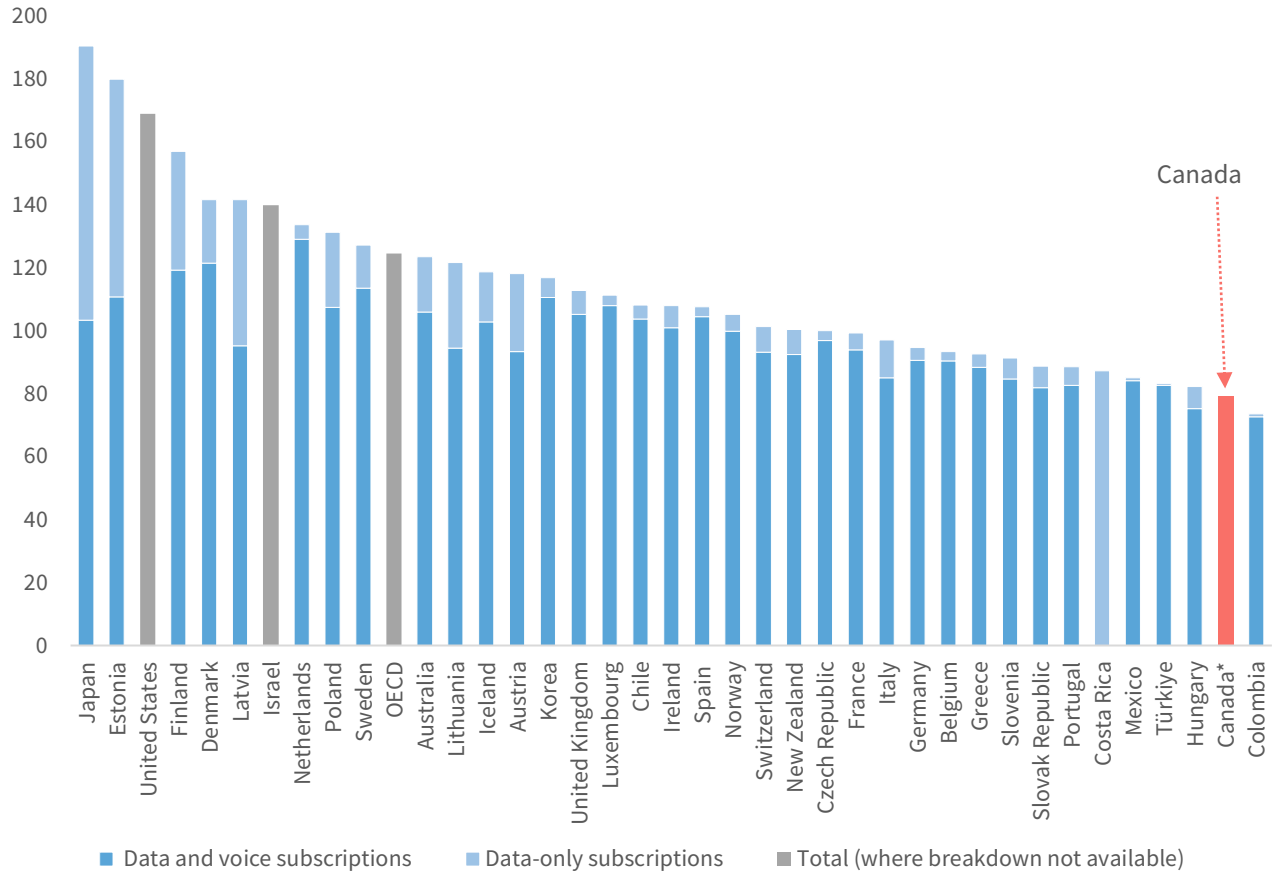
The growth of this sector has included an expanding array of devices that are connected to mobile wireless networks (tablets, smart watches, etc). As markets for 5G services continue to develop, this array will grow in both scale and scope, with the emphasis shifting even further in the direction of data-based services, rather than the traditional voice-based services that gave mobile services their start. Consistent with this trend, mobile data traffic has roughly doubled (40-60% growth) in Canada each year over the past decade.

Despite this significant growth, mobile broadband (i.e. mobile internet) adoption and usage in Canada is extremely low by international comparative standards. Roughly 79% of Canadians have

a mobile broadband subscription,[6] or 93.2% if just people over 18 and mobile voice only plans are counted.[7] To put these figures in perspective, Canada ranks near the bottom of comparisons to other OECD countries. In 2021, it ranked 37th out of 38 OECD countries on this measure—holding steady from the previous year. Indeed, Canada has been below the US, UK, Denmark, Australia, and the vast majority of other OECD countries for close to two decades.[8]

Figure 8, below, indicates that this is still the case.

Figure 8: OECD Wireless Broadband Subscriptions per 100 inhabitants, by Technology, December 2021



Source: OECD *Broadband Portal* Table 1.2.2. OECD Mobile broadband subscriptions per 100 inhabitants, by technology, December 2021. Data for Canada is from CRTC Communications Market Reports - Open Data, Retail mobile (November 2022). Tables MB-F6 Percentage of mobile subscribers with a data plan (%), 2013-2021 + MB-S6 Mobile subscriber penetration rates, as a percent of total population, by province/territory (%), 2015-2021.

6 CRTC. (2022). Communications Market Reports - Open Data, Retail Mobile (Nov. 2022). Tables MB-F6 Percentage of mobile subscribers with a data plan (%), 2013-2021 and MB-S6 Mobile subscriber penetration rates, as a percent of total population, by province/territory (%), 2015-2021.

7 CRTC *Communications Market Reports—Open Data* (Retail Mobile, Supplementary MB-S6 Mobile subscriber penetration rates, as a percent of total population, by province/territory (%), 2015-2021).

8 Yochai Benkler, Robert Faris, Urs Gasser, Laura Miyakawa, & Stephen Schultze. (2010). *Next Generation Connectivity: A review of broadband Internet transitions and policy from around the world.* Harvard University; OECD. (2011). *OECD Communications Outlook 2011*. OECD.

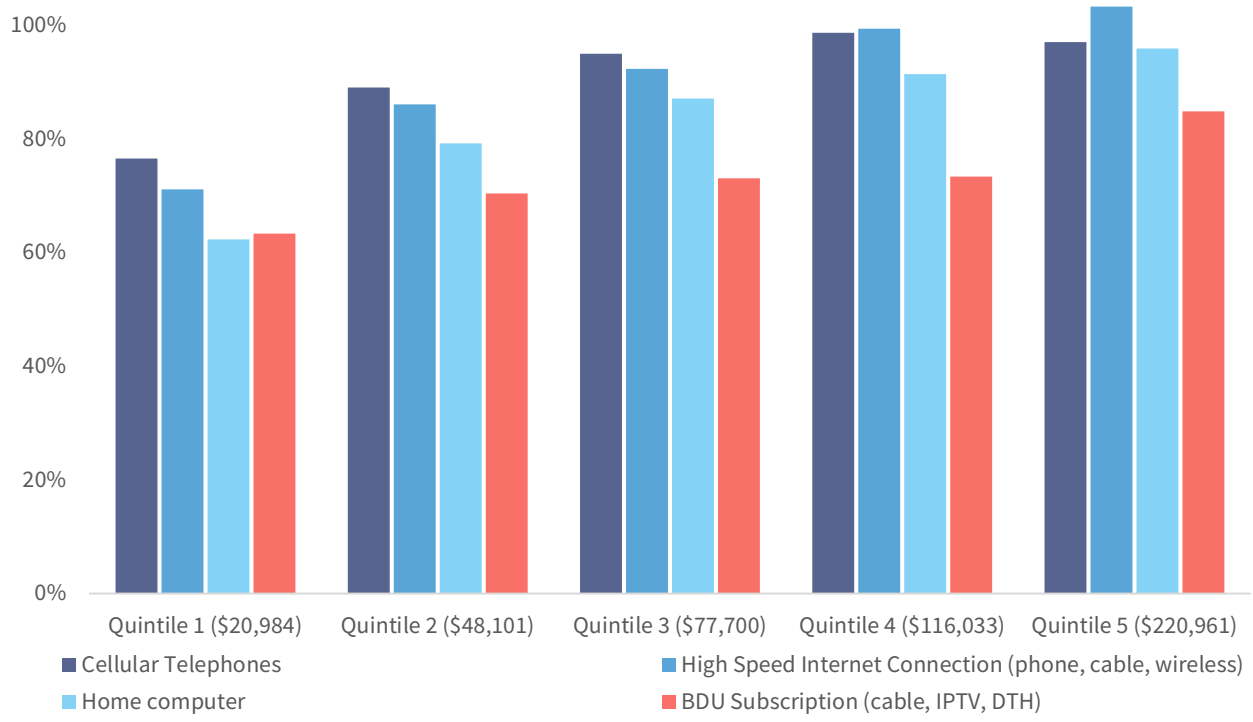
Adoption levels are also highly stratified by income. As of 2019 (the most recent year for which data are available), close to one of four (23.6%) households in the lowest income quintile did not subscribe to a mobile wireless service, while approximately 1 out of 10 (11%) of those on the next rung up on the income ladder stood in the same position. At the opposite end of the income scale, mobile wireless penetration is nearly universal at 98.7%, demonstrating what adoption levels are like when affordability is not a barrier.

Improvements in affordability brought about by new competitors have helped the situation for low- and middle-income families in recent years. According to data compiled by an association of Freedom Mobile dealers, for example, "the primary customer segments that rely on Freedom retail services are mid-to-low income earners, new Canadians, visible minorities, students and seniors."[9] The new competitors' strategy of attracting subscribers from these previously-unaddressed market segments with low-priced offers has led to improvements in adoption in recent years.

Although the market continues to grow overall, the present trajectory in which competition is spurring the widening and deepening of access to mobile services is threatened by the pending merger between Rogers and Shaw. If allowed to proceed, the Competition Bureau has warned that the merger "will result in a transfer of wealth from low- and moderate-income groups in society to the Respondents [i.e. Rogers and Shaw], whose shareholders include ultra-rich members of the family ownership groups of these companies."[10]

Figure 9 illustrates the levels of adoption for mobile phones by income quintiles in Canada as of 2019 (again, the most recent year for which data are available), as well as for broadband Internet, home computers and cable television.

Figure 9: Household Adoption of Information and Communication Technologies by Income Quintile, 2019



Source: *Statistics Canada (2021). Survey of Household Spending.*

9 Affidavit of Sudeep Verma. (2021). *Rogers—Shaw—Notice of Application pursuant to s. 104 Vol. 7—Public*, (Competition Tribunal, September 17, 2018).

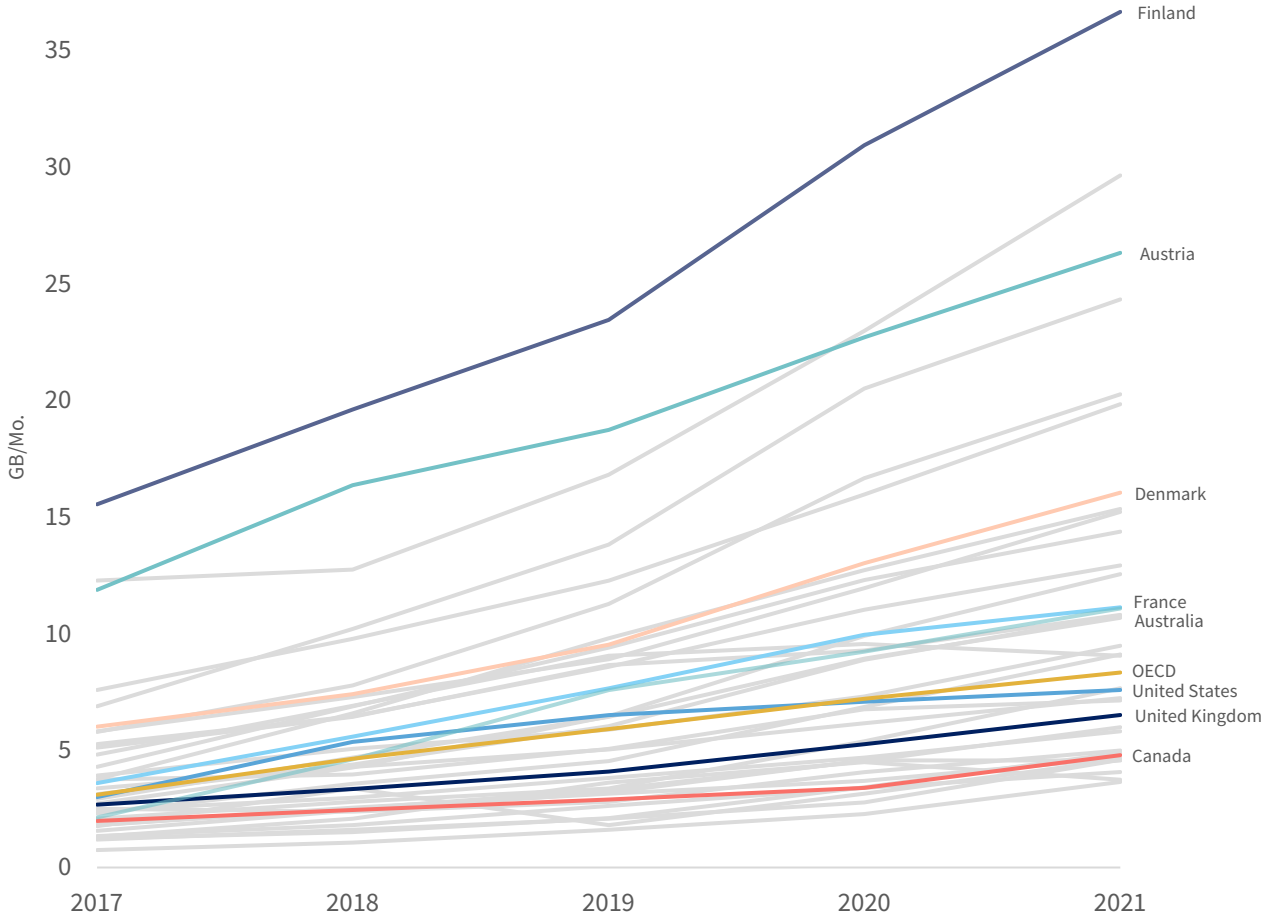
10 Competition Bureau. (2022). *Reply to the response of Rogers Communications*.

Beyond comparatively low subscription rates, Canada has also historically fared poorly in terms of mobile data usage. 2021 was no exception. It is true that, with an average of 4.8 GB of mobile data usage per subscriber per month last year, Canada's performance on this metric improved (from 3.4 GB/mo. in 2020) and was more than double what it had been in 2017, according to the OECD.

However, such improvement was meagre compared to nearly all of its OECD peers. In fact, mobile Internet usage in Canada remains well below the OECD average of 8.4 GB per month (up from 7.2 GB per month in 2020). It is also far behind usage levels in countries such as Finland (36.7 GB, the leader), Austria (26.4 GB), Korea (12.95 GB) Sweden (15.3 GB) France (11.2 GB), the US (7.6 GB), Australia (11.1 GB) and the UK (6.5 GB). The rate of growth in mobile Internet usage in Canada has also lagged trends across the OECD as well. Consequently, Canada ranked 29th of the 36 OECD countries that reported this information for 2021.[11]

Figure 10, below, depicts mobile data usage amongst OECD countries over the past five years. A few select countries—Finland, Austria, Denmark, France, Australia, the U.S. and the U.K., and the OECD average—are highlighted to illustrate the persistently low levels of mobile Internet usage in Canada relative to other OECD countries.

Figure 10: Mobile Data Usage Per Mobile Broadband Subscription, 2021.



Source: OECD *Broadband Portal* Mobile data usage per mobile broadband subscription. December 2021.

11 OECD, 2021.

There are many reasons for this state-of-affairs, but price and affordability are two key considerations. On the metric of price, for example, international comparative studies have found that, year-after-year, mobile wireless services across different tiers of service (i.e. low, medium and high usage) are at the very top of the international price rankings, with only Japan and the United States being more expensive for certain plans. This continued to be the case in 2021.[12]

As we will see below, prices for mobile wireless services in Canada have fallen steadily since 2016 when measured against the consumer price index, but it is still too early to declare a victory. This is because prices have fallen more slowly than in other countries.[13] In fact, the CRTC concluded its review of mobile markets in Canada in early 2021 with the observation that, "[m]ost international studies provided or referred to by parties found retail prices in Canada to be among the highest in the world".[14] At the same time, the Commission also rejected a study commissioned by Telus that came to the opposite conclusion, finding that "selection bias in the data sheds doubt on the validity of the conclusions drawn in the study".[15]

The concentrated structure of mobile wireless markets as well as the diagonally-integrated nature of the firms that operate in them are key factors,[16] that explain these persistently poor outcomes. Incoherent policies and inconsistent actions by the CRTC, Competition Bureau and ISED/Industry Canada have also contributed greatly to this state of affairs.[17]

The details of these developments are discussed at greater length in the second report in this series, especially in relation to Rogers Communications' proposed take-over its counterpart in Western Canada, Shaw Communications. For now, however, it can be stated that the fate of the mobile wireless market, and the modest improvements documented above specifically, will turn greatly on whether or not the Competition Bureau's attempts to block the deal are successful.[18]

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12 *Broadband Portal—OECD.* (n.d.); Winseck, D., & Klass, B. (2019). *Competition in Canadian mobile wireless markets: Pricing problems and wholesale solutions [Telecom Notice of Consultation CRTC 2019-57, "Notice of hearing—Review of mobile wireless services" For the Consumers' Association of Canada (Manitoba Branch) Winnipeg Harvest the Aboriginal Council of Winnipeg];* Innovation Government of Canada. (2013, May 16). *Strategic Policy Sector (SPS).* Innovation, Science and Economic Development Canada; Rewheel research PRO study. (2021). *The state of 4G and 5G pricing, 2H2021 – operator rankings.*

13 Rewheel research PRO study. (2021). *The state of 4G and 5G pricing, 2H2021 – operator rankings.*

14 The CRTC reviewed several academic studies and others by Wall Communication prepared for ISED, Tefficient, the FCC, and the OECD. CRTC. (2021). *Telecom Regulatory Policy CRTC 2021-130: Review of mobile wireless services*. para 100.

15 CRTC. (2021). para 121.

16 Genakos, C., Valletti, T., & Verboven, F. (2018). Evaluating market consolidation in mobile communications. *Economic Policy*, 33(93), 45–100; Middleton, C. (2017). An introduction to telecommunications policy in Canada. *Journal of Telecommunications and the Digital Economy,* 5(4), 97–124; Benkler, Y. (2006). *The wealth of networks: How social production transforms markets and freedom*. Yale University Press.

17 See Middleton, 2017 and Benkler, et. al. 2009.

18 The public record of the Competition Bureau's case against the proposed take-over of Shaw—Canada's fourth largest communications conglomerate by Rogers, the second largest such operator in Canada can be found here: Competition Tribunal (2022). Commissioner of Competition v. Rogers Communications Inc. and Shaw Communications Inc. We will have more to say on this issue in the next report.

From Plain Old Telephone Service to Broadband Internet Access and Internet Protocol TV

While wireless services now occupy the centre of the media universe, the wireline telecoms infrastructure that supports plain old telephone service (POTS), Internet access, cable and IPTV networks as well as value-added business services continues to be pivotal. Combined, these services accounted for over half of all telecoms and internet access revenues (54.5%) in 2021, while mobile wireless services accounted for the rest.

On its own, plain old telephone service revenue was $12.8 billion last year—far off the high-water mark of $21.2 billion in 2000. The steep drop-off in revenue since then, however, has stabilized in recent years, with losses offset by gains in internet access and IPTV services revenues.

In recent years some firms have moved into the provision of specialized services. For instance, Telus has begun to offer healthcare-related services (accounted for within the ambit of its wireline division). In another example, in December 2020 BCE acquired the biggest data analytics firm in Canada, Environics. Such moves open up new vectors of diversification and vertical integration for the telecoms operators.

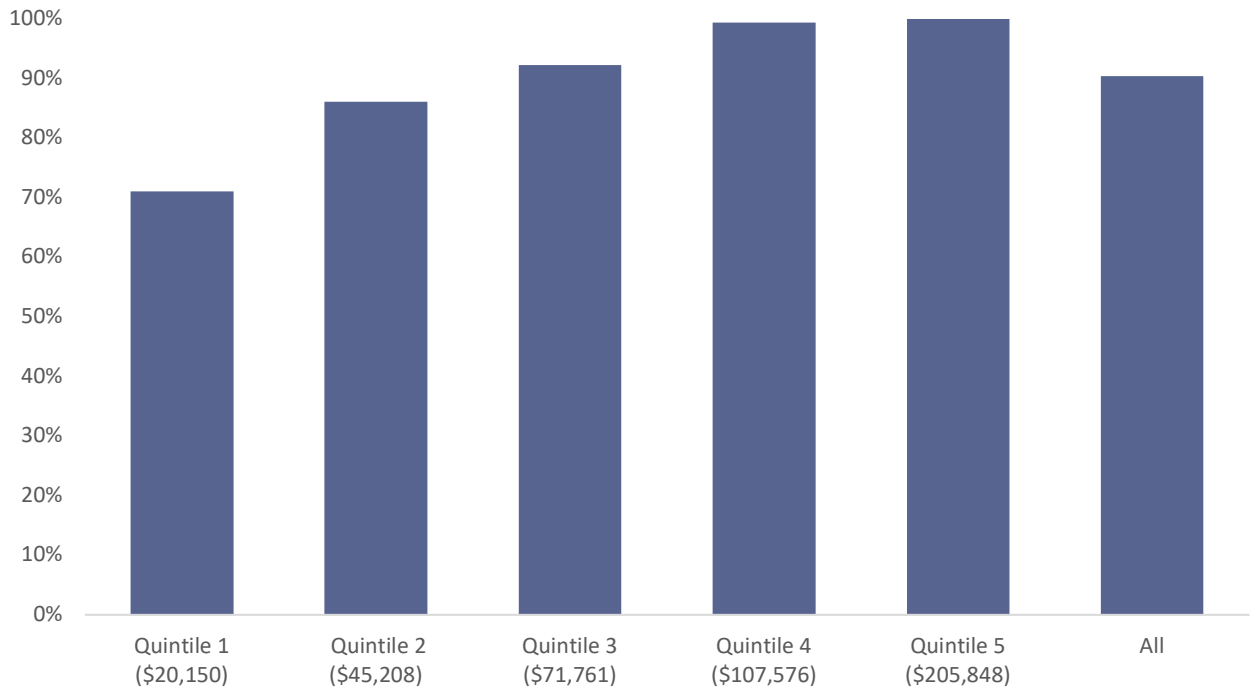
Internet access revenues have grown immensely over time, reflecting their status as a staple of the network media economy. Internet access revenues were roughly $14.5 billion last year, up significantly from $13.3 billion the previous year, and close to eight times what they were at the turn-of-the- 21st century ($1.8 billion). The adoption of wireline Internet access in Canada is high relative to other OECD countries, but so too are prices, while available speeds are mediocre, data usage average (an estimated 443 GB per household per month in 2021),[19] and data caps commonplace, whereas in most comparable countries they are rare and overage charges not nearly as punishingly expensive.

Also, like mobile wireless services, high-speed and broadband Internet access are far from universal. According to Statistics Canada's most recent data (2019), 90.4% of households have adopted high-speed internet access service (i.e. > 1.5 Mbps), as shown in Figure 11, below. If we consider the availability and uptake of services that meet the broadband universal service target of 50 Mbps up and 10 Mbps down adopted by the CRTC in 2016, such services were available to 90% of households in 2020, with two-thirds of them actually subscribing to a service that met that target.[20] There are also significant disparities in access between urban versus rural and remote areas, and people's adoption of broadband is divided starkly along income lines as well.

19 CRTC. (2022). Communications Market Reports - Open Data, Retail Fixed Internet (Nov. 2022), Table N-I1 Overview of retail fixed Internet sector and broadband availability, 2017-2021. In the U.S. average data usage per month for Comcast, Altice and Cable One in the last quarter of 2021 was 498 GB, a year-over-year increase of 18.9% (S&P Global Market Intelligence, 2022, Broadband customer data usage by operator, Q1'20-Q4'21 (GB)). In the UK, average household data usage per fixed broadband connection was 429 GB per month in 2021 (Ofcom, Communications Market Report 2022, Telecoms Data). Current realities are in line with long-term conditions (see Federal Communications Commission (FCC). (2018, February 2). International Broadband Data Report (Sixth). Federal Communications Commission.).

20 CRTC. (2021). CMR-Telecom, p. 26.

Figure 11: High-Speed Internet Adoption by Income Quintile, 2019

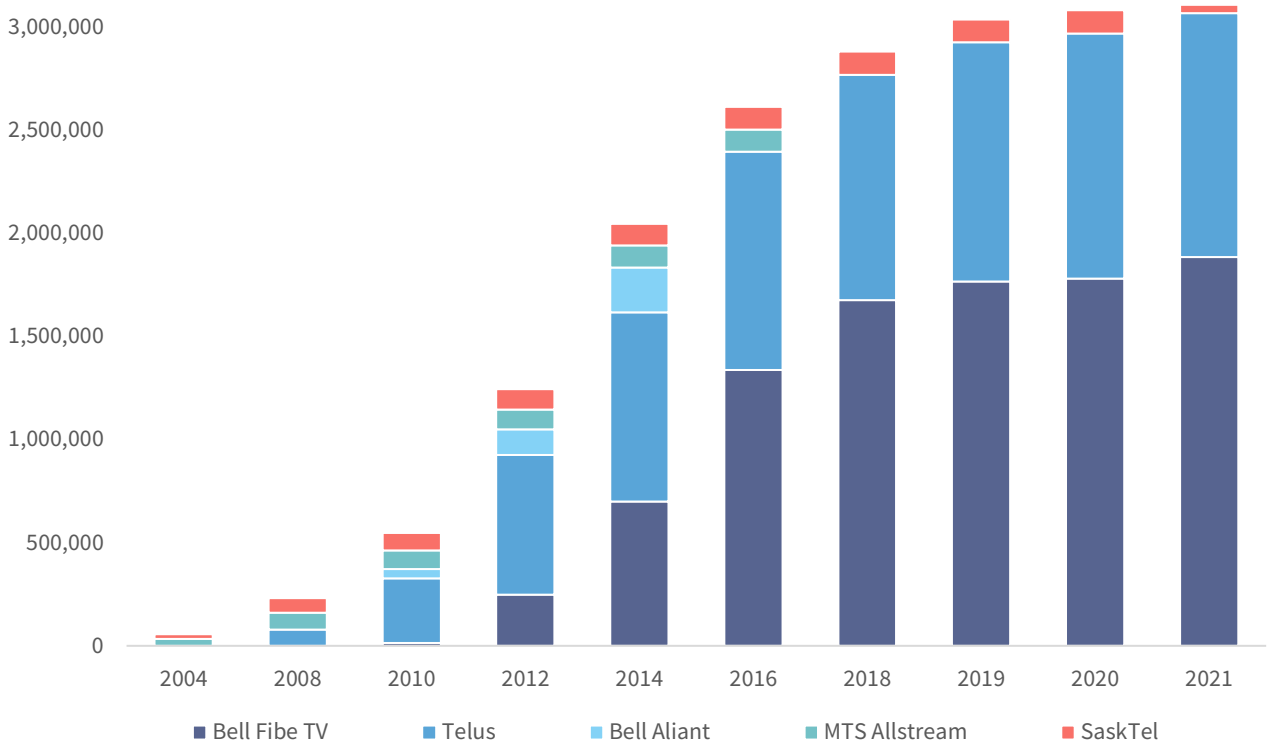


Source: Statistics Canada (2021). *Survey of Household Spending in 2019.*

A key development over the past decade-and-a-half has been the growth of the telephone companies' (e.g. Telus, Bell, SaskTel) Internet Protocol TV (IPTV) services. This took place slowly at first but since 2010 the pace of IPTV development has quickened. By the end of last year, the incumbent telcos' managed Internet-based television services had over 3.2 million subscribers between them. As a result, the telco's IPTV services now compete extensively with traditional cable television services in cities across the country. Figure 12 below shows the growth in IPTV subscribers since 2004.

> "The telco's IPTV services now compete extensively with traditional cable television services in cities across the country

Figure 12: The Growth of IPTV Subscribers in Canada, 2004-2021

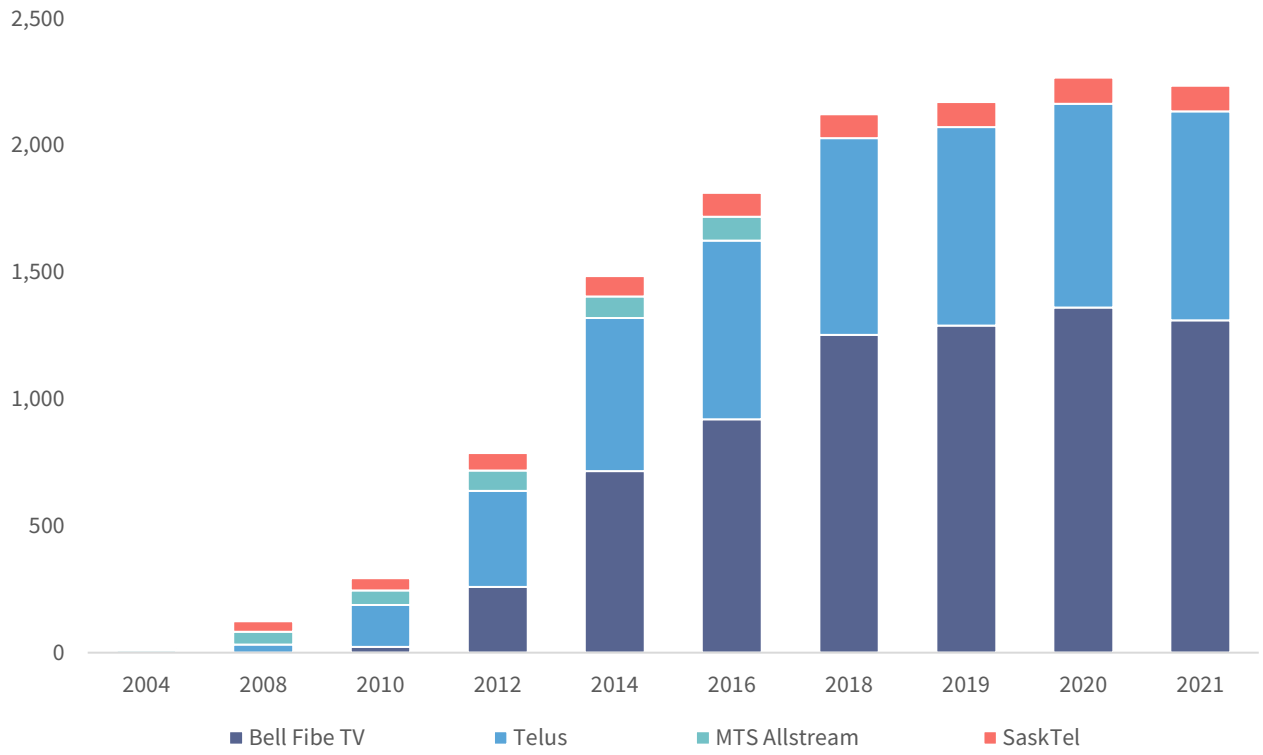


Source: see the "Figure 12 (IPTV subs)" data sheet in the Excel Workbook accompanying this report and the "Multichannel Video Distribution" sheet in the GMIC Project—Canada open data sets.

The telcos' revenue from IPTV service has also increased sharply from $1 billion in 2013 to nearly $2.3 billion in 2020 before dipping to $2.2 billion last year. Figure 13 below shows the trends.

> The growth of IPTV services in the BDU sector demonstrates both the potential and the limits of facilities-based competition

Figure 13: The Growth of IPTV Revenues in Canada, 2004-2021



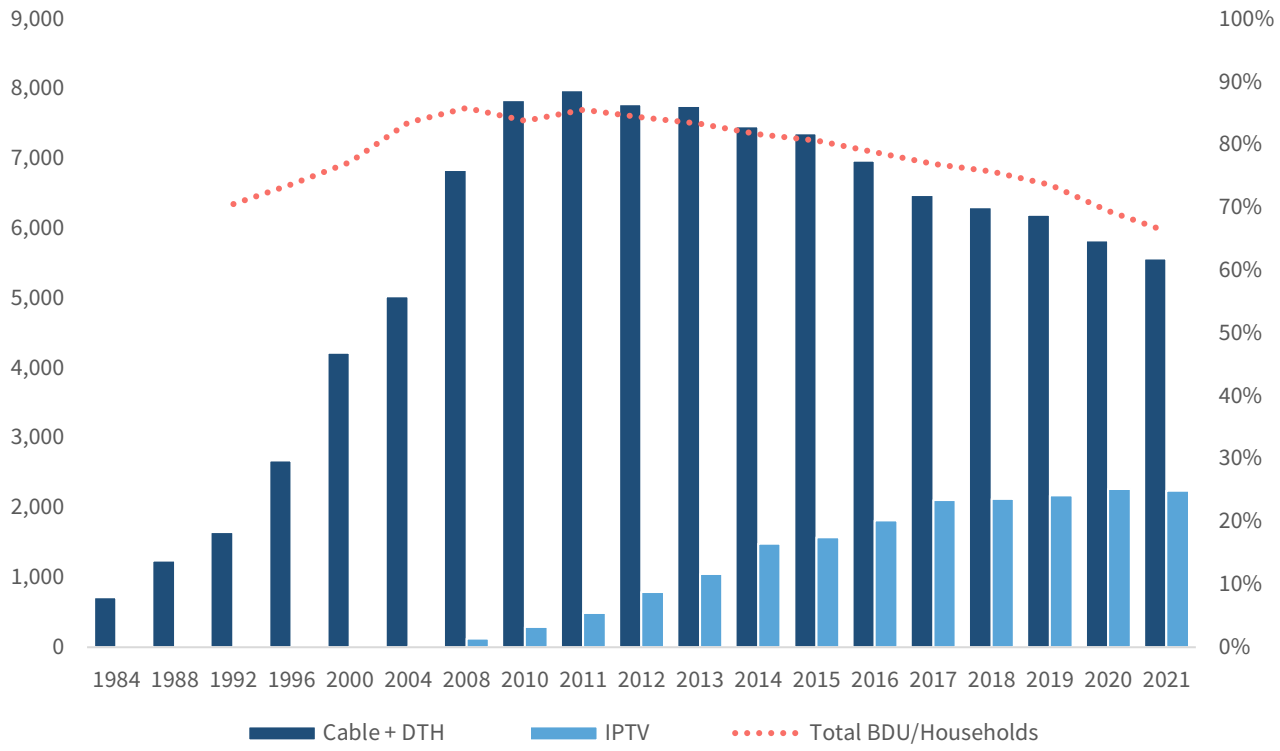
Source: see the "Figure 13 (IPTV$)" data sheet in the Excel Workbook accompanying this report and the "Multichannel Video Distribution" sheet in the GMIC Project—Canada open data sets.

MTS, SaskTel and Telus first began to deploy IPTV in the prairie and western provinces in the mid-2000s. Fast forward to 2021, and the telcos' IPTV services now account for 32.3% of the TV distribution market based on subscribers, or 29% based on revenue. The fact that telecoms operators' IPTV services have gained market share at the same time that "cord cutting" has picked up steam has significantly added to the competitive pressure that the cable companies now face from the telcos' IPTV services.[21] The growth of IPTV services in the BDU sector demonstrates both the potential and the limits of facilities-based competition: a market that was once essentially the domain of regional monopolies now faces competition, although the doors haven't exactly been blown off. BDU markets tend now to be duopolistic, split between former incumbent cable and telephone operators in their respective regions.

Figure 14 below illustrates these points.

21 Rogers' Ignite TV is an IPTV-based service and it had 800,000 subscribers in 2021—about 55% of the company's subscriber base (Rogers Annual Report 2021, p. 34). In the past, IPTV-based networks were associated exclusively with the incumbent telephone companies, but this is becoming less so with the passage of time as cable operators switch over their systems to fibre and IPTV-based technology.

Figure 14: Cable & Satellite Provider vs IPTV Revenues, 1984-2021 (current $, millions)



Sources: see the "Figure 14 Cable vs IPTV$" data sheet in the Excel Workbook accompanying this report and the "Multichannel Video Distribution" sheet in the GMIC Project—Canada open data sets.

As Figure 14 also shows, cord cutting—the process whereby people drop their cable, IPTV or DTH service in favour of accessing audiovisual media services directly over the Internet (or over the air, or not at all)—has gained traction since 2014. While substantial growth in IPTV services over the past decade delayed this trend, the number of subscribers for all broadcast distribution undertakings has declined from 85.6% of households at its highpoint in 2011 to 66.2% last year—a year-over-year drop of four percentage points. In short, cord-cutting is real.[22]

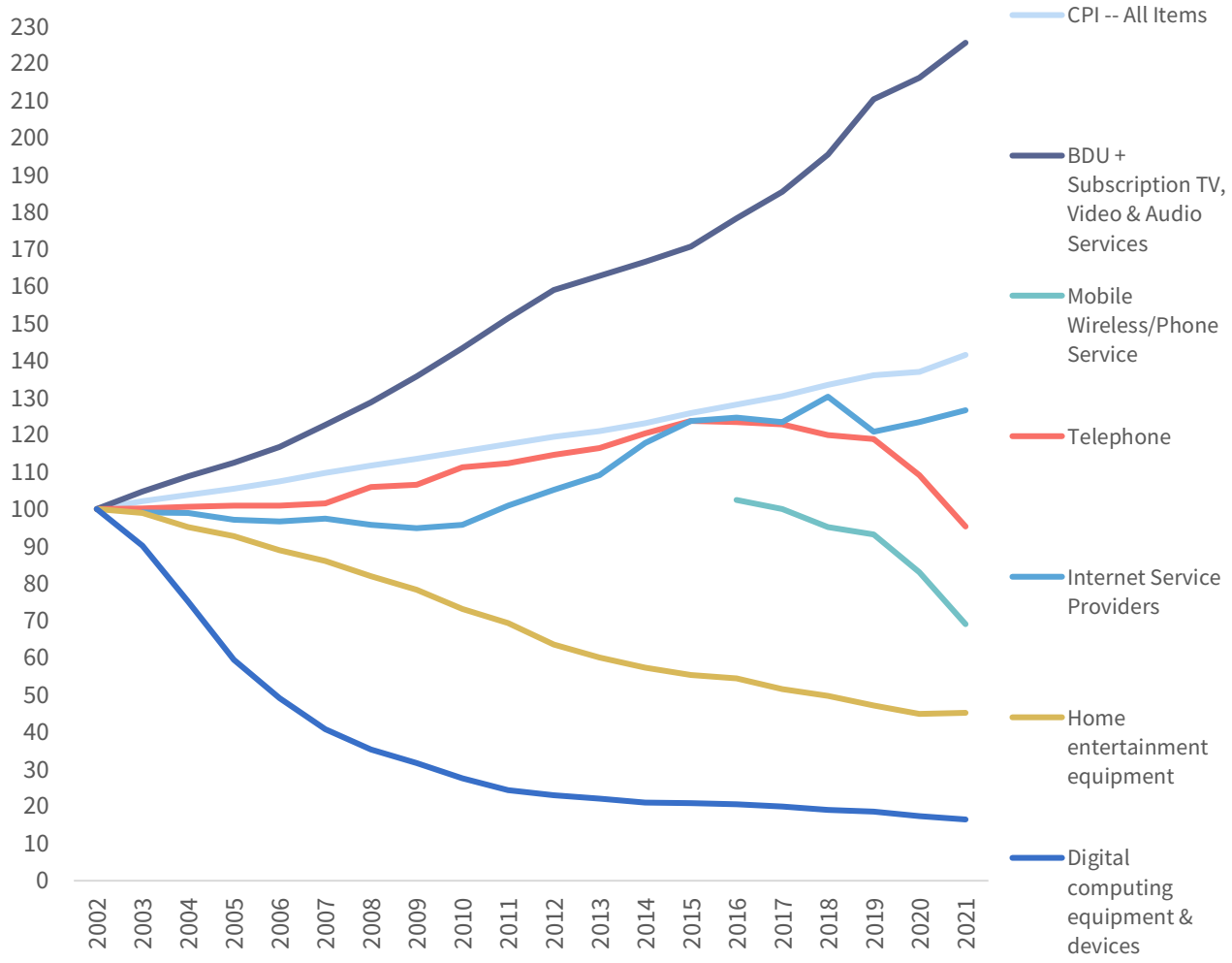
Moreover, lost subscribers have translated into sizeable revenue losses to the BDU sector. In fact, revenue fell from its all-time high of $8.9 billion in 2014 to $7.8 billion last year—a decline of 12.8%.

At the same time that people have been dropping their cable service to access video services directly, the prices for such services have steadily soared relative to the CPI for two decades, as Figure 15 below illustrates. The inclusion of online video and audio services in 2015 and 2019, respectively, into the broader "Audio and Video Subscription Services" being tracked here adds to the picture but does not change the slope of the rising price line for BDU, subscription TV, Video & Audio Services one way or another. This is probably because the original services in this basket still comprise the great bulk of the items in it while the items in it have similar functional and market characteristics. [23]

22 There is a significant difference between the subscription rate that we are presenting here and what the CRTC is presenting, ie. 70%. Inquiries with the Commission clarified that this is because the CRTC is using the 2016 census from Statistics Canada as the base for the number of households in Canada, i.e. 14.1 million, while Statistics Canada data for 2021 puts the number of households at just under 15 million. See Statistics Canada (2022). *Census Profile, 2021 Census of Population*.

23 This is likely because the original services included in this category still comprise the great bulk of

Figure 15: The Price of Communication Services and Devices vs the Consumer Price Index, 2002-2021[24]



Source: Statistics Canada. Table: 18-10-0005-01 (formerly CANSIM 326-0021)—Consumer Price Index, annual (2002=100).

Seen from the angle of average revenue per user (subscriber) (ARPU), household spending on cable TV services climbed sharply from $470 in 2000 to $793 in 2015. Prices have stayed at that highwater mark ever since, with the companies' ability to increase ARPU even further limited by the reality that the

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the items in it. While online video and audio services have grown roughly four-fold since being included into the CPI, as of 2021 they still only accounted for an estimated 26% of revenue in this segment. As streaming services continue to grow and traditional BDU services to slip in the years ahead, we will have to adapt our terminology and discussion accordingly.

24 The "BDU + Subscription TV, Video & Audio Services" category has traditionally covered BDU and Pay and Specialty TV services. Statistics Canada, however, expanded this category to include most streaming and transaction-based video services made available over the Internet such as Netflix, Crave and Amazon Prime in 2015. It did so again in 2019 to include paid audio services made available over the Internet such as Spotify. It calls these services "Audio and Video Subscription Services" (Personal correspondence with Statistics Canada, Nov. 23, 2022; also see Mitchell, T., Feb. 27, 2019, An analysis of the 2019 Consumer Price Index basket update, Based on 2017 expenditures, Statistics Canada). We use a slightly different label to be consistent with the language that has been used over time to describe these services, including by Statistics Canada, the CRTC and in these pages.

traditional cable market is shrinking as people continue to cut the cord in favour of turning to stand-alone video services made available over the Internet. The ability of traditional cable companies such as Rogers, Videotron and Shaw to continuously ratchet up how much people pay for such services has also been curbed by the growing competitive pressure they face from Bell, Telus and SaskTel's IPTV services. The law of relatively constant media expenditures that sets limits on how much people are willing to spend on media content and cultural services (see above) also likely plays into this reality. Finally, the fact that 15.5% of subscribers as of 2022 have availed themselves of the $25 per month skinny basic cable package that the CRTC has mandated since 2016 has also put downward pressure on ARPU.[25]

Simultaneously to trends for cable TV service pricing, the incumbent cable and telecoms companies have steadily increased prices for Internet access services both in terms of ARPU and relative to CPI since 2011. In so doing, these hikes in what people pay for home Internet service both in terms of monthly outlays and price have increased sharply have been used by the companies to offset whatever downward pressure they have felt on the BDU side of their business.

In terms of household spending on Internet access services, for example, ARPU has soared from $38.79 per month a decade ago to $66.95 per month in 2021—a CAGR of 5.6% and triple the rate of increase in CPI over that period.[26] In addition, as Figure 15 above also shows, after rising slower than the CPI in the first decade of the 21st century, the price of Internet access services has risen much faster than the consumer price index since 2011.

Simultaneously to trends for cable TV service pricing, the incumbent cable and telecoms companies have steadily increased prices for Internet access services relative to CPI since 2011 to help offset whatever downward pressure they have felt on the BDU side of their business. Indeed, as Figure 15 also shows, after rising more slowly than the CPI in the first decade of the 21st century, the price of Internet access services has risen faster than the consumer price index for the past decade.

IPTV services are also important because the distribution of television and entertainment services are critical to driving the demand, and thus the revenue, that telecoms operators need to invest to bring next generation fibre optic broadband networks to people's doorsteps (see below).

The rate of IPTV adoption in Canada is relatively high by international standards, with 32% of all BDU subscriptions being to IPTV services in 2021. This contrasts with the level of IPTV adoption in the U.S.(8.9%), for instance.[27]

While Canada has done fairly well with respect to IPTV availability and adoption, the picture changes for fiber-to-the-premise/doorstep (FTTP), which, as Susan Crawford (2019) observes, represents the gold standard of telecommunications networks, and will be a requirement for future economic growth.[28] Indeed, just 22% of broadband connections in Canada use FTTP compared to the OECD average of 35%, and the gap has widened in recent years. At the high end of the scale, in Norway, New Zealand, Sweden, Spain, Japan and Korea, 60% to 87% of all broadband connections to the doorstep are fiber-based.

According to the OECD, Canada ranked 28th out of 37 countries on this measure as of December 2021.

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25 CRTC (2022). *Broadcasting Notice of Consultation CRTC 2022-267-2*: *Call for Comments Call for comments on an application by Bell Canada, Cogeco Communications Inc., Bragg Communications Incorporated, carrying on business as Eastlink, and Saskatchewan Telecommunications regarding the increase of the maximum retail price of the basic service – Disclosure of aggregated information previously filed in confidence.*

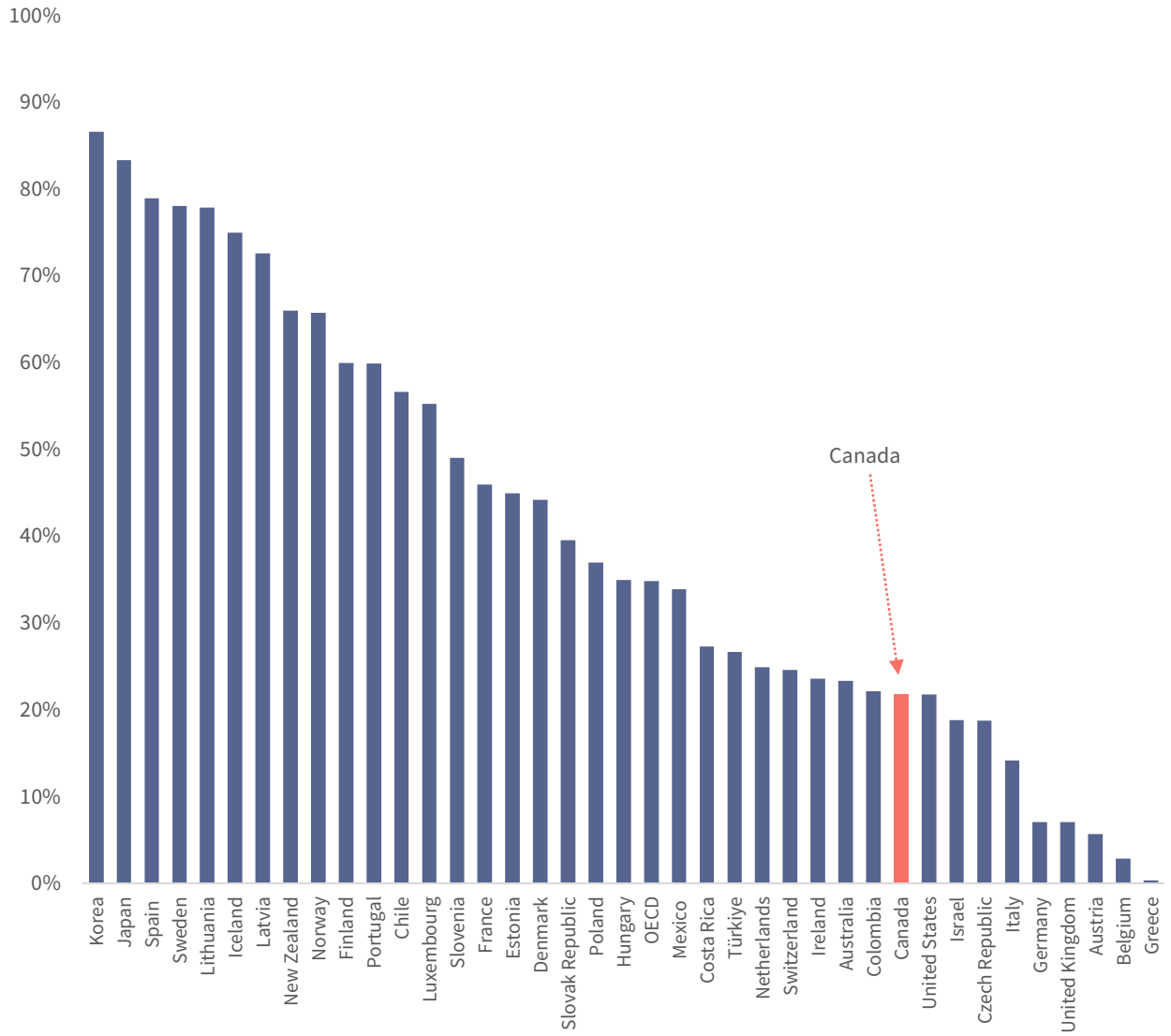
26 CRTC (2022). Communications Market Report--Open Data, Retail Fixed Internet. Infographic 4: Points of interest related to residential ARPU, 2013-2021; CRTC (2013). Communications Monitoring Report p. 143; CRTC (2014). Communications Monitoring Report p. 171.

27 S&P Global, 2021.

28 Crawford, S. (2019). *Fiber: The Coming Tech Revolution—and Why America Might Miss It.* Yale University Press.

Figure 16 below illustrates the point.

Figure 16: Percentage of Fibre Connections Out of Total Broadband Subscriptions (December 2021)



Source: OECD (2021). Broadband Portal Table 1.10.

In sum, when it comes to fibre-optic networks, the prairie telcos and Telus were the first to deploy them in the mid-2000s. Bell only began to do so in a substantial way after 2010. That effort is now significant and a key force in driving the deployment of fibre in Canada: similar efforts by Rogers, Shaw and Videotron are having a similar effect. Globally, however, Bell's late turn to IPTV and FTTP in Ontario, Quebec and Atlantic Provinces means that Canada continues to lag significantly behind comparable countries on this measure.

Broadband Policy, Politics and Public Interests: One Step Forward, Two Steps Back?

The general evolutionary pattern that we see with respect to fibre network deployment in Canada replays a long-standing practice whereby new services start out as luxuries for the rich before a combination of competition, public pressures and firm regulatory measures turn them into affordable necessities for people at large.[29] In fact, this dynamic could be seen at the end of 2016, when the CRTC set new standards for universal and affordable broadband Internet service: minimum speeds of 50 Mbps download and 10 Mbps upload to 90% of the population by 2021 (and the rest of the country a decade to a decade-and-a-half later), and with an unlimited option on offer—that is, an Internet connection with no data cap.[30] While the idea of unlimited Internet service was the norm in Canada before 2010, and remains so for most people in the developed world, today it is just one expensive option in Canada.

Policymakers have recognized that access to the Internet is no longer a luxury. This has been made especially clear during the Covid-19 pandemic. That said, large strides will be needed to ensure that aspirations meet the reality on the ground, as Canada's standing with respect to deployment and adoption of fibre-to- the-doorstep reminds us. A similar relatively expansive view of the public's interests was pursued in early 2017 under the previous CRTC chair, Jean-Pierre Blais, when the regulator adopted new rules that stop the telcos and ISPs from using zero-rating to pick and choose some services, apps and content that won't count against subscribers' monthly mobile wireless data caps.[31] While zero-rating can be attractive to the companies as a way to differentiate their services from those of rivals, and to some consumers who see this as way of getting data for "free", such practices are better seen as discriminatory marketing gimmicks propped up by artificially low data caps and limited choices. In places where data caps are large or non-existent, zero-rating is rarely used, whereas in countries where they are low, like Canada, it is far more common—at least until the CRTC's ruling that effectively banned it.

While the U.S. has never banned zero-rating, the EU has taken a restrictive approach. A series of four rulings by the European Court of Justice between 2020 and September 2021 clarified matters and add up to an effective ban on such practices. Together, these decisions found that zero-rating some services while throttling[32] others once data allowances are met, as well as limitations on roaming,[33] tethering[34] and speed[35], all violated net neutrality rules in the EU.

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29 Current debates over access to fibre infrastructure are the latest iteration of this old story. See, for example, John, R. R. (2010). *Network nation: Inventing American telecommunications.* Harvard University Press, with respect to the US history; Babe, R. E. (1990). *Telecommunications in Canada: Technology, industry, and government*. University of Toronto Press for Canada; Winseck, D. (1998). *Reconvergence*. Cresskill, NJ: Hampton Press; Winseck, D., & Pike, R. M. (2007). *Communication and Empire: Media, Markets, and Globalization, 1860–1930*. Duke University Press; Rajabiun, R., & Middleton, C. A. (2013). Multilevel governance and broadband infrastructure development: Evidence from Canada. *Telecommunications Policy*, 37(9), 702–714.

30 CRTC (2016). TRP 2016-496 Modern telecommunications services—The path forward for Canada's digital economy.

31 CRTC (2017). TRP 2017-104 Framework for assessing the differential pricing practices of Internet service providers.

32 European Court of Justice (2020). Electronic communications – Regulation (EU) 2015/2120 – Article 3 – Open internet access.

33 European Court of Justice (2021). Reference for a preliminary ruling – Electronic communications – Regulation (EU) 2015/2120.

34 European Court of Justice (2021). Reference for a preliminary ruling – Electronic communications – Regulation (EU) 2015/2120.

35 European Court of Justice (2021). Reference for a preliminary ruling – Electronic communications –

The de facto ban on zero-rating in Canada and the EU (and India) are important for several reasons. For one, while mobile wireless markets tend to be highly concentrated around the world, when there are no stand-alone mobile network operators and/or maverick firms—as in Canada—data allowances tend to be low and extensively used. This reality is further aggravated in contexts where carriers also own TV and entertainment services, as it is in Canada, because under such circumstances carriers have the incentive and the ability to zero-rate their own services while counting everything else towards subscribers' monthly data allowance.

In other words, several structural features of broadband and mobile wireless markets in Canada bias them toward low and restrictive data caps and a desire by service providers to adopt "zero-rating" as an alternative to giving people bigger data allowances, or even making unlimited services the norm rather than an expensive and rare option.[36] As we saw earlier, Canada also has low levels of mobile data usage; these two things are closely related.

Ultimately, questions about zero-rating embody a philosophy of communication, one that says that when data caps are high or non-existent, people can use bandwidth to communicate, entertain, express themselves, work and do with as they want— within the limits of the law. When they are low, however, what people can and cannot do with "the means of communication" at their disposal is artificially restricted to serve the carriers' business models and profits. Seen from this angle, the issues at stake are not just about prices but whether the expressive rights of people, "content creators and distributors", app makers and service providers come first or whether those of the carriers and ISPs are paramount? In early 2017, the CRTC ruled in favour of the first group, and drew on the principles and history of common carriage to do so.[37]

Both rulings—the 2016 decision setting out new basic service standards and the 2017 zero-rating decision—staked out a fairly ambitious view of what Canadians need and deserve in "the digital media age". On the one hand, the basic services ruling includes affordable access to high- quality communication services and gives priority to the expressive rights of people, content creators, app developers and service providers over those who own broadband Internet and mobile wireless networks. Consequently, people do not have to accept only what the market gives them because communication needs have been recast in a more expansive way in the light of conditions in the 21st century.

On the other hand, the carriers do not like this run-of-events and have been fighting to reverse the tide ever since. Thus far, they have not been able to roll back the gains on the net neutrality/common carriage front. In terms of the basic service objective, however, they have found a friendly ear with the current Chair of the Commission, Ian Scott, who has taken a miserly view of what people should expect with respect to more affordable mobile wireless and broadband Internet services.[38] Given this inclination, it is probably not surprising that the Commission has reversed course with respect to fostering more competitive conditions in both mobile wireless and wireline broadband access markets that would help further such aims.

To this end, for example, the CRTC under Scott has, in essence, rejected the Mobile Virtual Network Operator (MVNO) option and taken only extremely limited and thus far largely ineffective steps to address the affordability issues that have plagued the mobile wireless sector for decades.[39] In early 2021, the Scott-led CRTC also reversed the Commission's own previous decision with respect to the wholesale pricing regime for independent ISP access to the

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Regulation (EU) 2015/2120.

36 See, for example, Rewheel research PRO study. (2021). *The state of 4G and 5G pricing, 2H2021 – operator rankings.*

37 In contemporary parlance, "net neutrality" often serves as shorthand for common carriage. See, for example, Klass, Winseck, Nanni & McKelvey. (2016). *There ain't no such thing as a free lunch: Historical and international perspectives on why common carriage should be the cornerstone of communications policy in the Internet age.* Submitted before the Canadian Radio-television and Telecommunications Commission Telecom Notice of Consultation CRTC 2016-192, Examination of differential pricing practices related to Internet data plans (June 28, 2016).

38 CRTC. (2018). *Telecom Decision CRTC 2018-475: Lower-cost data-only plans for mobile wireless services.*

39 CRTC. (2021). *Telecom Regulatory Policy CRTC 2021-130: Review of mobile wireless services.*

incumbent telco and cable company's networks, siding with incumbents by raising wholesale rates with little explanation or justification. The effect was to reinstate higher wholesale rates that the Commission had previously found to be inflated while taking that earlier ruling's requirement that incumbents reimburse independent ISPs for excessive charges off the table.[40] It was an extraordinary about-face and its effects have been devastating, as independent ISPs bleed subscribers while increasing prices to help staunch the losses. Nonetheless, several independent ISPs—e.g. ebox, Vmedia and Distributel—were taken over by BCE and Quebecor, respectively in 2022.

The CRTC also reversed course in 2021 when it decided not to extend competitors' access to the inside wiring of condos and apartment buildings to include fibre-optic wiring. As a result, rivals who seek access to condo and apartment-building residents can get that access so long as the 'inside wiring' is made of copper but not to upgraded fibre networks. This effectively tied the pro-competitive regime that had been in place for two decades to a technology—copper wiring—from last century rather than upgrading it to the infrastructure standards of the 21st century, i.e. fibre.[41]

In short, Scott's tenure at the Commission has proven disastrous for progressive public policy in communications.

It is important, however, that the blame not be placed only on one person. The fact of the matter is: the Trudeau government appointed Ian Scott to lead the CRTC, knowing full well that he had been a Telus executive and industry lobbyist. It is also the Liberal government that has refused to correct the direction he has taken the CRTC in. Moreover, the Liberal government has treated incumbent cable and telecoms operators with kid gloves by adopting weak standards by which it has favourably judged the meagre price reductions realized for a select, few mid- range mobile wireless plans—i.e. those with data allowances between 2 and 6 GB per month— even though those declines pale against international trends.[42]

Despite a continuing rhetorical commitment to competition from government and regulators, the facts on the ground now clearly point in one direction: growth for the large incumbent players, and the decay of smaller, independent players. The policy and regulatory environment has in recent years leaned increasingly in support of oligopolistic competition, while the door for a more meaningful, effective type of economic competition represented by the service-based approach which was under development since the mid-1990s appears to be swinging shut. While we believe it is not too late to change tack—the opening of the chair position at the CRTC represents an opportunity for renewal—there is much damage that needs to be undone if Canada's broadband policy is to be brought back on track. Much will also turn on whether the Competition Bureau's efforts to block the proposed blockbuster deal between Rogers and Shaw is successful, and if the Minister for ISED equally holds the line against further consolidation in the communications industry, as observed in our discussion of the mobile wireless market above.

40 CRTC. (2021). *Telecom Decision CRTC 2021-181: Requests to review and vary Telecom Order 2019-288 regarding final rates for aggregated wholesale high-speed access services.*

41 CRTC. (2021). *Telecom Regulatory Policy CRTC 2021-239: Access to in-building wire in multi-dwelling units.*

42 See, for example, Rewheel research PRO study. (2021). *The state of 4G and 5G pricing, 2H2021 – operator rankings*. Innovation Government of Canada. (2013, May 16). Strategic Policy Sector (SPS). Innovation, Science and Economic Development Canada.

Traditional and Digital Audiovisual Media (AVM) Services: From Ad-Supported Content Media to Fast Growing Subscription-based Digital Media

The remainder of this report shifts gears to examine ongoing developments in the media content sectors—also referred to as the AVM sectors—in the context of the following handful of over-arching trends:

1. Total advertising spend has remained effectively fixed relative to the size of the Canadian economy
2. At the same time, online advertising growth has outpaced all other segments
3. This means that traditional media sectors (i.e. broadcast TV, radio, newspapers, and magazines) have been fighting over a shrinking pool of advertising revenue
4. As that fight rages, the core of the media economy is shifting towards growing pay-per media and digital AVMS based primarily on subscriber fees and direct payments.
5. The operations of online content aggregators and distributors such as Google, Amazon, Apple, Facebook and Microsoft are converging with those of traditional BDUs. This is giving people more choice and media content makers and rights more doors to knock but also giving rise to new instances of substantial market and gatekeeping power that regulators will ultimately need to address.

In the next section of this report, we take up those over-arching trends in relation to an analysis of the following digital and traditional audiovisual media services (AVMS) that make up the content media sectors of the media economy:

- Internet advertising
- broadcast TV
- pay and specialty TV
- online video services
- broadcast radio
- music, including recorded music, live concerts and revenues from publishing royalties
- online music subscription and download services
- app stores
- newspapers
- magazines
- online news

Internet Advertising

Anchor Findings

- Internet advertising revenue in Canada reached an estimated $12.3 billion in 2021 and now accounts for 71% of all advertising spending in Canada.
- Online advertising continues to grow rapidly, with nearly all growth captured by Google and Facebook. The two online advertising behemoths' dominance of this market has become more and more entrenched over the past decade, but Amazon has recently also taken a sizeable share of Internet advertising revenue.
- New social media/video sharing platforms such as TikTok have quickly become prominent features in popular culture, public policy and digital media markets, but their impact on revenue share is still modest. TikTok, for example, captured an estimated 1% of the Canadian online advertising market in 2021.
- Regulators must contend with the consequences of the online advertising oligopoly, and take concrete steps to curb the dominant companies' ability to leverage that dominance both within the online advertising market as well as in adjacent media sectors.

Online advertising has steadily surged ahead to reach an estimated $12.3 billion—up from $9.6 billion a year earlier.

Together, Google and Facebook controlled just under four-fifths of the online advertising market in Canada in 2021—up significantly from a little over two-thirds share of the market six years earlier. The biggest change in recent years has been Amazon's rise as the third largest player in the Internet advertising market in Canada. Last year, it had an estimated revenue of $1.1 billion, or close to 10% market share.

The big three, US-based Internet giants now account for 90% of Internet advertising spending in Canada. Canadian firms' share of the market, in contrast, is miniscule and continues to drop. Last year, they accounted for roughly 6% of the total, a point that we will return to in much greater length in our second report in this annual, two-part series.

Google's dominance of online advertising is girded by the fact that it has vertically integrated its search and online advertising functions with its own proprietary digital advertising exchange (and the buying and selling of advertising inventory on both sides of that exchange), to say nothing of the dominant position several of its subsidiaries hold in relation to mobile and desktop browsers, the Android mobile operating system, and Google Play app store. The cornerstone in Google's sprawling reach across the Internet stack, however, is the online advertising system that it has assembled through a series of acquisitions over the last decade (e.g. DoubleClick, AdMob, etc.).

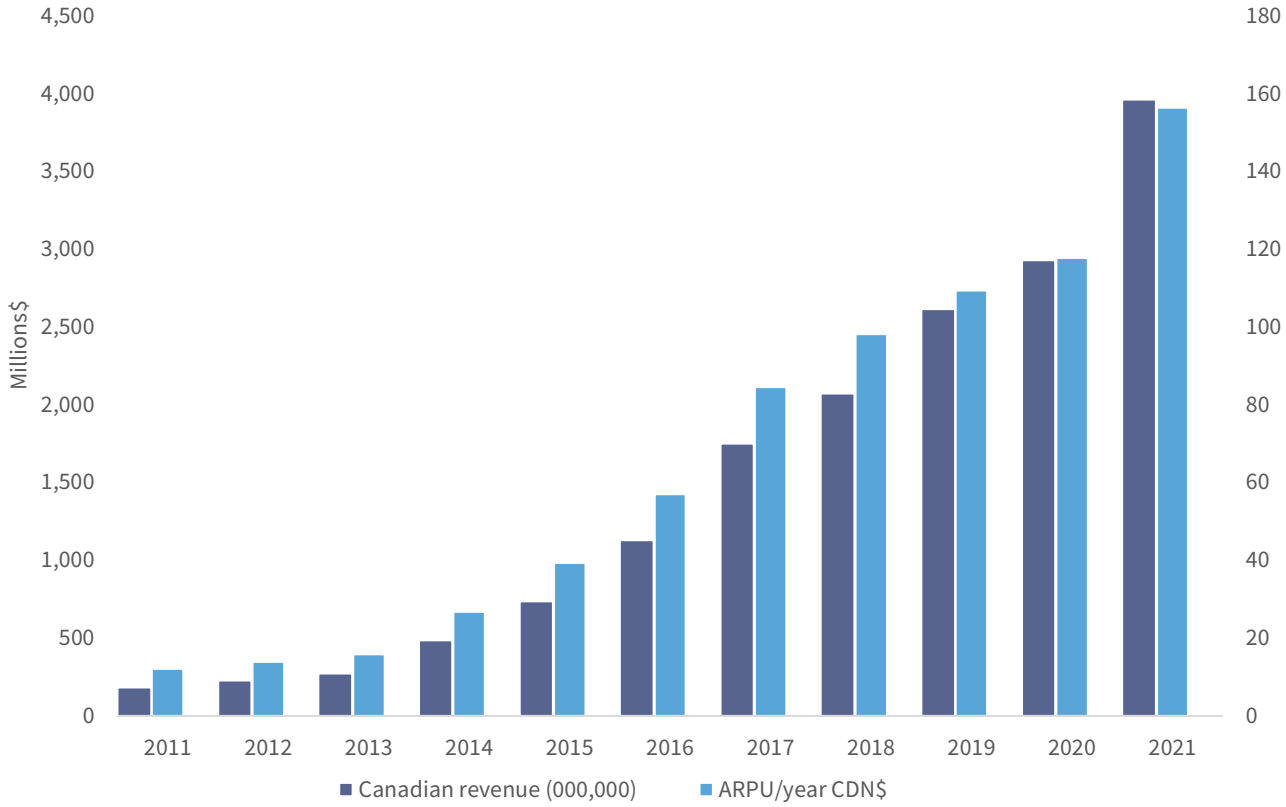
While Facebook does not have its own digital advertising exchange, both it and Google share control of the common currency used to buy and sell audiences and advertising inventory online: detailed knowledge of their audiences. Each firm has its own audience measurement and rating

system that helps them to set and control the terms of trade upon which the online advertising system functions, in Canada and globally.[43]

For its part, Facebook had an estimated 25.3 million users in Canada in 2021 and revenue of $4 billion. The growth rate for the number of people using the company's three main services—Facebook, Instagram and WhatsApp—in Canada has been swift over the past decade but it has slowed considerably in recent years for the flagship Facebook service. Slowing growth in the size of its user base, however, has not caused revenue growth to stall because Facebook has focused on sharply increasing the monetary value of each user. As a result, the annual average revenue per Facebook user (ARPU) in Canada last year was an estimated $156.48—close to triple what it was five years ago and more than thirteen times what it was a decade ago.

Figure 17 below depicts the growth of Facebook's revenue and ARPU in Canada since 2011.

Figure 17: Facebook's Revenue and Average Revenue Per User Soar (ARPU), 2011- 2021



Source: see the "Figure 17 Facebook Growth" data sheet in the Excel Workbook accompanying this report and the "Internet Advertising" sheet in the GMIC Project—Canada open data sets.

Google and Facebook's grip on the online advertising market is tight and entrenched. It is also the case, however, that Amazon has also risen quickly over the past to years to become a significant force in the online advertising market. As a result, the digital duopoly of the last decade appears to be mutating into tight, three-way oligopoly, given that, combined, Google, Facebook and Amazon now account for 88.4% of all Internet advertising revenue in Canada.

43 The entire online advertising ecosystem, not incidentally, was found by the Information Commissioner's Office in the United Kingdom' (2019) Update report into adtech and real time bidding to be rife with dirty data, fraud and deception, all of which it ordered to be remedied and made compliant with the EU's General Data Protection Regulations as it contemplated precisely what—not if—regulatory steps it would take in response to this situation.

These dynamics and trends have motivated a series of recent, high profile public inquiries and regulatory actions in Australia, the European Union, the UK and the U.S., amongst other jurisdictions, and justify actions that aim to lessen or break-up the foundations of Google and Facebook's dominance, including operational separation and even break-ups.[44]

Total Advertising Spending: Two Steps Forward, One Step Back

Open the lens wider to examine advertising spending in all media, e.g. Internet, television, radio, newspapers, magazines and out-of-home—and the picture is more complicated. First, total advertising spending in Canada surged from $14.6 billion to $17.6 billion last year, a remarkable 20% increase.

This increase was overwhelmingly due to gains in online advertising spending. By 2021, Internet advertising accounted for over seventy percent of all advertising spending in Canada. Advertising spending across all other media, in sharp contrast, has collapsed, plunging from $10 billion in 2008 to half that amount in 2020, before ticking upwards to $5.2 billion last year.

Some of that increase last year came about because government spending on media advertising aimed at promoting public health messages, government services, and support programs surged to $107 million in fiscal year 2020-2021, up from $45 million the previous year.[45] That slight improvement, in turn, benefitted broadcast as well as pay and specialty television services which, not coincidentally, also received the lion's share of increased government spending on media advertising. Even newspapers gained a modest respite, with their revenue remaining flat year-over-year, in contrast to a decade-and-a-half of steady decline. While it is still too early to tell, it is unlikely that this short-term reprieve will reverse the long-term trend of more and more advertising spending migrating to the Internet.

Figure 18 below reveals the long-term trend with respect to advertising spending in Canada. While the headline is the just-mentioned shift of advertising to the Internet, a less obvious story that needs more attention than it usually gets is that advertising spending tracks the economy in lockstep fashion.[46] When the economy is buoyant, advertising revenue rises, and the reverse is true.

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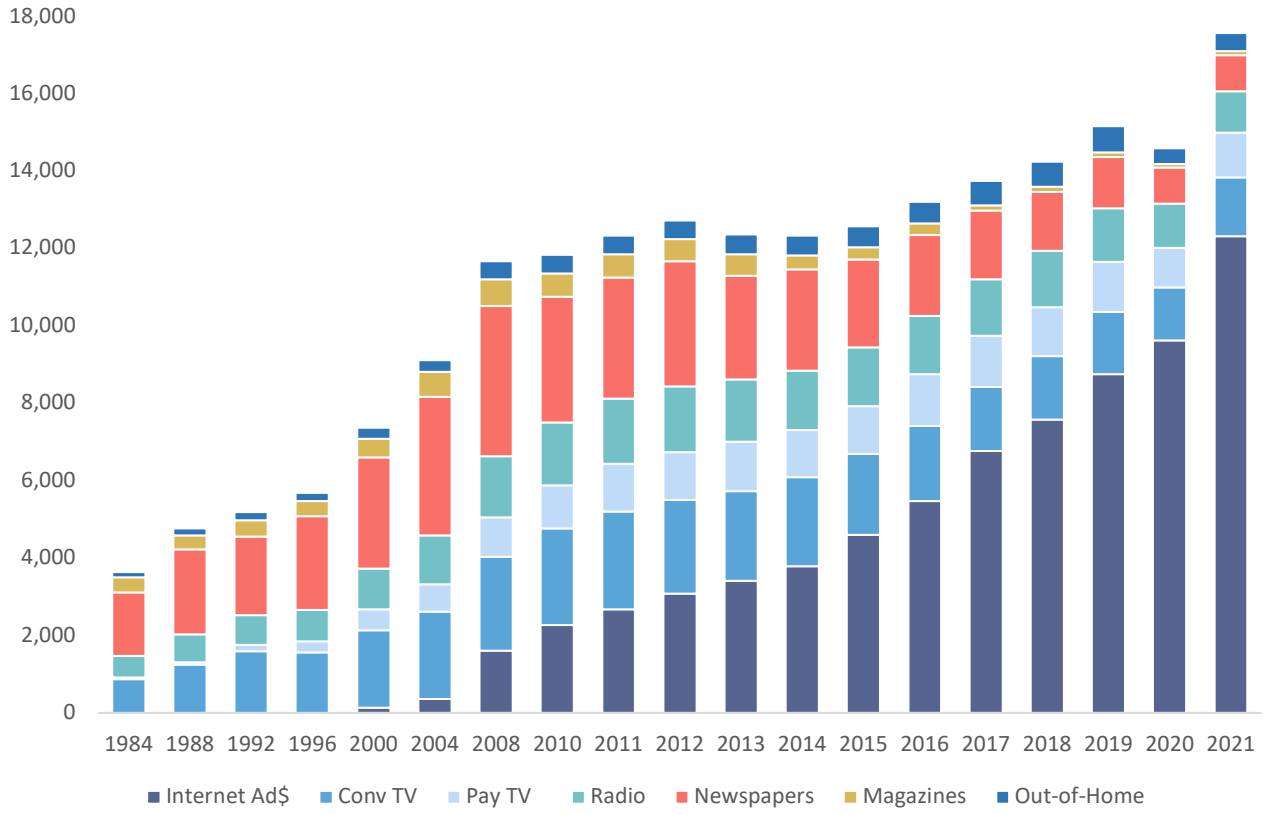
44 An ongoing tally of these efforts can be found in Winseck & Puppis, nd and will be taken up in greater detail in the next report of this year's two-part series. The most important of these include, for instance, several inquiries by the Australian Competition and Consumer Commission (ACCC), namely the *Digital Platforms Inquiry--Interim Report #2: App Marketplaces* (2021), the *Digital advertising services inquiry. Final Report* (2021) and the *Digital platforms inquiry. Final Report* (2019); the Authority of Consumers and Markets (Netherlands) (2019). *Market study into mobile app stores*; European Commission (2020). *Contestable and fair markets in the digital sector* (Digital Markets Act) Digital Services Act Package; Germany, Bundeskartellamt (Feb. 6, 2019). *Facebook, Exploitative business terms pursuant to Section 19(1) GWB for inadequate data processing (Case Summary)*; United Kingdom, Competition and Market Authority (2020). *Online platforms and digital advertising*; United States, Federal Trade Commission (August 19, 2021). F*ederal Trade Commission vs Facebook* (First amended complaint for injunctive and other equitable relief). Case 1:20-cv-03590-JEB Document 75-1 Filed 08/19/21 in the US District Court DC. Unredacted version refiled September 8, 2021; United States, House Committee on the Judiciary (June 23, 2021). H.R. 3843, the Merger Filing Fee Modernization Act of 2021; H.R. 3460, the State Antitrust Enforcement Venue Act of 2021; H.R. 3849, the Augmenting Compatibility and Competition by Enabling Service Switching Act of 2021 or the ACCESS Act of 2021; H.R. 3826, the Platform Competition and Opportunity Act of 2021; H.R. 3816, the American Choice and Innovation Online Act; and H.R. 3825, the Ending Platform Monopolies Act. Bills, Amendments, Votes.

45 Canada (2022). *Annual report on Government of Canada advertising activities, 2020-2021*, p. 2.

46 Picard, R. G. (2011). *The Economics and Financing of Media Companies.* Fordham Univ Press; Garnham, N. (1990). *Capitalism and communication: Global culture and the economics of information*. Sage Publications; Miège, B. (1989). *The capitalization of cultural production*. International General; Vogel, H. L. (2010). *Entertainment Industry Economics: A Guide for Financial Analysis*. Cambridge University Press.

Figure 18 reveals this axiom by illuminating, first, the post-2008 drop in advertising spending, followed by a period of relatively low to no growth between 2010 and 2016. Thereafter, advertising spending slowly rose for the next two years, until falling again in 2020. Last year's surge of 20% is impressive, but the volatility and uncertainty stemming from the ongoing fall-out of the Covid pandemic means that it is too early to divine the longer-term significance of this event.

Figure 18: The Advertising Economy, 2004-2021—Advertising Revenue for Television, the Internet and "All Media" (current $, millions)



Source: see the "Figure 1 8 Adv$ All Media" data sheet in the Excel Workbook accompanying this report.

The ongoing trends and last year's growth spurt illustrated in Figure 18 have served Google and Facebook well. The two companies held 56% of the total advertising spending across all media in 2021, up from just over a third four years earlier. Amazon's quick rise as an online advertising powerhouse has also translated into a 6.7% share of the market. Add Bell into the picture, with its 10% share of the market, and the top four players now account for 72.2% of the Canadian advertising market.

As the "big tech" giants and Bell lock in their three- to four-way oligopoly over the advertising market, other major players in Canada are falling further behind. Together, last year, the top five Canadian companies based on advertising receipts—Bell, Rogers, Shaw, Quebecor and the CBC—saw their collective share of advertising spending tumble to 22% of the $17.6 billion market, down from 31% four years earlier.

These trends represent a sea change from just a few years ago when advertising was one of the most competitive markets included in our review based on two conventional measures of concentration, concentration ratios and the HHI. By 2021, however, both measures revealed moderate to high levels of concentration.

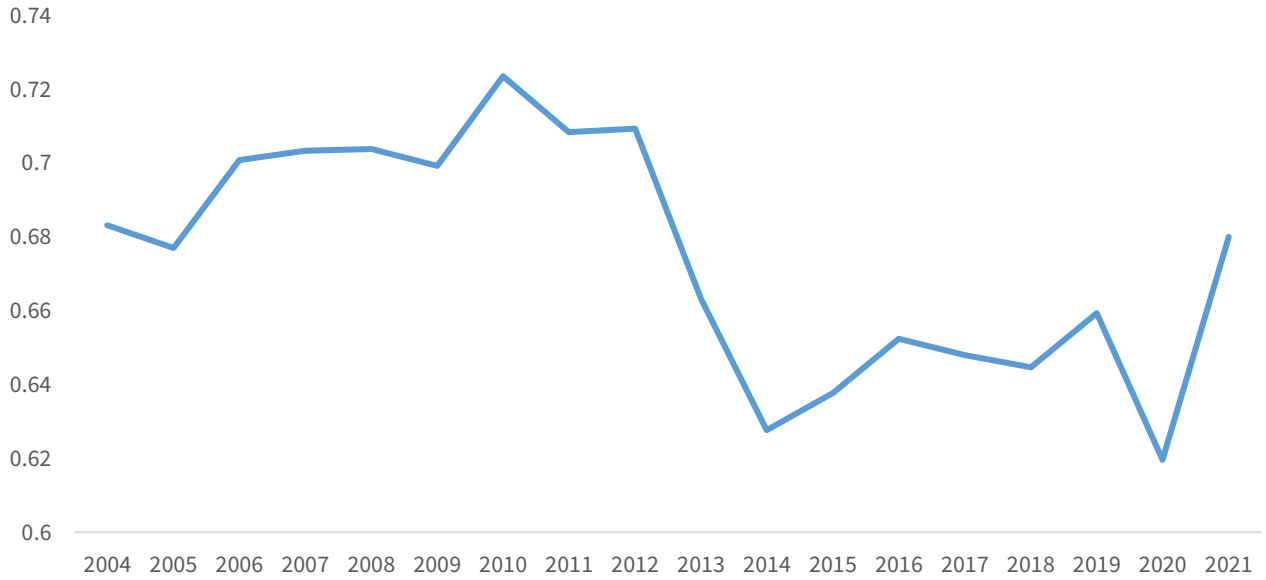
Based on these trends, blame is often placed on Google and Facebook as *the primary—and often the only—cause* of an existential crisis besetting the media in Canada. Their monopoly power over the online advertising system has undoubtedly severely compounded the woes faced by media sectors that rely primarily on advertising. That said, such charges miss significant parts of the story.

For one, advertising-funded media are fighting one another for a share of a relatively fixed pie, even a shrinking one based on some measures. This is because advertising spending as a portion of the economy—and of the network media economy—has stayed relatively fixed for a very long period of time. This is not just true of Canada, but of the U.S. and other countries in Europe and elsewhere that are at similar stages of development.

In Canada, advertising spending has fluctuated within a relatively narrow band of between .62% to .72% of gross domestic income (GDI) in Canada over the last two decades.[47] For much of the last decade, however, spending has been stuck at the lower end of that range.[48] Bucking this trend, last year advertising spending spiked while the economy contracted, both of which combined to put this indicator back toward the mean of what it has been in the past.

Figure 19 below illustrates these points and the trends over time since 2004.

Figure 19: Ad Spending as a Percentage of Canadian Gross Domestic Income, 2004-2021



Source: see "Figure 19 Ad $ vs GDI" and "Fig18 Adv$ All Media" data sheets in the Excel Workbook accompanying this report.

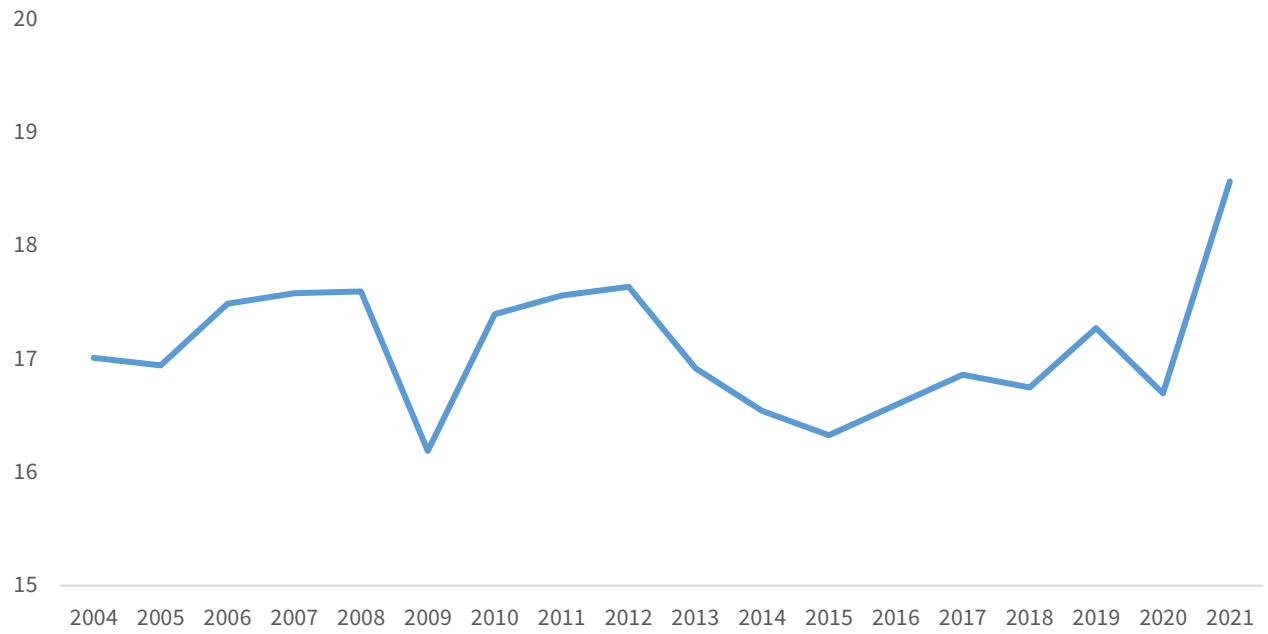
One way to draw out the implications of these trends is to imagine if advertising spending as a portion of the economy had stayed stable at the levels it was in the mid-2000s, before being broadsided by the financial crisis of 2008, i.e. .7% versus the .67% it has actually been. If that had been the case, there would have been an extra $10 billion in advertising spending over the intervening period, or $750 million per year on average. That amount of money would likely have gone a long way to offsetting the crisis of advertising-funded media and the important functions they support, notably journalism.

47 Incidentally, this sum is roughly half that of the United States, probably serving as an index of the less commercialized character of the media and society in Canada relative to the US.

48 The uptick last year is somewhat misleading given that it is against a very significant 4.5% decline in GDI in 2020.

A similar picture emerges when we examine the amount of advertising spending relative to the size of the network media economy. As Figure 20 below shows, for most of the last decade, advertising spending on this measure was below what it had been in the early- to mid-2000s. Things appeared to be on the path to recovery in the late 2010s, after stagnating for a half-decade or more, depending on how one measures such things, but that improving trend was cut short by the Covid-19 pandemic in 2020. Whether or not the surge in spending last year will mark a break with recent history, it is still too early to tell.

Figure 20: Ad Spend as a Percentage of the Network Media Economy, 2004-2021



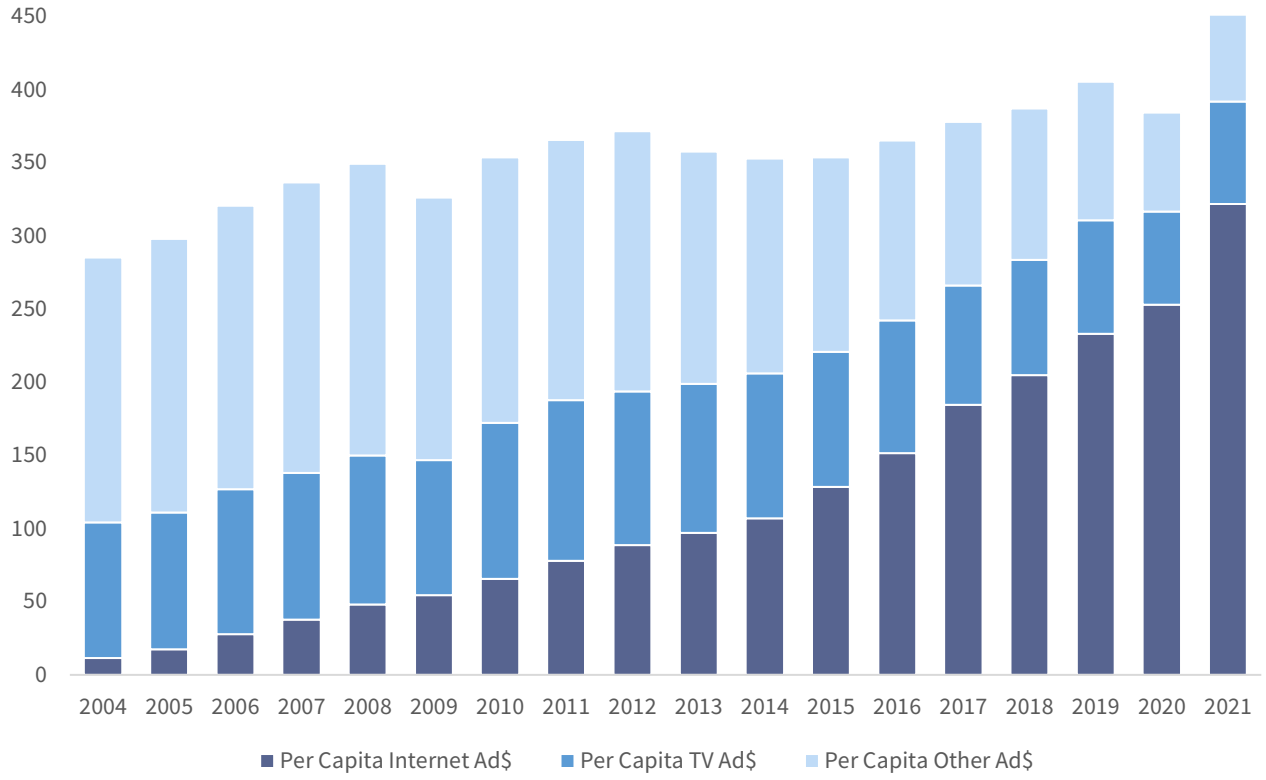
Source: see the "Figure 19 Ad$ vs NME" and "Fig18 Adv$ All Media" data sheets in the Excel Workbook accompanying this report.

The upshot from both of these angles—i..e advertising as percentage of GDI or the media economy—is that, squeezed by total lost revenue of between $5-10 billion since 2008, or between $400-750 million per year on average, on one side, and the relentless tightening of Google and Facebook's (and now Amazon) stranglehold on what remains of the stagnating (shrinking) base of advertising spending, those media sectors that have historically relied the most on advertising revenue have seen the economics of their business gutted. It is essential to note that this phenomenon is not unique to Canada but can also be seen in Australia, the United Kingdom and the U.S. and probably elsewhere, too.[49]

That the total volume of advertising dollars is stagnant or shrinking can be seen from yet another angle: advertising spending on a per capita basis. On a per capita basis, advertising spending fell from $349.38 in 2008 to $326.23 a year later. By 2019, it had reached $405.32, but overall cumulative annual growth of the period from 2008 until 2019 was an anemic .8%. Even that small glimmer of hope was once again dashed by the onset of the Covid pandemic in 2020 as advertising spending fell below $400 per person. Last year's surge, however, drove advertising spending per capita to an all-time high of $458.58.

49 For the United Kingdom, see UK, Competition and Market Authority (2020). Online platforms and digital advertising; for Australia, see ACCC (2019). Digital platforms Inquiry Final Report, p. 307. Yet, as in Canada, such realities are ignored in these cases as well.

Figure 21: The Advertising Economy?: Ad Spending Per Capita, 2004-2021 (current $, millions)

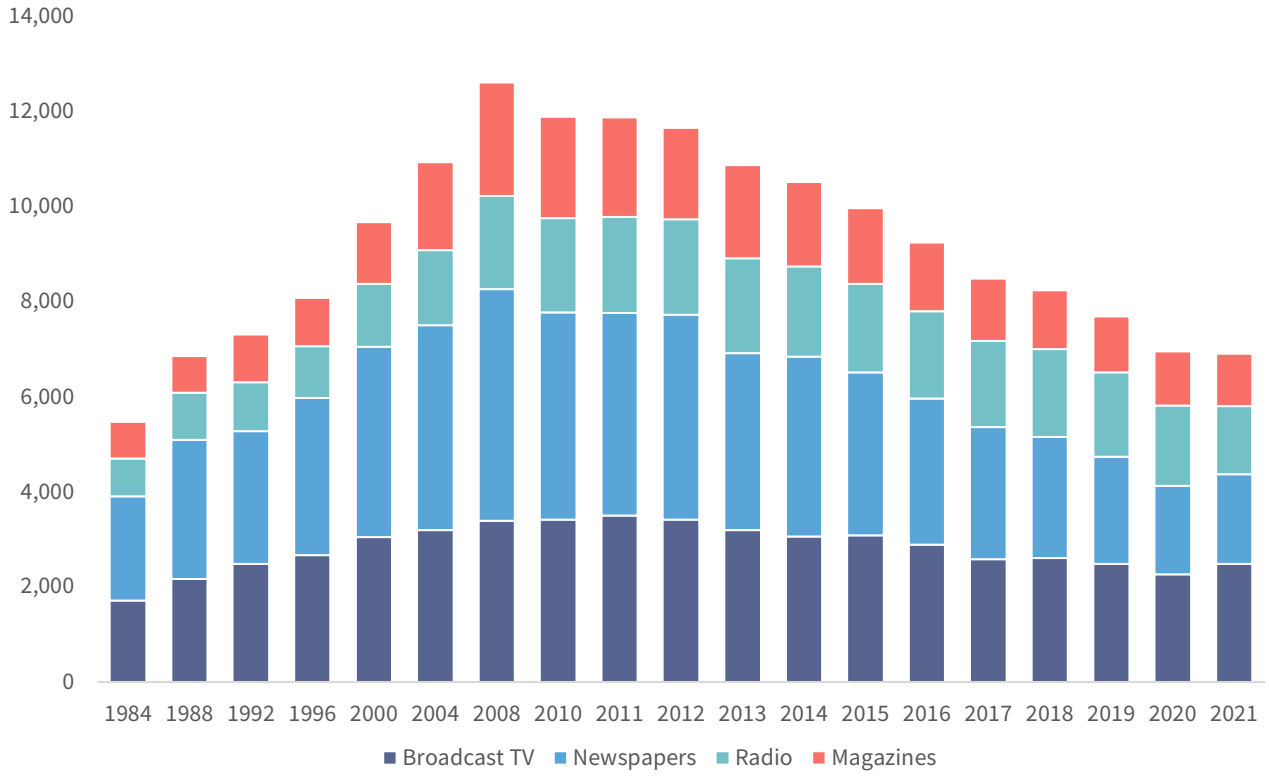


Source: see the "Figure 21 Adv per Capita" and "Fig18 Adv$ All Media" data sheets in the Excel Workbook accompanying this report.

Zeroing in on per capita advertising earmarked solely for television in Figure 21, above, is also telling. Whereas advertising spending on television reached just over $100 in 2007 and 2008, it too plunged thereafter, steadily slid downward between 2012 and 2019, then plunged to $63.42 in 2020. Last year, however, this trend abruptly reversed course when spending on television advertising spiked to $70.21 per capita.

The second key point to keep in mind is that most media are flourishing. While there is a crisis of *some* media, it is limited to four media sectors that have historically relied almost entirely on advertising revenue: broadcasting television, radio, newspapers and magazines. These media sectors are in trouble. Collectively, revenue for these sectors has plummeted by close to $6 billion from 2008 to 2021. Total revenue across these four sectors is now roughly half what it had been in 2008.

Figure 22: The Rise and Fall of Advertising-funded Media, 1984-2021 (current $, millions)



Source: see "Fig 22 Rise & Fall Ad$ Media" sheet in the GMIC Project—Canada open data sets.

The dire situation faced by those media sectors and firms that rely mainly on advertising revenue reflects the hard reality that they have been caught between the pincers of stagnating or, on some measures, declining advertising revenue, from the one side, and the rapid rise and consolidation of Google and Facebook's lock on online advertising, on the other.

Unfortunately, analysis and discussion in both academic and policy circles for the past several years has focused almost exclusively on the impact of Google and Facebook while ignoring those structural conditions stemming from the ongoing crisis of capitalist economies since 2008 and the resultant depressing impact on advertising spending.[50] While Google and Facebook are undoubtedly implicated in the dire situation faced by those media sectors, such explanations miss the key part of the story just explained: namely, the structural stagnation, and even decline on some measures, of total advertising spending.

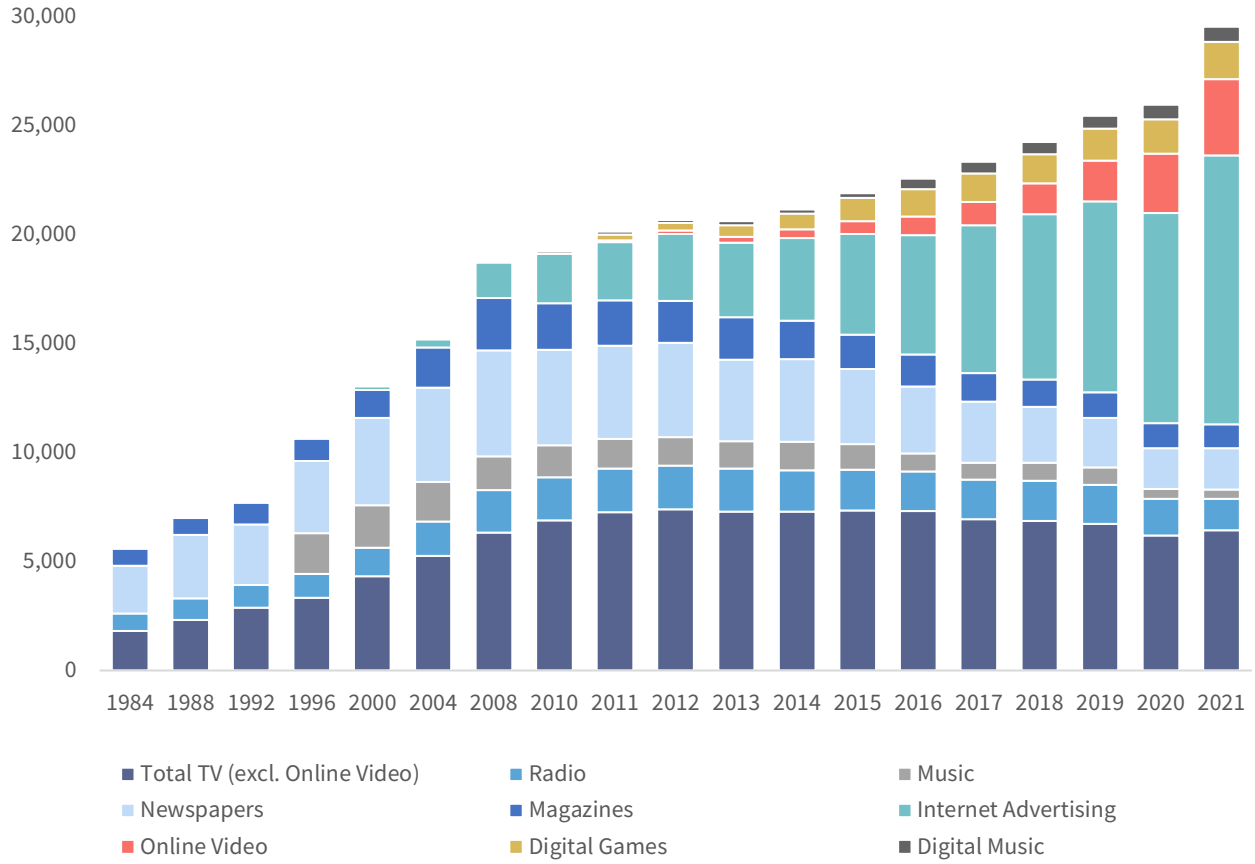
The excessive focus on advertising-funded media also overlooks the reality that while advertising continues to be a significant source of revenue for the media content sectors, it has been steadily eclipsed by subscriber fees and direct payments over the course of several decades.

50 This author first encountered the sustained, even if obviously, self-interested critique of Google and Facebook in Canada in the context of BCE's acquisition of Astral, initially in 2012, where the "vampire squids" served as a useful foil for BCE's argument that a national champion like itself needed consolidation to build the scale necessary to battle the two Internet companies and promote Canadian culture; in the US, it was carriers like AT&T and Verizon that led the charge in their case against net neutrality.

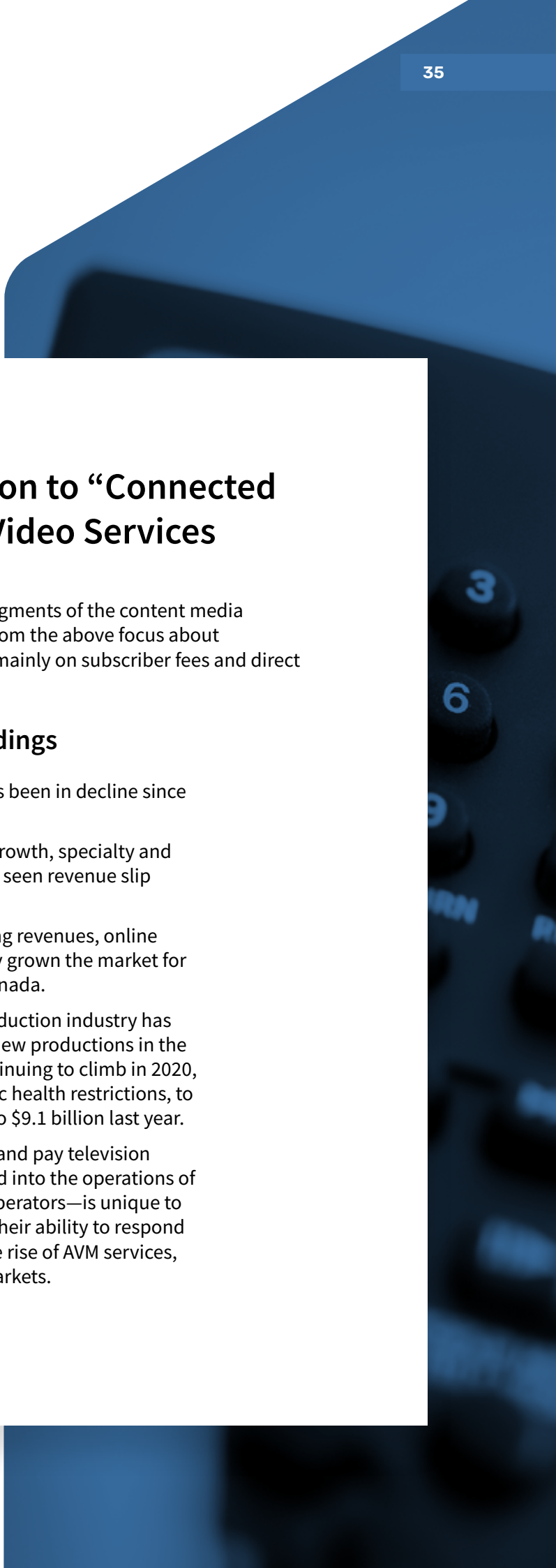
For example, revenue for specialty and pay TV services doubled in the last decade to $4.4 billion in 2016, before tapering off to $3.9 billion last year. Subscriber fees now account for two-thirds of revenue for such services, while advertising dollars make up the rest. At the same time, online video and music services as well as digital games are rapidly becoming the engines of growth across the AVM sectors. The combined revenue for these sectors soared from $467 million in 2011 to $5.9 billion last year. Taken in their entirety, the fast-growing revenues for these sectors demonstrates that there is no general crisis of the media in Canada.

Open the lens further so as to add in the rest of the content media sectors, and total revenue for traditional and digital media services has grown immensely from $5.6 billion in 1984 to $29.5 billion last year. Figure 23 below depicts the long-term growth of the content media sectors over the period covered by this project.

Figure 23: Rising Revenues for the Content Media Industries, 1984-2021 (current $, millions)



Source: see the "Figure 23 Content Media $" data sheet in the Excel Workbook accompanying this report and each of the corresponding sector-specific sheets in the GMIC Project—Canada open data sets.



From Broadcast Television to “Connected Television” and Online Video Services

The following pages examine the different segments of the content media in more detail while extending the analysis from the above focus about advertising-funded media to those that rely mainly on subscriber fees and direct payments.

Anchor Findings

- Broadcast television revenue has been in decline since 2011.
- After several decades of strong growth, specialty and pay television services have also seen revenue slip since 2016.
- Rather than cannibalizing existing revenues, online video services have substantially grown the market for audiovisual media content in Canada.
- Canada’s film and television production industry has seen record high investment in new productions in the past several years, but after continuing to climb in 2020, even amidst the pandemic public health restrictions, to a record high $9.5 billion, it fell to $9.1 billion last year.
- The integration of broadcasting and pay television industries with one another—and into the operations of the country’s largest telecoms operators—is unique to Canada and may have reduced their ability to respond to market developments and the rise of AVM services, as seen in other international markets.

For the past quarter-of-a-century, many observers have announced the imminent demise of television. That has not come to pass. Instead:

- What we used to simply call television has become more multifaceted and mutated into the catch-all label of "video". People are watching a lot of video—and at levels comparable to television viewing in the past—but much of it is not produced under the norms long regarded as characteristic of "television".[51]
- Revenue across all television services—broadcast television, cable and satellite television services and online video services—has risen substantially from $6.3 billion to $9.9 billion since 2008.
- How television and online video services are paid for has been utterly transformed, with subscriber fees surging ahead while advertising revenue and the Parliamentary subsidy for the CBC wane.
- Television and film production in Canada, the US and the European Union has been at record highs for several years running to meet the burgeoning demand for televisual content needed to fill the enlarged audiovisual media universe.

What we have long known as television has not died—as many once claimed it would—but has rather been utterly transformed and become more multifaceted over the last two decades. Some scholars refer to the rise of "connected television" to capture this dynamic and ongoing process.[52]

Indeed, the range of services and the multifaced ways that we connect to them has exploded; a decade ago, broadcast television was supplanted by specialty and pay cable and satellite channels. Now, the latter are being upstaged by online video services such as Netflix, Crave, Amazon Prime Video, Disney+, CBC Gem and Club illico. These changes are also reflected in how people watch television. For instance, the amount of time that people spend watching traditional television has fallen by three-and-a-half hours per week over the last decade, but that decline has been offset by a rise in television and video viewing over the Internet and mobile connections.[53]

These wrenching transformations have affected different elements of the television landscape in dramatically different ways. For broadcast television, the story is one of seeming relentless decline, at least based on revenue. Advertising for broadcast television grew steadily until 2008, then bounced around until reaching a high of $2.5 billion in 2010 and 2011. It has been in a tailspin ever since. There was yet another steep drop in 2020 as the Covid-19 pandemic piled punishment upon an already beleaguered industry. Last year, however, much of that loss was recouped, with broadcast television advertising revenue rising to $1.5 billion. Still, this is far off the high-water mark reached a decade earlier.

The shift of some advertising dollars to specialty cable and satellite channels such as TSN, RSN, the CTV Comedy, Showcase, and so forth has helped to recover some of the slack, but overall television advertising has declined from a high of $3.8 billion in 2011 to $2.7 billion last year. It is also being funneled into fewer services.

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51 I want to thank Amanda Lotz, Professor, Digital Media Research Centre, Queensland University of Technology, Australia, for her help in clarifying and refining the discussion in the following section.

52 See, for example, Amanda Lotz (2017). Portals: A treatise on Internet-distributed television; Jennifer Holt & Kevin Sanson (eds.) (2013). *Connected viewing*.

53 CRTC, 2022, *Communications Monitoring Report Dataset*, Tab TV-T1; CRTC. (2019). Communications Monitoring Report 2019. P. 144.; Mediatique (2020). *Connected TV gateways: review of market dynamics* (A report for Ofcom), p. 59).

> Local television station closures, the steep drop in advertising revenue, the withdrawal of public subsidies, and the job cuts all add up to a portrait of a crisis in local and network television broadcasting

Similar trends are also playing out in the radio sector. Revenue for radio grew until 2008, and then bounced around amidst uncertain economic times until reaching just over $2 billion (including the CBC's parliamentary funds), circa 2010 to 2013. Conditions have deteriorated ever since, with revenue falling to $1.4 billion last year.

As a result, thirty-one radio stations have been shut down or not had their licenses renewed by the CRTC between 2009 and 2021. Eight of those closures took place in 2021 alone, while there were reductions in news programming at four other stations. It is also important to note that many of the radio broadcast stations that have been closed were community-, university- and Indigenous-owned and operated. To be sure, there have been close to a dozen new radio stations launched during this same period, but they hardly fill the gap.[54]

Returning to a focus just on broadcast TV revenues, including the CBC and its annual Parliamentary funding, such revenue slid from an all-time high in 2011 of $3,501.7 million to $2,484.5 million last year—a drop of nearly a third. As a result of these trends, a dozen local TV stations have been shuttered since 2009: CHCA (Red Deer), CKNX (Midwest ON), CKX (Brandon), Sun News (Toronto), CKRN and CKRT (Rivière du Loops), Rogers Peel TV and three of its Omni affiliates in BC, Alberta and Ontario, and another station in Kenora (CJBN) that was closed by Shaw in 2017.

There have also been severe cut-backs in local news programming at many private and CBC local television and radio stations across the country, as chronicled by April Lindgren and John Corbett's ongoing Local News Map project.[55] Indeed, job lay-offs and cut-backs have been a constant theme for at least a decade. In fact, the number of broadcast television jobs has fallen from 10,995 to 8,106 between 2015 and 2021, a drop of 26%.[56]

Combined, local television station closures, the steep drop in advertising revenue, the withdrawal of public subsidies, and the job cuts all add up to a portrait of a crisis in local and network television broadcasting. Given that they are significant sources of original news, this is also contributes to the crisis of journalism.

These conditions have been severe enough to have spawned several reviews of the state of local news and journalism in recent years. Two such reports, one by the CRTC in 2016 and another by the Canadian

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54 Lindgren & Corbett (2022). Local News Map data reports—raw data.

55 Lindgren & Corbett (2022). Local News Map data reports—raw data. Lindgren and Corbett's data also shows some increases in service, and a few partial reversals of previous cut-backs, but these do not alter the general run of events.

56 CRTC. (2021). *2020 Conventional Television Statistical and Financial Summaries.* CRTC. (2022). *2021 Conventional Television Statistical and Financial Summaries.*

Heritage Parliamentary Committee a year later,[57] added further insights into the situation facing local newspapers and broadcasting and helped to spur the Liberal government to add $675 million later in 2016 to the CBC's annual funding envelope spread out over the next five years. While these new funds countered the cuts to the CBC undertaken by the previous government, they did not come close to off-setting the decline in advertising revenue at the CBC.

To get a measure of just how far things have fallen with respect to public service media over the long-run, it is useful to recall the federal funding to the CBC accounted for 46% of television and radio revenue in the early 1980s; today it makes up 8%. Restoring even half of the amount lost would add a billion-and-half dollars in support of public service media. Such a step would also go a long way to bringing public funding levels in Canada closer to their counterparts in the EU and to offset the crisis of original news creation. That this route has not been taken is a political choice and one that all parties have been unwilling to make.

The Broadcasting and Telecommunications Legislation Review Panel and The Broadcast Act Reform Bills (Bills C-10 and C-11): the Perils and Pitfalls of Building a New Phase of Internet Service Regulation on Flawed Analyses and Premises

The most significant development with respect to addressing these challenges has been the Broadcasting and Telecommunications Legislative Review Panel, which presented its *Canada's Communication Future: Time to Act* report in 2020.[58] The third chapter of that report, in particular, covers the terrain being discussed here. The BTLR panel's report, like the Heritage Committee and CRTC reports before it, paints a dismal portrait of the Canadian media landscape and pins the blame for this state of affairs squarely on Google, Facebook and unregulated online streaming services in Canada. In response to this allegedly dire state of affairs, the report proposes sweeping regulatory remedies and a much-expanded CRTC to oversee the implementation of those changes with the aim of injecting new vitality into the media system.

The report does open some far-reaching and intriguing discussion of electronic communication services in earlier chapters. However, these elements, and the recommendations that flow from them, have been all-but ignored in public discussion and by the subsequent proposed legislation, Bill C-10, the *Broadcasting Act* reform bill, introduced in November 2020 and its successor in early 2022 (Bill C-11, the Online Streaming Act). Both bills selectively drew on the BTLR panel's ideas in its third chapter about Canadian content and broadcasting but ignore the report's recommendations on reforms to the CRTC.

To this author's mind, the targeted goal of both bills to bring streaming television, film and music services such as Netflix, Crave, Amazon Prime Video, Disney+ and Spotify under the *Broadcasting Act* could be a good thing. However, both bills are badly tarnished by the poor analysis underpinning them and by the prospect that they could sweep far more services and types of expression under the CRTC's authority than they are intended to cover all the while not doing enough to address, for example, market and gatekeeping power, privacy and data protection, and mandatory information disclosure requirements for regulated online services.

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57 CRTC (2016). *Broadcasting Regulatory Policy CRTC 2016-224 Policy framework for local and community television*; Canada, Report of the Standing Committee on Canadian Heritage (2017). *Disruption: Change and churning in Canada's media landscape*.

58 Canada, Broadcasting and Telecommunications Legislative Review Panel (2020). *Canada's communication future: Time to act*.

From the BTLR Panel's Report to the Broadcasting Act Reform Bills: How Cherry-picked Data and Poor Analysis Leads to Flawed Proposals for a New Phase of Internet Services Regulation

We will return to the BTLR report's recommendations and the *Broadcasting Act* reform bills later in this report and the next one in our two-part series. For now, a handful of common flaws in both the report and the successive bills that flowed out of it will be the focus of attention of the next few paragraphs.

First, chapter 3 of the report, which focuses on the woes facing the Canadian broadcasting "system", cherry picks evidence to advance its preferred policy agenda. Its presentation of data highlights sectors of the media—i.e. broadcast television and original news—that are in trouble, while ignoring others that are doing reasonably well, or thriving. In so doing, the report wrongly presents the limited crisis that applies to advertising-supported media—broadcasting television, radio, newspapers and magazines—as if they are an index for a general crisis of the media. As we have shown above and will continue to show in the following pages, no such general crisis of the media exists.

Second, there is a pronounced tendency to over-reach in, both, the BTLR's recommendations and both bills to sweep all forms of audiovisual and text-based media content, including news content (newspapers), made available to the public over the Internet, under the *Broadcasting Act* and the CRTC's oversight, unless the Commission explicitly decides otherwise. To this end, the BTLR report recommends that the scope of programming undertakings be expanded to include three broad categories of services:

- *Media curation undertakings*: Broadcasters, pay TV services (HBO), SVOD (Netflix, CraveTV, illico, Amazon Prime, Disney+), TVOD (Apple iTunes, Appstore, Google Play) and branded YouTube channels, Spotify, news
- *Media content aggregators*: Cable, satellite and IPTV; virtual BDUs, StackTV, MSN News, Yahoo! News, Google Search
- *Media content sharing services* (amateur and professional): Facebook, YouTube, TikTok, Reddit (Recommendation 54).

The two *Broadcasting Act* reform bills' fatal flaw, arguably, has been to follow the BTLR's advice regarding the broad categories of content that should be covered and brought within the CRTC's reach, albeit with some minor adjustments. This has given rise to the perception that the bills seek not just to meet the defensible goal of bringing the big international and domestic online video services such as Netflix, Amazon Prime Video, Crave, Disney+, etc. under the *Broadcasting Act* and the CRTC's authority, but that they could also encompass content uploaded to social media, even if the individuals who did so would not be directed regulated.

This ambiguity ultimately proved fatal to the first version of *Broadcasting Act* reform bill (Bill C10) and remains a key concern with the second bill (C11). Once again, it is important to remember that the taproot of that ambiguity is the BTLR's excessively broad framing of the range of human expression and programming that should be brought within the ambit of a renewed broadcasting regulatory regime. Not surprisingly, therefore, both bills have ignited a fierce debate over the future of Internet services regulation, as well as media and cultural policy in Canada, and for good reason.

It would be helpful to bring any new bill to regulate online video services in Canada more in line with the European Union's more tightly drawn Audiovisual Media

Services Directive. It explicitly excludes smaller providers based on revenue and subscriber reach while subjecting online video services to much less demanding investment and catalogue quota and promotion obligations than linear broadcasting services.[59]

Crucially, the AVMS also sets up a separate section for Video Sharing Platforms (VSPs) such as Youtube and Tiktok. The key points of the Video Sharing Platform rules are that such services are not subject to the funding and catalogue obligations that apply to online video services and they are not editorially responsible for what their users share on the platform. Instead, VSPs must take certain measures to protect users, especially children. Lastly, in relation to the AVMS, this policy and regulatory measure is integrated into a more holistic approach to communications, Internet and cultural policy that includes measures to strengthen net neutrality, a presumption against more consolidation in communications markets, promote rights portability so that people can access services they subscribe to wherever they are in the EU, pan-EU wireless roaming and the relatively strong privacy and data protection measures of the General Data Protection Regulations.

Ultimately, that the BTLR report and the ensuing *Broadcasting Act* reform bills did not tailor their ambitions led to them being perceived as a power grab by incumbent interests and as threats to freedom of expression on the grounds that they both propose to subject an overly broad range of human expression made available over the Internet to the restrictive standards of broadcasting content regulation versus the more permissive view that applies to the press, publishing, speech and other forms of human expression. Moreover, the definition of the diverse range of what people express and do on the Internet as a "broadcasting programming" is ill-advised from a historical perspective, given that broadcasting originated in the 1930s as limited carve-out of the broader notion of communication delivered by electrical means at a distance (i.e. telecommunications). Philosophically, defining such a wide range of expression as broadcast programming feels stilted given that it hardly rouses the mind or emotions about the vital role of human expression in people's self-development and democracy.

Third, the report is misleading insofar that its figures and charts are presented with dates that typically start in 2010 or 2012 so as to conform to the story the report wants to tell that pins the blame on the "web giants" as the primary source of these alleged woes facing the media in Canada, writ large. This time frame, however, misses the fact that the troubles that do exist began well before Netflix was even available in Canada, or when Facebook and Google had become the formidable players they now are. Also missing, is the fact that most sectors of the media are vibrant, even flourishing.

Fourth, alternative explanations that might, for instance, highlight that some of the reasons for the troubles that do exist might have been caused by self-inflicted wounds, such as debt-funded waves of consolidation and vertical integration over the past quarter-of-a-century, are not broached. Moreover, the harsh, structural realities regarding the stagnation and/or decline of ad-spending between 2008 and 2016 are nowhere to be found.

Finally, the BTLR panel report sidesteps another important question: why are the conditions of broadcast TV in Canada so poor relative to conditions in the US and some other countries? To put this another way, while broadcast TV is not thriving anywhere, the turmoil in Canada is especially severe. Why? The BTLR report offers no discussion of this whatsoever.

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59 European Union (2018). *Audiovisual and Media Services Directive*. I would like to thank Professors Sally Broughton Micova, School of Politics, Philosophy and Language, University of East Anglia (UK), and Manuel Puppis, Department of Communication and Media Research, Universitat Freiburg (Zurich, Switzerland), for their guidance on this and the next paragraphs.

The Plight of Broadcasting Television in Canada versus International Experience

One factor that goes a long way to explaining why Canada stands out for the bleak state of affairs facing its traditional television sector relative to other countries is that all of the biggest commercial broadcast TV as well as pay and specialty TV services are owned by large vertically- and diagonally- integrated communication conglomerates, i.e. Bell, Shaw (Corus), Rogers and Quebecor. In fact, Canada stands alone from its international peers in terms of its extraordinarily high levels of diagonal and vertical integration across the network media economy.[60]

In the US, by contrast and for example, broadcast TV ownership groups are sizeable, independent entities in their own right; notable examples include CBS, Sinclair, TEGNA, E.W. Scripps, Gray, Nexstar, Univision, Walt Disney, Fox, and Media General. Other than Disney (the ABC network) and Fox, broadcast TV ownership groups tend not to also own a fleet of specialty and pay TV services. In fact, other than Comcast's ownership of NBC Universal, none of the big broadcast TV groups in the US are owned by telecoms companies or BDUs. Conditions similar to those in the US also hold true in Europe. This has several implications, three of which stand out.

First, given their structural independence,[61] broadcast TV ownership groups in other countries are compelled to compete vigorously on their own—they sink or swim on the merits of their service. In addition, because they do not function as smaller and less profitable divisions within giant telecoms operators, they do not have to operate with one eye fixed on their competitors and the other on ensuring that whatever competitive strategies they adopt do not side-swipe other aspects of their vertically and diagonally-integrated telecoms-Internet and TV operations they are tied into by way of common ownership.

As a result, broadcast television is healthier from a commercial viability point of view in the US compared to Canada. Thus, for example, revenue for broadcast television rose from $24.3 billion to $33.6 billion from 2013 to 2019 in the US. In addition, the number of broadcast-only households in the U.S. has risen from 10% in 2015 to 14% in 2020 (versus less than two percent in Canada). Most of those households also subscribe to one or more online video services, suggesting that the two services may act as complements to one another rather than substitutes for many people given the right conditions. Broadcast TV stations' "total day share of viewing" also increased from 30% in the 2012-2013 to 33% in the 2015-2016 season, while prime time viewing rose from 33% to 36% over the same period.[62]

Second, broadcast television stations in the US and Europe have greater incentives to pursue a major additional source of revenue over and above advertising revenue because, usually, they are not vertically-integrated into cable and telecoms companies: retransmission fees. In the US, for example, retransmission fees have risen from a quarter to a third of broadcast television stations' revenue over the past half decade and continue to grow, albeit at a slightly slower pace in recent years. In Europe,

60 For a fuller elaboration of this claim, see CMCRP. (2016). *From the BDU-Model of TV to Radical Unbundling: Common Carriage & Culture Policy for the Internet Age.*

61 That is, not being vertically-integrated into cable and telecoms carriers, or diagonally integrated with pay TV services.

62 FCC. (2020). F*CC Releases 2020 Communications Marketplace Report.* para 215, 226; FCC. (2018). *Before the Federal Communications Commission Washington, D.C.* 20554. paras 101, 109; FCC. (2017). FCC 18-181: *Before the Federal Communications Commission Washington, D.C.* paras 116-119.; FCC. (2016). DA 16-510: *Before the Federal Communications Commission Washington, D.C.* paras 116-119.

retransmission fee rates vary from 10% in Belgium up to a third in some Scandinavian countries, while in the UK, retransmission fees are zero and broadcasters even pay Sky, the dominant pay-television distributor, for carriage.

In Canada, an attempt to introduce a "value-for-signal" regime earlier last decade was defeated as the vertically-integrated BDUs resisted the idea that their cable operations would have to pay into the broadcast TV operators' coffers.[63] This arrangement effectively cuts off a revenue stream in Canada that is clearly making a significant contribution to the success of broadcasters abroad.

Third, stand-alone broadcast TV services in the US compete also compete more vigorously with specialty and pay TV services as well as online video rivals like Netflix, Hulu, CBS All Access, Disney+, Viacom-owned PlutoTV and Amazon Prime. This is because broadcasters in the US are more eager to exploit the opportunities of putting their programming online to allow audiences to watch programs from anywhere using any device and to engage in "catch-up" viewing without worrying that this could undermine their parent company's distribution operations. Consequently, putting programming online opens a new line of advertising revenue that they have exploited to a far greater extent than Canadian broadcasters.[64]

It is also critically important to emphasize that the heart of the commercial television business model in Canada relies on its biggest player, Bell, buying up exclusive, long-term rights to marquee US programming from the likes of Warner Media, Starz and Showtime.[65] At the same time, investment in domestic and in-house broadcast television production has been languishing for years.[66] As content producers increasingly offer their programming direct to consumers over the Internet, the days left in a model that piggybacks Canadian production on exclusive rights to broker U.S. content in Canada in this way are numbered.

In sum, common ownership of distribution and broadcast services has taken significant sources of revenue off the table for broadcasters in Canada. Canada's major commercial television companies have also built a business around buying and brokering access to imported US content, and this model is not likely to last as the sources of that content increasingly go direct to consumers over the Internet. In other words, the structure of the television industry in Canada, and the business model around which it has been developed, has no doubt contributed to the severity of the woes now facing this once-central pillar of the Canadian broadcasting "system".

Pay and Specialty (Subscription) TV

Pay and specialty TV programming services have done very well in Canada since the first licenses were issued in the early 1980s. The number of such services soared after the turn-of-the-21st century and their revenue eclipsed that of broadcast TV in 2010. However, revenue for pay and specialty TV services peaked at $4.4 billion in 2016, but has since slipped to $3.9 billion last year.

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63 FCC. (2020). *FCC Releases 2020 Communications Marketplace Report*. para 216; FCC. (2018). *Before the Federal Communications Commission Washington, D.C.* paras 97-101; Evens, T., & Donders, K. (2018). *Platform Power and Policy in Transforming Television Markets*. Chapter. 5. Springer.

64 FCC. (2020). *FCC Releases 2020 Communications Marketplace Report*. para 114; FCC. (2017). FCC 18-181: *Before the Federal Communications Commission Washington, D.C.* para 119.

65 BCE INC. (2021). *BCE Annual Report 2020*. p. 37.

66 Nordicity (various years). Profile: Economic report on the screen-based media production industry in Canada. Study prepared for CMPA, Heritage Canada, Telefilm Canada & Association québécoise de la production médiatique). See, in particular, Exhibit 1-2 Total volume of film and TV production in Canada. See Figure 27 below for further details.

To offset these declines, pay and television service operators have shut down a number of services and increasingly concentrated on a smaller number of marque services, the most important of which are owned by the largest operators. Thus, last year, just fifteen services accounted for half of all revenue in the specialty and pay television market, down from when it took twenty-six such services to reach that benchmark a decade earlier. The range of these services has also become more focused on sports (e.g. Rogers Sportsnet, BCE's TSN, TVA Sports), movies (e.g. BCE's Crave/The Movie Network, Corus's Showcase), news (e.g. CBC News Network) and a few thematic channels. As a matter of fact, the top five sports-themed services alone now account for a third of the specialty and pay television services, up from a fifth a decade ago. In sum, in a media environment where the range of services and choices on offer have increased, attention and money is increasingly being concentrated on a fewer number of big brands, stars and best-selling genres.

By and large, BCE, Rogers and Quebecor have weathered the past five years better than others, with fairly stable revenue, on average, and by shuttering or spinning off services to focus on their most lucrative brands. A few smaller players such as Blue Ant, OutTV and APTN are in a similar spot. In contrast, specialty and pay television revenue at Corus (Shaw) has dropped by $125 million (or 13%) since 2016. The CBC stands in a similar position. A few smaller boutique operators, such as DHX, Fairchild and Stingray, have been hit especially hard and their future now appears uncertain.

These trends, of course, are not unique to Canada. The UK regulator, Ofcom, for example, has made this point for several years.[67] In its 2021 *Communications Market Report*, Ofcom observed that "continued growth in online video advertising and SVoD revenue offset declines in pay TV and TV advertising revenue".[68]

Where Canada does stand apart from its international peers, however, and as discussed a moment ago in relation to broadcast television, is in the high levels of vertical integration that exists between telecoms and cable operators, on the one side, and pay TV services, on the other, as well as diagonal integration between both broadcasting and pay TV services. This has arguably compromised the business viability of pay television services in several ways.

First, and again, similar to developments for broadcast TV, in the US, UK and Europe, operators have been quicker to unbundle premium pay TV services from an underlying cable subscription in order to make them available direct to consumers over the Internet, i.e. Time Warner's HBO. As television programming service providers only, these operators' goal is simple: to get their programming before as many people across as many platforms as possible with less concern that offering their services over the Internet and mobile wireless networks might cannibalize the subscriber and revenue base of an affiliated BDU—at least not to the same degree, since BDUs are still their main source of revenue.[69]

In contrast, HBO in Canada is currently locked up with Bell under an exclusive contract that runs until 2025, and is only available through Bell's online video service, Crave.[70] It is also the case that services like BCE's Crave, Roger and Shaw's now defunct joint venture, Shomi, and Quebecor's Club illico were only offered on a stand-alone basis after the CRTC prodded them into doing so.[71]

67 Ofcom. (2017). *International Communications Market Report* 2017. p. 19.

68 Ofcom. (2021). *Communications Market Report 2021.* p. 3.

69 FCC. (2020). *FCC Releases 2020 Communications Marketplace Report.* paras 168, 204; BCE INC. (2021).

70 *BCE Annual Report 2020*. p. 37.

71 CRTC. (2015). *Let'sTalk TV - The way forward – Creating compelling and diverse Canadian programming.*

Moreover, despite harnessing the future of television to large, vertically-integrated telecoms and cable operators since the late-2000s, the reality is, that policy choice has failed to deliver on its promise in several ways. As the Forum for Research and Policy in Communications, for instance, told the Senate committee reviewing the *Online Streaming Act*, large vertically-integrated broadcasters' discretionary television programming services put less of their income into Canadian programming than smaller, independent (non-vertically integrated) broadcasters' discretionary television programming services.[72]

Harnessing television services around large, vertically-integrated telecoms operators also has other far-reaching implications for independent programming services. Crucially, when independent television services contract for carriage with a BDU they are depending on their biggest rivals to gain access to audiences. In more specific terms, when such services contract for carriage with a BDU, they get a per subscriber fee and a commitment to reach a specific percentage of subscribers for their linear channel but, at the same time, a second version of their service—the "On-Demand" version, including that which is made available over the Internet—is essentially given away for free to the BDUs who use it as part of a "bundle" to retain subscribers rather than treating it as a potentially lucrative new stream of revenue.

By giving away their on-demand content "for free" in this way, independent pay TV services essentially abandon the potential to earn additional revenue from one of their most attractive assets: online access to their programming from anywhere, using any device. Moreover, they are trading dimes on the potential dollars that they might obtain from going with an online VOD service such as Apple or Amazon. However, with two-thirds of homes in Canada still subscribing to a BDU service, independent television services still require carriage on those services to gain access to their biggest potential audience.

In sum, the policy-driven state of consolidation and exceptionally high levels of vertical integration has put Canada into an undesirable league of its own. In so doing, what was supposed to be a panacea for Canada's supposedly small media economy has, in fact, hobbled the business viability of television services significantly. Under the current arrangements, moreover, the benefits of choice and agency for users, as well as potential new streams of revenue and distribution opportunities that have been opened up by online video services, are being sacrificed in favour of preserving a few vertically-integrated "national champions" who stand astride the communications and broadcasting system in Canada.

Lastly, it is important to note that not only are all the major commercial television services owned by telecoms companies but there are no stand-alone mobile operators left after Shaw acquired Wind (rebranded as Freedom) in 2016. This is important because, without a stand-alone, competitive mobile operator, prices for mobile wireless service and data tend to be higher and data caps significantly lower, and the cost of exceeding them steeper. This, in turn, deters the use of the mobile Internet to consume all forms of audiovisual content, including television services.[73] Forward looking communication and media policy should pay close attention to these considerations and evaluate what has been gained and lost by tying the fate of audiovisual media services to vertically-integrated national champions.

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72 FRPC (2022). FRPC's comments on Bill C-11, now before the Senate Committee on Transport and Communications, paras 23-24.

73 Rewheel. (2016). *4G&5G prices, competitiveness rankings, competition & mobile merger analysis, network economics and 4th MNO BC research studies, 2010–2022*. Rewheel. (2018). *4G&5G prices, competitiveness rankings, competition & mobile merger analysis, network economics and 4th MNO BC research studies, 2010–2022.*

Online Subscription and Download Audiovisual Media Services (AVMS)

In order to complete the picture of the "Total TV Universe" we now examine online video subscription and download services.[74]

In 2021, estimated revenue for the online AVM services market in Canada reached $3.5 billion, a sharp increase from $2.7 billion the year before. Growth continued to be swift in the online video services market, with a compound annual growth rate of 34.6% and revenues more than quintupling from $588.6 million since 2015.

Netflix is the biggest online video service player in Canada by far.[75] In 2021, the streaming video service had a year-over-year average of 7.5 million subscribers in Canada, up 448,000 over the previous year. As a result, just over half of all households (50.7%) in Canada subscribed to Netflix by the end of 2021. The company's Canadian revenue reached an estimated $1.3 billion last year, up from $1.1 billion the year before, and nearly triple what it had been just five years earlier.

Since Netflix first entered Canada in late 2010, many new players have joined the fray. As of 2021, significant online video services included Netflix, BCE's Crave, Google's YouTube Premium, Amazon Prime Video, Rogers SN Now, Apple TV+ and iTunes, Club illico, CBC Gem, Disney+, CBS All Access and Dazn, while a few earlier services, such as Rogers and Shaw's joint venture, shomi, have exited the scene. New players continue to enter the country at a fairly rapid pace. The analysis in this report, however, focuses on the biggest online video services operating in Canada in 2021.

Bell's streaming service Crave is the second largest SVOD service in Canada. Last year it had 2.9 million subscribers at year end and estimated revenue of $513 million. This was up marginally from 2.8 million subscribers the previous year and revenues of $486 million.

Google's YouTube Premium was the third largest online video service in Canada last year, with estimated revenue of $290.9 million (not including its advertising-supported YouTube service, whose revenues we include under online advertising).

After entering Canada near the end of 2019, Disney+ grew rapidly over the next two years. By the end of 2021, it was the third largest online video service with an estimated revenue of $366.4 million and 4.3

74 The method we use to arrive at revenue and subscriber figures for each company examined in this section can be found in the notes attached to the individual cells of each company in the "Online Video" sheet in the GMIC Project—Canada open data sets. The focus is on subscriber video-on-demand (SVOD) services such as Netflix and Crave and transactional video-on- demand (TVOD), while advertising-based VOD services such as YouTube's 'open platform' are excluded to avoid double counting online advertising revenue and to keep the focus on professional audiovisual media services rather than user created content. At the outset of the analysis that follows the dearth of reliable publicly available information regarding online video services must be acknowledge, both from the service providers (e.g. Netflix, Amazon Video, Apple, Bell's Crave or Rogers' SN Now) as well as the CRTC. That said, it is possible to develop sound estimates based on these companies' annual reports, recent changes to how Netflix reports its operating results to US regulators, taking into account year-over-year growth for other providers and using publicly available information.

75 Estimating Netflix's subscriber and revenue numbers has become easier since December 2019, when the company changed how it reports its financial results. These changes allow us to break out revenue and subscriber figures, respectively, for the US, which leaves a residual from its broader US-Canada (UCAN) region that can be attributed to Canada.

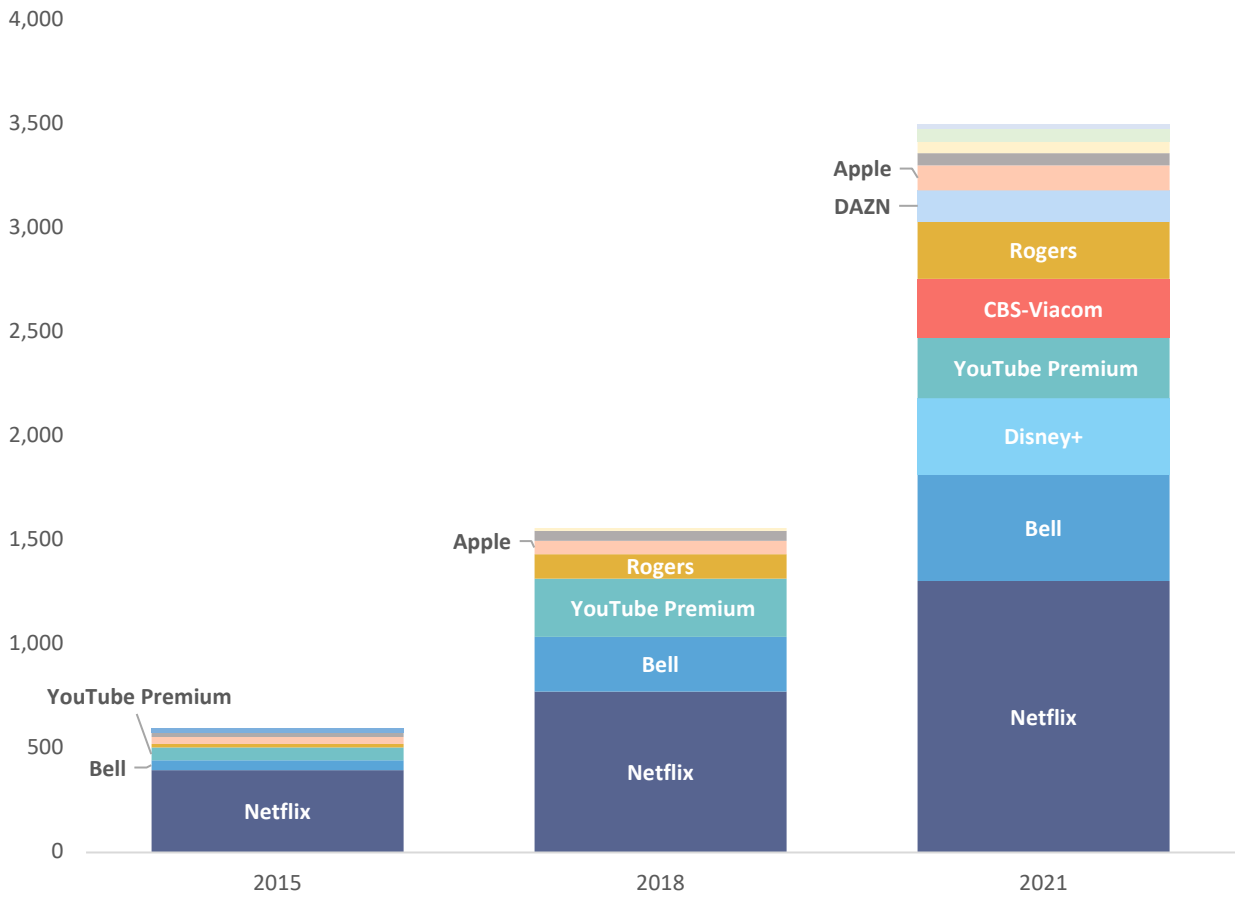
million subscribers. CBS All Access was the fourth largest online video service operating in Canada last year, with estimated revenue of $281.4 million and 3.9 million subscribers at year end. Rogers' SN Now was fifth in line, with estimated revenue of $275.3 million and 1.4 million subscribers on average for the year.

The five largest online video services were trailed by several other such services, including:

- DAZN (estimated revenue for $150.4 million and one million subscribers),
- Corus (with estimated revenue of $64.3 million and 675,000 subscribers at year end for its STACK TV service),
- Apple's Apple TV+ and iTunes services ($120.8 million),
- Amazon Prime Video ($56.5 million)
- Quebecor's illico ($58.3 million and 503,400 subscribers at year's end),
- CBC Gem/ICI Tou TV ($20.1 million and 335,000 subscribers on average for the year).

Figure 24 below depicts the revenues of the online video services in Canada last year.

Figure 24: Online Video Subscription and Download Services in Canada, 2015, 2018 and 2021 (current $, millions)



Source: see the "Fig 24 Online Video" data sheet in the Excel Workbook accompanying this report and the "Online Video" sheet in the GMIC Project—Canada open data sets.

For several years running, the CRTC's annual *Communications Monitoring Report* has provided some useful insights into the fast-paced growth of foreign online video services, but its estimates for the revenue and subscriber numbers for these providers have always struck us as being implausibly high. In fact, estimates that the Commission published based on the British-based consultancy, Ovum, in each edition of its annual *Communications Monitoring Report* for 2017-2019 were twice that of our estimates at the time. Crucially, the revised results published in its most recent data bear out our concerns, with the gap between the Commission's results and our own closing steadily over the last two years.[76] Its estimates for 2021 are basically the same as our own, i.e. $3.5 billion.[77]

In retrospect, the original figures the CRTC published were not credible for reasons that are not entirely clear.[78] Part of the answer probably lies in the fact that changes in Netflix's own reporting methods in December 2019 made it easier to obtain a more accurate result. This also made it hard, if not impossible, for the Commission to carry on publishing estimates that were, more or less, double what the streaming giant itself states in its audited annual reports.

The same assumptions that led to inflated results for Netflix also underpinned the CRTC's estimates for other streaming services: i.e. Amazon Prime Video, Apple, Microsoft Movies & TV, Google Premium, and so on. The overall effect was to greatly inflate the results for the online video services sector by roughly one-half, and thus their significance in Canada. For instance, the Commission originally reported that online subscription and download video service revenue in 2018 was $3 billion; this year, the figure for that earlier year has been slashed to $1.9 billion.[79]

The exaggerated figures for US streaming services were made all the worse by the fact that the CRTC does not publish estimates for domestic online video services such as Bell's Crave, Quebecor's Club illico, Rogers SN, and the CBC's Gem. This furthers the impression that the data is being selectively presented. That, in turn, is corrosive of the regulator's credibility and public trust in it. The complete lack of such information also unduly handicaps independent research.

Beyond questions about the veracity of the CRTC's estimates, we are deeply concerned that its estimates have been used as a kind of "threat inflation" that have served its own interests in bureaucratic expansion while also playing into the hands of those who claim that the scale of international online video service operations pose a mortal threat to Canadian broadcasters and to Canadian culture. The publication of such erroneous estimates under the CRTC's imprimatur has given them a sheen of legitimacy that others have traded on in the context of domestic policy battles over what a new era of Internet services regulation in Canada should like.

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76 See, for example, CRTC. (2017). *Communications Monitoring Report 2016*. p. 146; CRTC. (2018). *Communications Monitoring Report 2017*. p. 249; CRTC. (2019). *Communications Monitoring Report 2019*. p. 166-168; CRTC. (2020). *Communications Monitoring Report 2020*. p. 166-168. pp. 75-76.

77 CRTC, Communications Market Reports - Open Data. Broadcasting Sector—Table 4. Overview of Internet-based audio and television services (estimated revenues), 2018-2021. While these corrections are welcome, that it has done so without acknowledging as much is troublesome. A clear statement correcting the record and explaining itself would be helpful in restoring the Commission's credibility on this point, and securing the legitimacy it will need to oversee the vast expansion of its operations anticipated by the *Online Streaming Act* (Bill C-11) and the *Online News Act* (Bill C-18).

78 While these corrections are welcome, that it has done so without acknowledging as much is troublesome. A clear statement correcting the record and explaining itself would be helpful in restoring the Commission's credibility on this point, and securing the legitimacy it will need to oversee the vast expansion of its operations anticipated by the *Online Streaming Act* (Bill C-11) and the *Online News Act* (Bill C-18).

79 CRTC, CMR 2019, p. 166-168; CRTC (2022), Communications Market Reports - Open Data. Broadcasting Sector—Table 4. Overview of Internet-based audio and television services (estimated revenues), 2018-2021.

> The policy-driven state of consolidation and exceptionally high levels of vertical integration has put Canada into an undesirable league of its own

Indeed, the BTLR Panel's (2020) *Canada's Communications Future* report did exactly this, as it recycled the Commission's grossly inflated estimates for foreign streaming services to justify its recommendations as to why and how online video services should be regulated.[80] That roadmap, in turn, has animated the proposed revisions to the *Broadcasting Act* tabled by the Liberal Government in bills C-10 and C-11, and helped to fuel the cantankerous debates that these bills have unleashed.[81] Having served in this fashion—unwittingly or not—does not serve the Commission well or inspire trust that it has the ability to carry out the expanded remit anticipated for it by both the *Broadcasting Act* reform bill or another one of the Liberal government's signature bills, *The Online Streaming Act* (Bill C-18).[82]

The Total Television Landscape in Perspective

Overall, the television marketplace is thriving, even if some of its central elements (e.g. broadcast TV) are in deep trouble. Looking at the big picture that includes broadcast TV, pay TV services as well as online video services, an unmistakable picture emerges: people are still watching as much television as ever, although just what we are watching, and how, has changed dramatically. What is true in Canada also applies to the US, the United Kingdom and elsewhere.[83] At the same time, people are paying more than ever for the pleasure of doing so, with total TV revenue growing five-fold from $1.8 billion in 1984 to $9.9 billion last year.

Figure 25 below takes this big picture approach to illustrate the growth of the total television marketplace over time.

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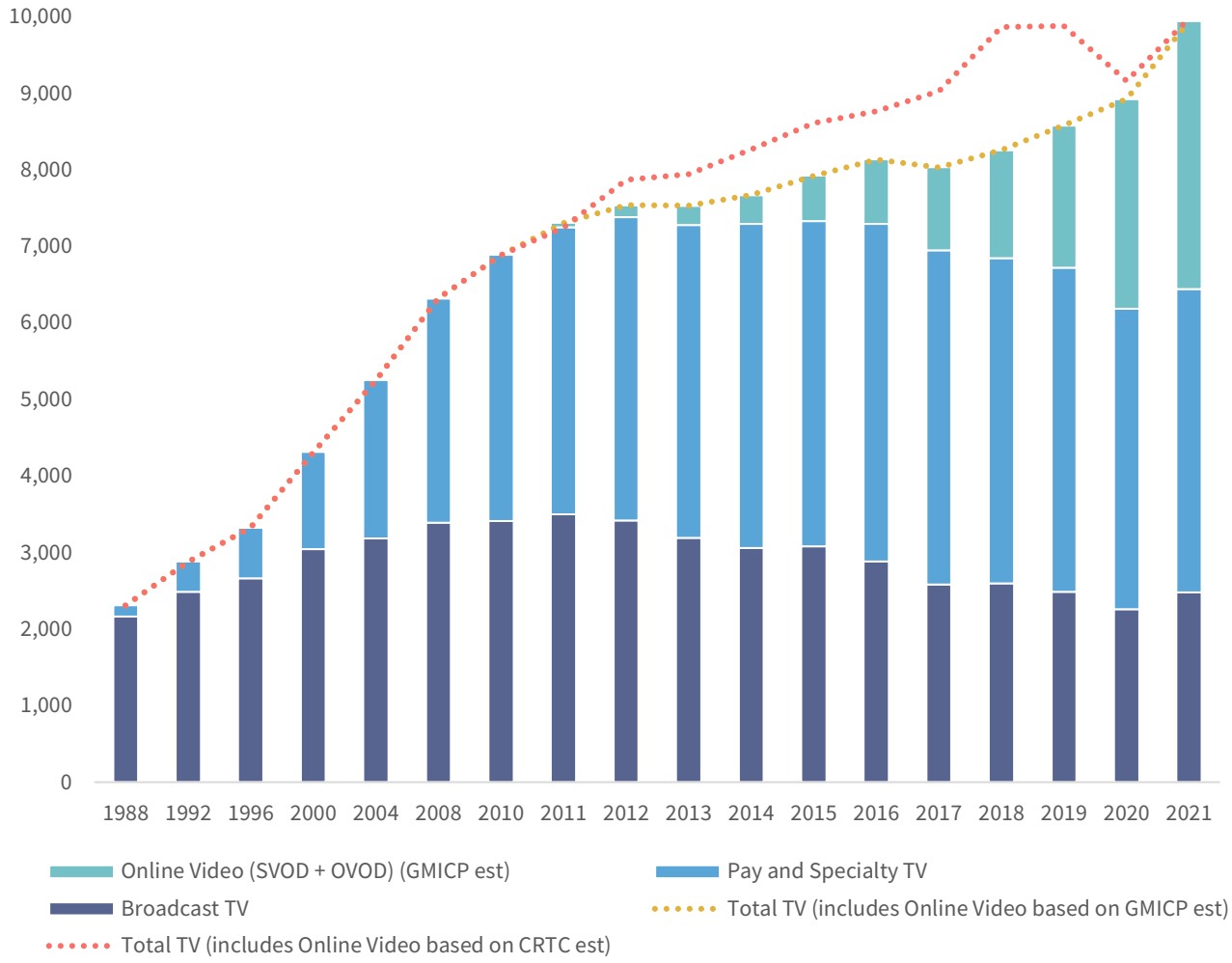
80 Innovation, Science and Economic Development Canada. (2020). *Broadcasting and Telecommunications Legislative Review: Canada's Communications Future: Time to Act.*

81 Canada, Bill C-10: An Act to amend the Broadcasting Act and to make related and consequential amendments to other Acts (November 3, 2020); Canada, Bill C-10 Act to amend the Broadcasting Act and to make related and consequential amendments to other Acts. As passed by the House of Commons, June 21, 2021 (but not passed by the Senate and thus dead when Parliament was dissolved for the 2021 federal election) and Bill C-11: An Act to amend the Broadcasting Act and to make related and consequential amendments to other Acts (November 22, 2021).

82 Canada, Bill C-11: An Act respecting online communications platforms that make news content available to persons in Canada (November 22, 2021).

83 See CRTC (2020).Communications Monitoring Report Dataset, Tab TV-F4; Mediatique (2020). *Connected TV gateways: review of market dynamics* (A report for Ofcom), p. 59; FCC. (2018). *Before the Federal Communications Commission Washington, D.C.* paras 101, 109; FCC. (2016). *DA 16-510: Before the Federal Communications Commission Washington, D.C* paras 116-119.

Figure 25: Growth & Upheaval in the Canadian Television Landscape, 1984-2021 (current $, millions)



Source: see the "Fig 25 GrowthUpheavTVMarket" data sheet in the Excel Workbook accompanying this report and the corresponding sheets for each of the sectors covered in the GMIC Project—Canada open data sets.

The changes that have taken place in the last decade alongside the rise of the Internet are, indeed, significant. For instance, Netflix's share of all TV revenue has grown from less than one percent a decade ago to more than 13% last year. It is now the second largest television operator in the country, after Bell and just ahead of the CBC, Rogers and Shaw (Corus), and nearly three times the size of Quebecor's television operations, based on revenue. Add in Disney+, Amazon Prime Video, Google YouTube Premium, CBS All Access as well as Apple's Apple TV+ and iTunes and, based on our estimates, the big six US-based online video service operators had a combined revenue from online video services last year of $2.4 billion in Canada, or just under seventy percent of the online video services market and about one quarter of all revenue combined across the broadcast television, pay and specialty service and online video services market.

In sum, the online video services have added immensely to the size and diversity of the TV market, and their revenue still continues to climb strongly. Nonetheless, the combined revenue of the big six US digital media companies still falls below that of the biggest TV operator in Canada, Bell, whose revenues last year from its television operations topped $2.5 billion (more on this in the next report in this series). That said, as major US and international television and film companies go direct-to-consumer, the long-standing model in Canada whereby companies such as Bell, Rogers, Shaw (Corus) broker access to Canadian audiences on behalf of foreign program services is fast becoming redundant.

> Despite the steep decline of broadcast television and the recent slide in revenue for pay and specialty services, the advent of online video services has expanded the overall television market

The fact that TV services based on subscriber fees (rather than advertising) continue to grow briskly even in the face of economic headwinds over much of the last decade also reveals another crucial point: the TV business has shifted to the direct pay-per model. Subscriber fees, as noted at the outset of this report, are now the centre of the content media universe, and this is especially true for television. In fact, the ratio between advertising and subscriber fees has, essentially, flipped since the turn-of-the-21st century.

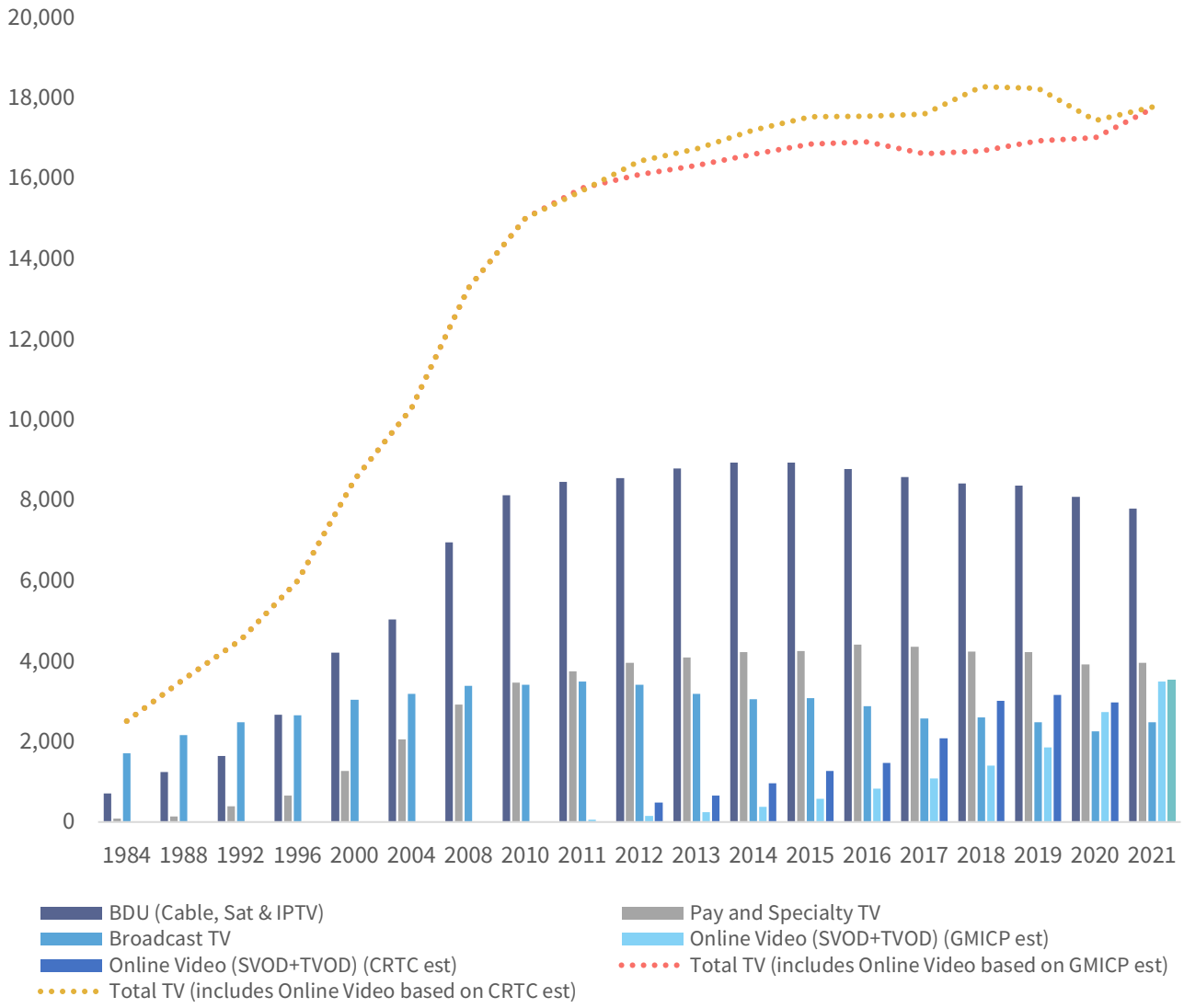
At the turn-of-the-century, advertising accounted about sixty percent of all revenue, while subscriber fees accounted for 17% and public funds for the CBC made up the rest. Now, subscriber fees accounted for two-thirds of the total (64%), advertising about a quarter (27%) and public funding for the rest (8%) in 2021. This is also important because the pay-per model is more resilient to economic shocks compared to advertising revenue. However, this shift raises pressing questions in terms of affordability and inequalities of access after nearly a century of policies that have tried to foster universal and affordable broadcasting services.

If we add cable, satellite and IPTV distribution to this portrait, the trend is clear: sum up all the elements of "Total TV" and TV distribution sectors and the TV marketplace accounted for $17.7 billion in revenue in 2021 based. It is also important to observe that the gap that previously existed between our figures and those of the CRTC has now disappeared, for the reasons discussed a moment ago. The upshot of all this is that despite the steep decline of broadcast television and the recent slide in revenue for pay and specialty services, the advent of online video services has expanded the overall television market.

To put it another way, in 1984, all segments of the TV industry combined accounted for 13% of revenue across the media economy. That figure is now 18.8%–a clear indication all-the-same that television is still a main pillar of the Internet- and mobile-centric media universe.

Figure 26 illustrates the trends.

Figure 26: Television at the Centre of the Network Media Economy Universe, 1984-2021 (current $, millions)



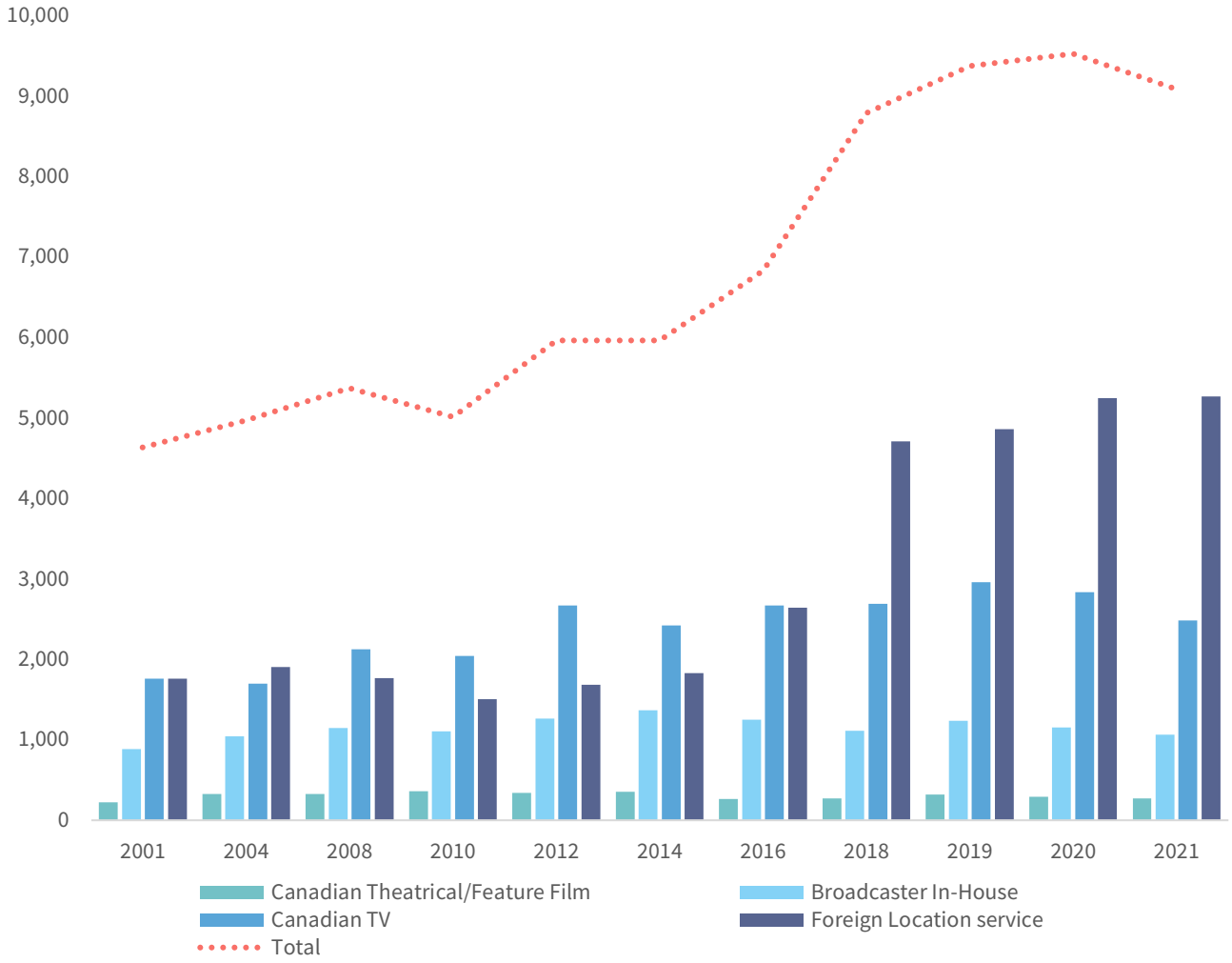
Source: see the "Figure 26 Total TV" data sheet in the Excel Workbook accompanying this report and the corresponding sheets for each of the sectors covered in the GMIC Project—Canada open data sets.

There is yet another indicator that the television and video marketplace in Canada are vibrant: soaring investment in television and film production. Indeed, total investment in television and film production in Canada jumped from $5 billion a decade ago to $9.5 billion in 2020. Last year, however, such spending fell by about 5% to $9.1 billion.

Figure 27 below depicts the trends. While Canadian investment rose modestly in the first half of the 2010s, since then it has been Netflix, Amazon and Apple, as well as the traditional U.S.-based studios that have been driving the trend as the they ramp up their investment in original productions. Production and post-production facilities as well as film and television production crews in British Columbia, Ontario and Quebec have also been working at full capacity as a result of these trends, with new facilities being build, and demand for skilled film and production workers at a premium.[84]

84 Nordicity (2019). Profile: Economic report on the screen-based media production industry in Canada. p. 60.

Figure 27: Film and TV Production Investment in Canada, 2001-2021 (current $, millions)



Sources and Notes: Nordicity (various years). Profile: Economic report on the screen-based media production industry in Canada. See, in particular, Exhibit 1-2 Total volume of film and TV production in Canada. See the "Figure 27 TV+Film Prod" data sheet in the Excel Workbook accompanying this report.

Such trends are not unique to Canada, either. They are also visible in the United States and the EU, for example, where a revival of investment in film and television production by the traditional studios has taken place after it fell off in the immediate wake of the financial crisis a little over a decade ago. Like Canada, this increase is being driven by massive investments from streaming services such as Netflix and Amazon.[85] Thus, whereas Amazon and Netflix spent $1.5 billion and $3.4 billion, respectively, on original or acquired film and television programming in 2015, by 2020, both companies had massively increased

85 Todd Spangler. (2020, January 16). Netflix Content Spending to Top $17 Billion in 2020. *Variety*; IBIS World. (2022). *Television Production Industry in the US - Market Research Report*. IBIS World; IBIS World. (2019). *Television Production Industry in the US - Market Research Report*. IBIS World; EuroStat (2020), Annual detailed enterprise statistics for services (NACE Rev. 2 H-N and S95) (motion picture, video and television programme production activities), Brussels: EuroStat.

those amounts to $7.5 billion and $12.3 billion, respectively.[86] Underpinning this trend is another: the rise of "spectacular budgets" spent on a smaller number of blockbuster films and television series—again, with the aim of cutting through the cacophonous media and information environment so as to capture audiences' limited time, money and attention.[87]

Policy in Canada has long sought to attract as much foreign investment as possible into the production of film and television for both international and domestic distribution, and on this measure, the policy has enjoyed much success. While some commentators complain that this new investment is for production in Canada by foreign companies destined for international markets, this is a short-sighted view because investments in foreign location productions—as this type of production is called—lead to lasting local capacity creation, in terms of creative talent, skilled production and production facilities, as Serra Tinic's On Location: Canada's Television Industry in a Global Market[88] landmark study of these issues observed in the early 2000s. Once projects financed by Hollywood film studios or, in today's context, Netflix and Amazon are done and gone, they still leave an enduring legacy of skilled workers as well as production facilities that benefits the production of television, film and other kinds of media content in Canada.

That said, there have long been ongoing battles over the two main models of financing film and television production at play, in Canada and around the world. In the first "commission-and-keep-it-all" model, those who commission and finance a production hire a director and a crew to produce the film or television program but then retain sole rights to the ownership of the film or television program at the end. In the second, "finance-for-rights" model, there are typically several investors who share the cost of financing a new production in return for a share of the profits and rights afterwards *but with control of the most* important rights for different distribution windows staying with the producer/production company.[89]

In Canada, the reliance on foreign location service productions backed by US-film studios and now the big tech giants more often than not usually means that the first, "commission-and-keep-it-all" model predominates. The idea in some corners that there should be a stronger reliance on the second model so as to allow for greater control over rights and money in both domestic and international markets, and across different distribution windows, is the taproot of protracted controversy over the *Broadcasting Act* reform bill, and whether the investment obligations it entails will put the government and regulator's thumbs on the scale in favour of the latter outcome.

For the time being, however, the upshot of the above observations with respect to investment is that television and film production in Canada is thriving, but the key question of who gets to control distribution, rights and profits continues to be a source of controversy. Hence the paradox where there is more money than ever flooding into film and television production in Canada, driven on by an international television marketplace that is largely flourishing, but acrimonious debates over the *Broadcasting Act* reform bills that pit those happy with the large sums of money floating around versus those who want greater control over money, distribution and power to rest with Canadians. If that latter position prevails, in return for access to pooled funding designed to foster the production of Canadian film and television, then Canadian investors and producers would retain broader claims to the rights and profits accruing from different distribution windows and in international markets over time.

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86 FCC. (2020). F*CC Releases 2020 Communications Marketplace Report.* para 190..

87 Lotz, A. (nd). *Everyday Screen Stories: Society-making and 21C Video Cultures.* unpublished ms.

88 Tinic, S. (2005). *On Location: Canada's Television Industry in a Global Market*. University of Toronto Press.

89 Amanda Lotz (2022). *Netflix and Streaming Video: The Business of Subscriber-Funded Video on Demand.* London: Polity.

Digital Audiovisual Media Services, App Stores and Internet Advertising: Growth, Upheaval and Transformation of the Network Media Economy in Canada

Anchor Findings

- Digital audiovisual media services (AVMS)—online video, music, gaming and app stores—have grown swiftly and global actors like Google, Amazon, Facebook, Apple, Microsoft and Netflix are now central figures on the media landscape in Canada.
- After nearly a decade-and-a-half of declining revenue, the return to growth between 2016 and 2020 drove music industry revenues back to previous levels at the turn-of-the-century, buoyed by live music and online music services revenue, but with a set back over the last two years as concert and live entertainment venues were shuttered because of pandemic-related public health restrictions.
- Traditional newspaper revenue based on advertising has been in precipitous decline since 2008, but seems to have reached a bottom in the last two years at $1.9 billion, or about two-fifths of what it had been at its peak, circa 2006-2008. Online publications continue to sprout, including several non-profit journalism venues, but none come close to matching, let alone displacing, the role of declining legacy news outlets.

Beginning three years ago, we made some fairly big changes that were designed to capture a broader range of audiovisual media services that are delivered over the Internet beyond just online video services and Internet advertising. We continue that effort this year. The additional segments that we cover include:[90]

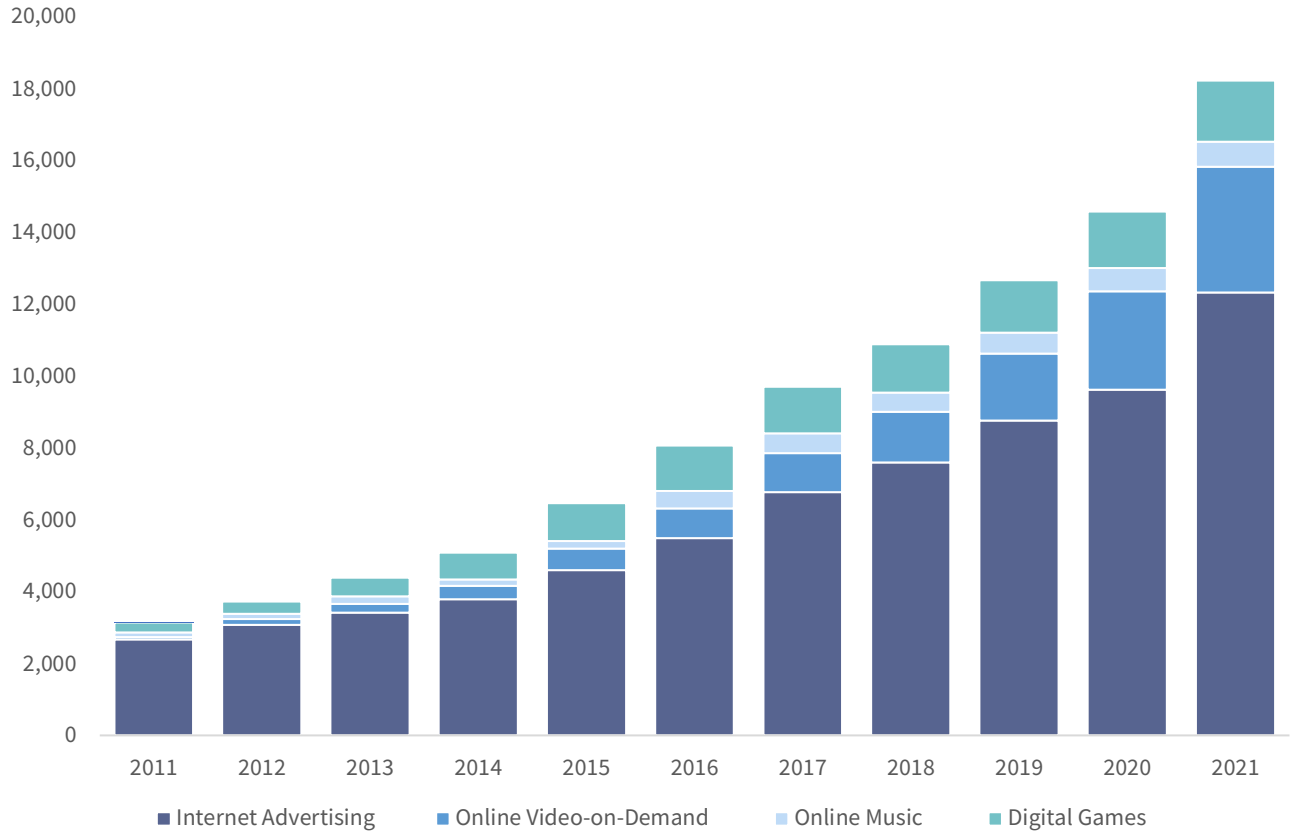
90 To arrive at our estimates for each of these markets, we draw on our own calculations for the online video subscription and download services, as discussed above, as well as custom tabulations from Statistics Canada's Canadian Internet Use Survey and Digital Economy Survey for the online music, video games, apps and in-store purchases, Apple and Google's annual reports as well as the Interactive Advertising Bureau's annual reports on online advertising. The basis of our estimates for each individual company and its operating subsidiaries are presented in the relevant sheets of the GMIC Project—Canada open data sets.

1. Digital games: Online gaming, gaming applications, game downloads or in-game purchases
2. App stores, in particular Google Play and Apple's App Store
3. Digital music, i.e. downloads and streaming music subscriptions

It is crucial to expand our coverage and analysis in this way because these segments are becoming more prominent parts of the media ecology and people's media use. Overall revenue for digital audiovisual media services is also fast-growing, soaring from $467 million in 2011 to $5.9 billion last year (not including online advertising). We estimate that digital games alone accounted for an impressive $1.7 billion in 2021. Beyond significant growth through Apple and Google's app stores, download and subscription revenues from digital games distributors such as Valve and Activision/Blizzard, Microsoft's Xbox platform, Sony's Playstation, and Nintendo are driving the increases we observe as well. So, too, with online subscription and download music services, whose revenues have grown from an estimated $128 million in 2011 to $703 million last year (a point we will flesh out further in the next section of this report).

Add in estimated revenue of $12.3 billion for Internet advertising last year, and these sectors have come to comprise a $18.2 billion pillar of the network media economy, or one fifth of all revenue, in a remarkably short period of time. Figure 28, below, depicts the trend.

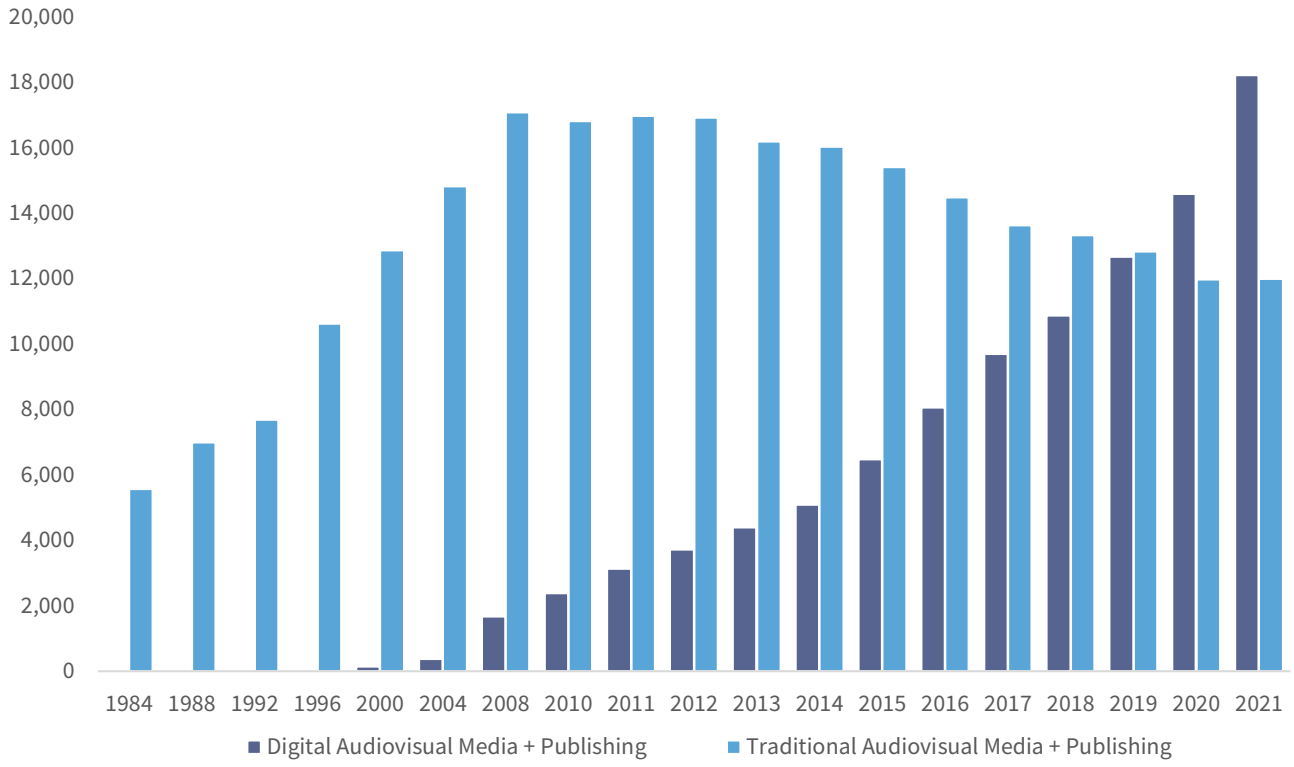
Figure 28: Internet Advertising, Online Video and Digital Media Services and the App Economy, 2011-2021 (current $, millions)



Sources and Note: see the "Fig 28 App Economy" and "Figure 31 Total Music $" data sheets in the Excel Workbook accompanying this report and the "Internet Adverting", "Online Video" and "Digital Games" sheets in the GMIC Project—Canada open data sets. **Top line figures for each category—e.g. Online Video; Online Music Downloads or Streaming Music Subscriptions; and Digital games. Google Play and Apple App Store revenues are not included to avoid double counting.

The impact of the brisk pace of growth depicted in Figure 28 is also revealed by the fact that revenue for the digital AVMS sectors surpassed those of the traditional content media for the first time two years ago. Figure 29 below illustrates the point.

Figure 29: Digital AVMS vs Legacy Content Media Revenues, 2011-2021 (current $, millions)



Source: see the "Fig 29 DigAVMS v Legacy" data sheet in the Excel Workbook accompanying this report and the corresponding sheets for each of the sectors covered in the GMIC Project—Canada open data sets.

In sum, the digital media industries have added substantially to the size, complexity and diversity of the network media environment. In so doing, they have also brought significant international actors such as Google, Amazon, Facebook, Apple, Netflix and Microsoft deeper into the media landscape in Canada (and other countries around the world) than ever before.

Indeed, Google's dominant role in online advertising, where it had estimated revenue of $5,809.7 million last year, is also being augmented by its fast-growing presence in app store sales and subscription-based online video services. We estimate the Google Play Store's revenues last year to have been $581.80 million from digital games, $290.9 million from its YouTube Premium online video service, and another $218.2 million from music apps and downloads. All told, Google had a total revenue of $6.9 billion from its operations in Canada in 2021, or 7.3% of all revenue across the network media economy, making it the fourth largest actor in Canada after Bell, Telus and Rogers.

While there is no doubt that the Internet giants have carved out a much larger place for themselves in Canada over a fairly short period of time, it is also crucial to keep a perspective on things. On the one hand, we observe that the estimated revenues of Google, Amazon, Facebook, Apple, Microsoft and Netflix have risen three-and-a-half fold in Canada since 2015. As a result, in 2021, the "big six" Internet giants' combined share of the Canadian network media economy added up to 15.3% of the total.

It must also be borne in mind that while the digital platforms are becoming increasingly involved in the aggregation and distribution of media and cultural content, they also offer independent audiovisual media service operators a tempting alternative to the BDU-driven approach to broadcasting policy in Canada that, as noted earlier, can foreclose access to lucrative new revenue streams and distribution opportunities. Indeed, whereas fees for independent television services such as APTN, OUTtv, Blue Ant, etc. that are carried by the BDUs are measured in dimes, revenue from online video subscription-based and download services like Amazon and Apple are measured in dollars.[91] The digital platforms also offer more insight into the services that they distribute, who their audiences are, easier and faster billing and revenue splitting arrangements, greater marketing opportunities, and so on. The platforms also offer access to global audiences rather than just domestic ones.

Indeed, for ambitious independent pay TV services in Canada, international growth rather than a continued fixation on domestic markets, is now the objective. Bell, Rogers and Shaw, in contrast, still seem to be intent on staking out their business model on the acquisition of foreign (mainly US) programming rights for distribution in Canada, rather than investing significantly in their own original programming that could then be distributed not just at home but around the world. That model's days, however, are surely numbered as the big US and international actors go direct to audiences with their own services.

That said, all this could all change without notice, as these international content aggregation and distribution platforms gain greater influence in the Canadian market. Consequently, just as the CRTC has long regulated the terms of trade between vertically-integrated BDUs and programming services, it could also do the same with respect to the fast-rising international online aggregators and distributors. It is possible that the *Online Streaming Act* (Bill C-11) will enable just that, however, the bill itself is not clear on this point and largely punts the issue to the Commission to take up. We will return to this issue further in the next report.

Remaking the Music Industry: From Ruin to Recovery

The music industry is, perhaps, the best example of the wrenching and protracted changes that traditional media industries have undergone before returning to significant new patterns of growth and development over the last five years or so. Indeed, while many have held up the music industry for the last two decades as a poster child for the calamities besetting "traditional media" at the hands of digital media, rampant piracy and so forth, the music industry in Canada stands as a sobering counterpoint to such claims.

There is little doubt that the music industries in Canada went through a decade of wrenching changes from the mid-2000s onwards, but the depth of the woes facing them was probably never as deep as often claimed. In fact, the music industry is not in crisis. The picture to be sure, is mixed but has steadily improved since the mid-2010s to the point that it is probably now safe to say that it had been improving thereafter, at least before the Covid pandemic slammed the industry by forcing live entertainment and concert venues to be shuttered. That has driven down revenue from live entertainment and concerts from an estimated just under $1 billion in 2019 to less than $700 million for each of the last two years, respectively.

Many observers have argued that the music industry has been in crisis since the late 1990s.[92] Indeed, such claims began with the notoriety of file-sharing and peer-to-peer (P2P) networks, from Napster in the late-1990s, to Grokster, Pirate Bay and the closing of Limewire in the first decade of the 21st century. These illicit file sharing sites were invoked at every turn to reinforce the view of an industry under siege. For two decades, the Recording Industry Association of America and the International Federation of Phonographic Industries (IFPI)— two international trade

91 That said, this simplifies things because the BDU carriage deals offer access to audiences of a set size for a longer period of time whereas the digital platforms do not.

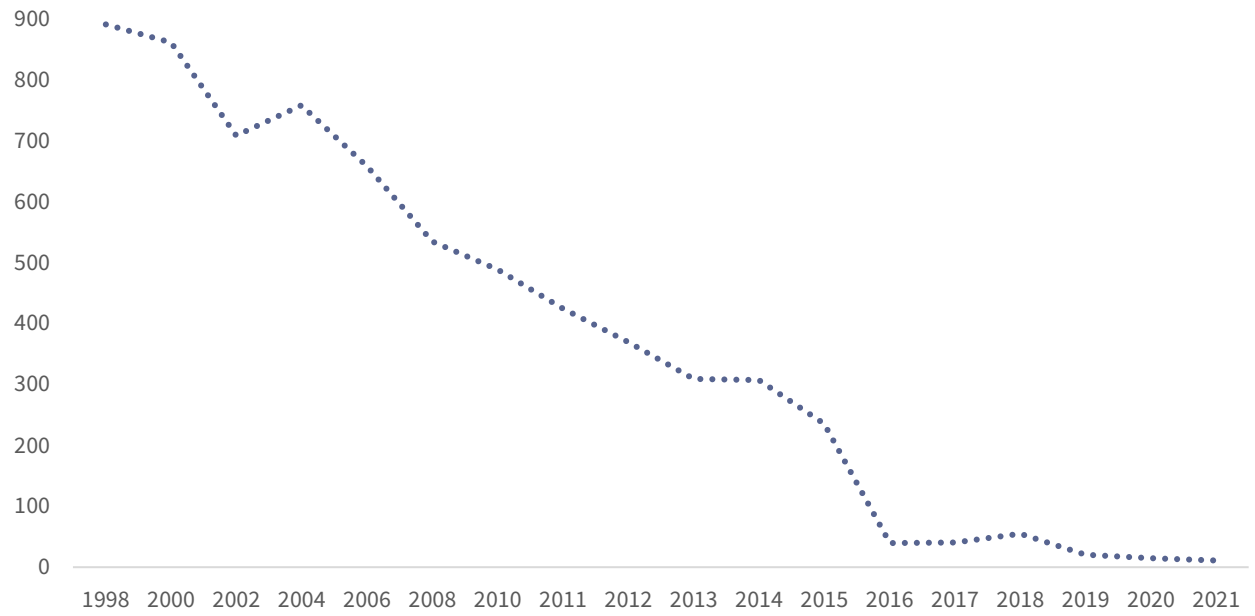
92 See Jonathan Taplin (2017), *Move Fast and Break Things*.

associations that represent the music industries—argued that the industry's revenues were in decline on account of this combination of factors—mass piracy, broadband Internet and uncompensated use of third party content by search engines like Google—and that the experience of the music business was the 'canary in the coal mine' for things to come for the rest of the media.

These views are widely circulated amongst the creative industry trade associations and lobby groups in Canada as well, and funneled via those groups into the policy process. Indeed, such views are central to current debates over the *Online Streaming Act* and why it is intended to cover, for example, Spotify and Youtube.

From some angles, the evidence with respect to the deep and long-term plunge in "recorded music" revenue is clear cut and convincing, as Figure 30 below depicts.

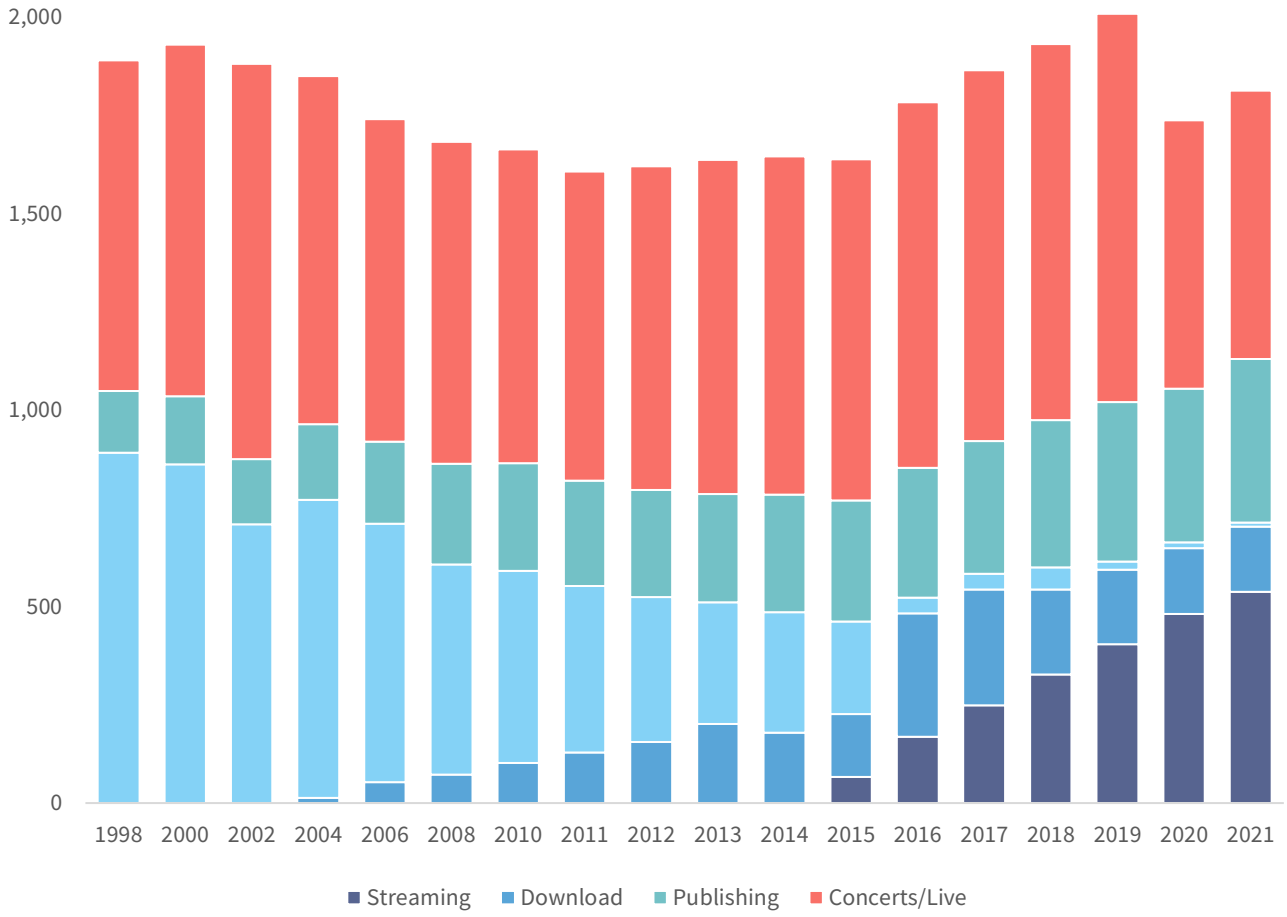
Figure 30: The Collapse of the Recorded Music Industry in Canada, 1998-2021 (current $, millions)



Source: see the "Figure 30 Music$" and "Figure 31 Total Music $" data sheets in the Excel Workbook accompanying this report.

This image of a beleaguered industry, however, is misleading because it refers only to the "recorded music" segment of the industry and lets that stand for the whole. Figure 31 below, however, tells a different story once the three other main segments of the music industry are brought into the picture: (1) music streaming and download services, (3) publishing (lending rights and more digital and network distribution platforms) as well as (4) concerts and live performances.

Figure 31: Total Music Industry Revenues in Canada, 1998—2021 (current $, millions)



Source: see the "Figure 31 Total Music $" data sheet in the Excel Workbook accompanying this report.

To be sure, from some angles, this is not entirely a "good news" story. "Recorded music" has largely vanished. In addition, the sum of all revenues from the music industry—i.e. recorded music, streaming and download services, publishing royalties and concerts–indicates that they did decline from $1,890 million in 1998 to $1,607 million in 2011, where they stayed put for the next half-decade. As such, there was a decade-and-a-half long plus period when the music industry as a whole suffered setbacks. However, beginning in 2016, revenues began to rebound and by 2019 they had broken through the $2 billion mark for the first time.

The last two years, however, have seen an abrupt reversal of fortunes, with concert revenues plunging and dragging down revenue across the music industries as a whole. In 2021, total music revenues were an estimated $1.8 billion.

Before the onset of the Covid pandemic, a renewed sense of optimism was taking root. Thus, already in 2015, Socan, the trade association that represents music composers, writers and publishers in Canada, acknowledged the turn-around, as it boasted of "a banner year".[93] For several years running thereafter, Socan boasted of record high levels of "licensing revenue and distributions to

93 Socan (2015), *Annual Report*, pp. 1 & 8 (copy on file with this report's author).

> Because the music industries embraced digital/ Internet sources of revenue earlier than other media, their fortunes have turned around more quickly

our members".[94] In 2019, such fees hit an all-time record of $405 million. They dipped the next year in the face of the pandemic, largely on account of the temporary shut-down of television and film production, which are vital sources of publishing royalties, early in the year before once again picking up steam for the rest of the first year of Covid. Last year, publishing royalties were at an all-time high.[95]

This turn-around is international in scope. As the IFPI stated as early as 2013 in its annual Digital Music Report, "the music industry achieved its best year-on-year performance since 1998".[96] It sang the same tune the following year: "Recorded music revenues in most major markets have returned to growth".[97] Even as the Covid pandemic took hold the IFPI remained upbeat, stating:

> . . . The universe of opportunities for artists and labels is diverse, vast, and fast expanding. There's strong growth in both subscription and ad-supported streaming, with plenty of runway around the globe. At the same time, the pandemic has accelerated consumer adoption in areas like gaming, live streaming, social media and in-home fitness.[98]

A common thread in each of these sources is that, because the music industries embraced digital/Internet sources of revenue earlier than other media, their fortunes have turned around more quickly. Already by 2012, the industry was obtaining about 15% of its revenues from online, mobile and digital sources.[99] Online music services in Canada now account for close to an estimated 40% of all revenues.[100] In other words, after having suffered the blows from the onslaught of the Internet and piracy early on, the music industry has been out in front of other media sectors in embracing the realities of an ever-increasing Internet- and mobile- centric media world. These lessons may hold for other media as well.

To illustrate the points further, Figure 32 below depicts the proportionate size of the music industries over the last two decades and its drastic transformation away from one centred on recorded music to one where concerts, online music services, as well as publishing royalties play pivotal and growing roles.

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94 Socan (2019). *Annual Report*, p. 2 (copy on file with this report's author).

95 Socan (2022). *Annual Report*, chapter 6.

96 IFPI (2013). *Digital Music Report*, p. 5. (copy on file with this report's author).

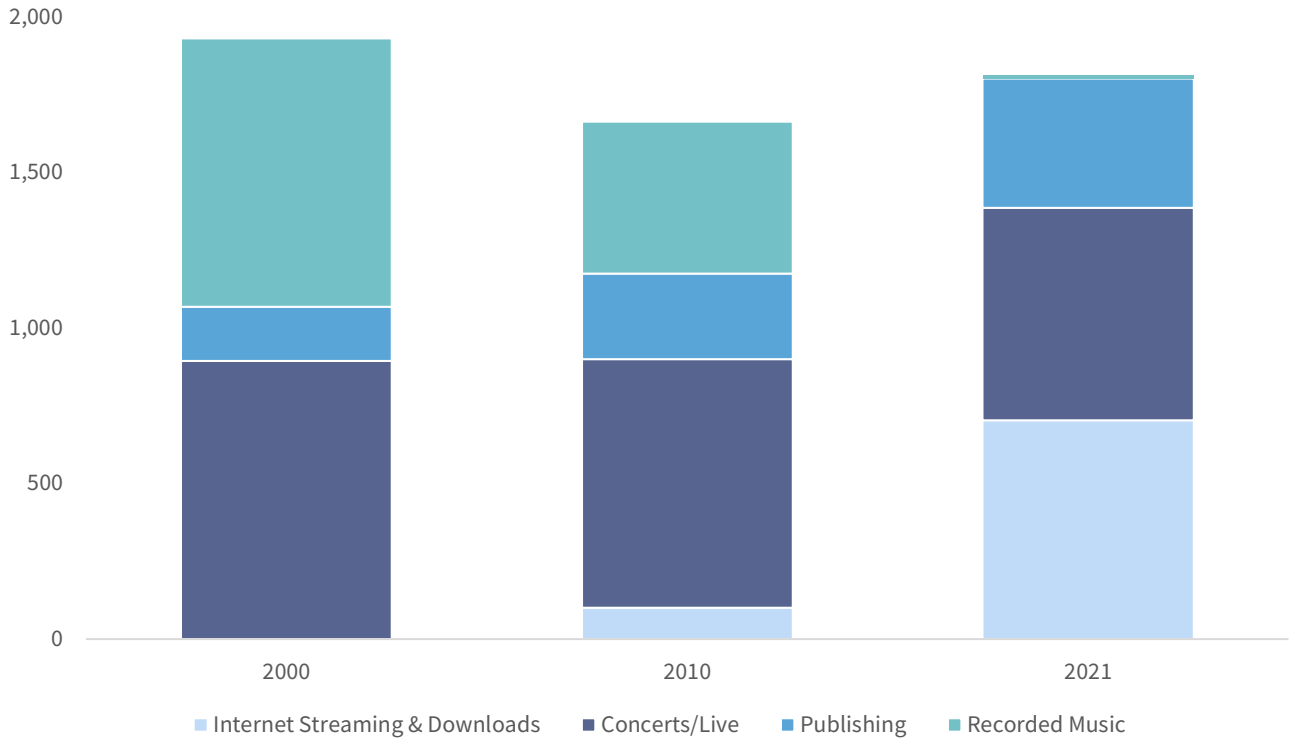
97 IFPI (2014). *Digital Music Report*, p. 5. (copy on file with this report's author).

98 IFPI (2022). *Global Music Report*, p. 2.

99 IFPI (2013). *Digital Music Report.* (copy on file with this report's author).

100 Wall Communications (2021). *Study of the economic impacts of music streaming on the Canadian music industry* (Report for Industry Canada). See figure 2. The "other" segment from that figure is split between revenue for downloads and physical sales, with the amount attributed to downloads derived from Statista. For recorded music sales see Statistics Canada, CANSIM, Table 361-0005 (recorded music minus digital downloads and streaming revenue estimate). One third of the Statistics Canada figure for live performances is used as a proxy for live music entertainment revenues (see Table 36-10-0452-01).

Figure 32: The Structural Transformation of the Music Industries in Canada, 2000, 2010 and 2021 (current $, millions)



Source: see the "Figure 32 MusicChange" data sheet in the Excel Workbook accompanying this report.

To be sure, as with so many aspects of this discussion, the evidence is not all to one side. Perhaps the biggest concern in is that while overall revenues across the music industries have returned to reasonably healthy levels, the question now is whether the rise of streaming music services like Spotify, Apple Music and Google Play, alongside the "big three" international music publishers (i.e. Sony, Warner Music Group and Universal), have made it harder than ever for musicians to make a decent living?[101]

As David Hesmondhalgh (2021) observes, there is need for care all the way around on this question, but he concludes that:

> . . . more musicians rather than fewer might now be able to earn money from recorded music than in preceding recorded-music systems. But . . . the current system retains the striking inequalities and generally poor working conditions that characterised its predecessors, and that better debate requires greater transparency about usage and payment on the part of streaming services and music businesses.[102]

In terms of the present juncture, where debates in Canada are raging around the impact of "big tech" on the cultural industries, especially in relation to the *Online Streaming Act*, that message suggests that the invocation of the 'starving artist'

101 The picture is made even more complex by the complicated overlaps between the two domains given the significant ownership stakes that Sony, Universal and the Chinese "big tech" conglomerate, Tencent, have in Spotify (see Wall Communications Study of the economic impacts of music streaming on the Canadian music industry (Report for Industry Canada)).

102 Hesmondhalgh, D. (2022). Is music streaming bad for musicians? Problems of evidence and argument. *New Media & Society*, *23*(2).

trope may be doing a lot more work than it can carry to advance a constrained policy agenda. Instead, a positive policy agenda can be advanced without the pretense that things were once better than they are now. The bottom line is that musicians need better insights into the conditions of their work and, today, that means gaining greater access to the data that streaming services and publishing groups have on how people use these services; it also requires more insight into who gets paid how much and why? Too often, however, hard questions about money, working conditions and power seem to take a back seat in Canada to a rhetoric of cultural nationalism and a constrained conception of "discoverability" and playlist quotas.

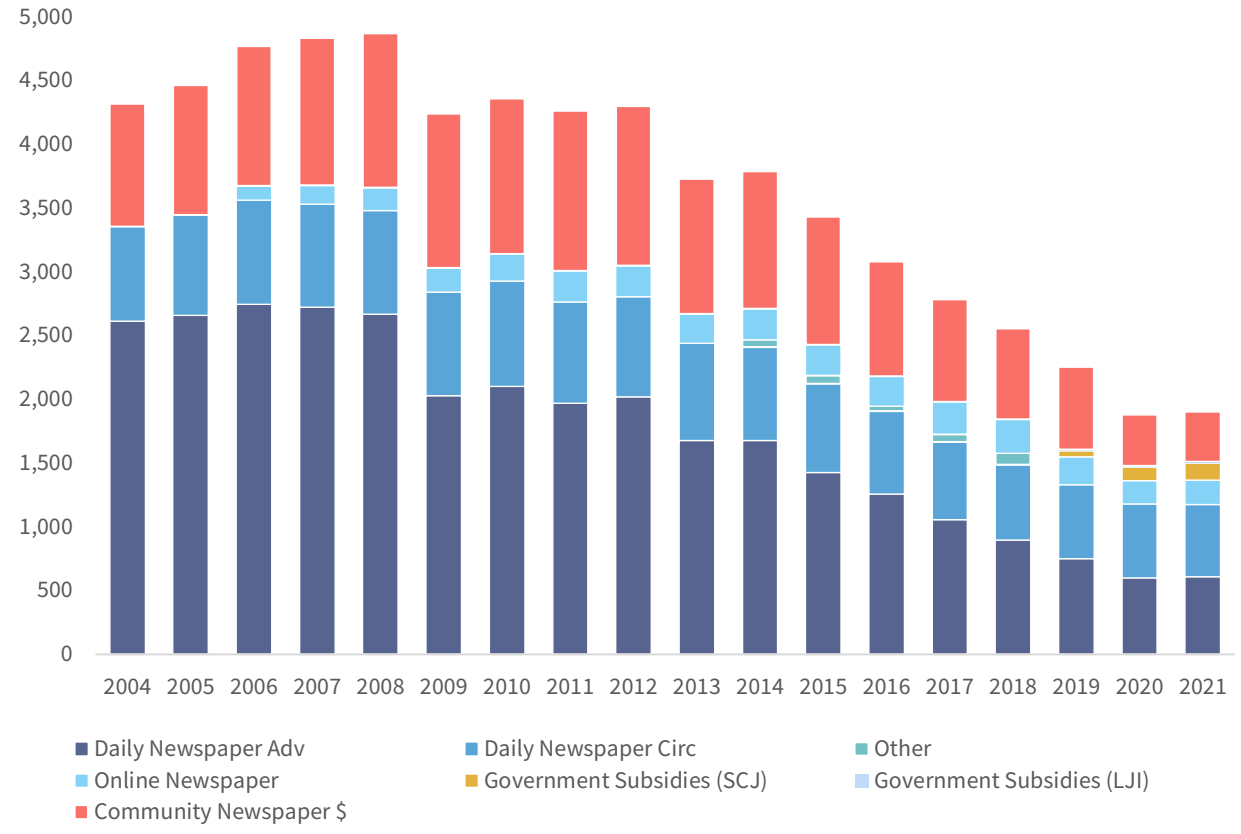
Newspapers and Magazine Publishers in Peril

The Collapse of Newspaper Revenue

Perhaps the most dramatic tale of crisis in the media economy comes from the experience of newspapers and magazines. In Canada, the first tell-tale signs of "the decline of newspapers" began in the 1970s when circulation on a per household and per person basis started to fall, even though circulation numbers, in absolute terms, continued to rise until the early 2000s, as did revenue. Revenue from all sources, and inclusive of both "daily" and "community" papers, peaked between 2006 and 2008 at just a little over $4.8 billion. It has plunged ever since, except for the last two years—2020 and 2021—when a bottom of sorts seems to have been reached at $1.9 billion—forty percent of what it was a *decade-and-a-half* earlier.

Figure 33 below charts the rise and fall of newspaper revenues since the early 2000s.

Figure 33: Newspaper Revenue, 2004-2021 (current $, millions)



Source: see the "Figure 33 Newspaper $" data sheet in the Excel Workbook accompanying this report and the "Total Revenue (Millions)" sheet in the GMIC Project—Canada open data sets.

Magazines stand in a similar position to newspapers. Similar to the press, magazine revenue also peaked in 2008 at $2.4 billion. Fast forward to 2021 and revenue has plunged to $1,097 million, or forty percent of what it was in 2008 (see the "Magazine" entry in the "Total Revenue (Millions)" sheet in the GMIC Project—Canada open data sets).

New and Emerging Revenue Sources: Built to Last or a House of Cards?

That revenue seems to have bottomed out for the last two years is probably a function of several factors. First, advertising, subscriber and digital revenues all stabilized for the first time in a long time. Second, the federal government's Journalism Support Program and the Local Journalism Initiative injected a total of $261 million dollars of public funding into journalism in 2020 and 2021, respectively.[103] Media organizations also drew on the Canada Emergency Wage Subsidy that ran between March 2020 and October 2021 to help businesses offset the blows of the pandemic. Altogether, media organizations obtained over a half billion from CEWS while another half went to television and radio broadcasters.[99] News outlet closures and journalistic job cuts continued during this time, according to Lindgren, Wechsler and Wong, but federal subsidies helped to slow the tide.[104]

Third, Google, Facebook and Apple News+ have all signed a flurry of deals with news groups across Canada and internationally to use their news content in the tech giants' search, social media and app store services. Colin McKay, Google's Head of Public Policy and Government Relations in Canada, for example, told the parliamentary hearings on the *Online News Act* that the company has struck one hundred and fifty deals under its Digital News Initiative and Google News Showcase with Canadian news groups (as it has done with other such groups around the world).[105] Google has also provided funding to 229 news outlets—print, broadcasting and online—in Canada from its Journalism Emergency Relief Fund since 2020, including to titles that run the gamut from some of the biggest national broadcasters and publishers such as Bell Media and Torstar, to mid-size regional publishers such as FP Canadian Newspapers (publisher of the *Winnipeg Free Press* and *Brandon Sun*), ICI Media and the National Independent Information Cooperative (CN2i), and to small publications, radio broadcasters on online news sources.[106]

Facebook has also announced such deals through its News Innovation Test with eighteen news ownership groups in Canada.[107] Some of the media organizations on the list include, for example, the *Toronto Star*, the *Globe and Mail*, *Canada's National Observer*, CN2i, *Village Media*, *The Saltwire Network*, amongst others.

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103 The Supporting Canadian Journalism program announced in the 2019 budget provides $595 million to be distributed over 5 years while, in 2019, the Local Journalism Initiative (LJI) added $50 million over five years to encourage and support local journalism. The supporting Canadian Journalism program has three components: 1. A new refundable tax credit for journalism organizations; 2. A non-refundable tax credit for subscriptions to Canadian digital news; and 3. Access to charitable tax incentives for not-for-profit journalism (also see here). Another $20 million was added to the Local Journalism Initiative through the Recovery Fund for Arts, Culture, Heritage and Sport Sectors in 2021 and the 2022 federal budget. Both public subsidy programs will run until 2023-2024, with pay-outs split across each year as shown in the "Figure 33 Newspaper $" sheet of the Excel Workbook accompanying this report. While the funds are allocated according to the federal fiscal year, the funds here are distributed on the basis of the calendar year.

104 Lindgren, A., et. al. The Covid years: Risk, reward and rethinking priorities. *J-Source*.

105 Canada, Standing Committee on Canadian Heritage (October 18, 2022). *Bill C-18, An Act respecting online communications platforms that make news content available to persons in Canada (Minutes)*.

106 Google (nd). Journalism Emergency Relief Fund (including a spreadsheet of recipients internationally since the fund began in April 2020.

107 Meta (Nov. 2, 2021). Meta partners with Canadian news publishers on News Innovation Test.

While no doubt such funds are welcome to the recipients of them, nothing is known about the amount of money involved in any of these initiatives. In fact, there is little known about any of their details. While this report was being prepared, however, Facebook did tip its hand to its estimate of the value of news content shared on its services from Canadian sources: $230 million dollars—a figure in line with the sums paid out in Australia since it adopted the News Media Bargaining Code last year.[108]

This clue to how much Facebook thinks news is worth was pried loose from the company only after the debate over the *Online News Act* (Bill C-18) was in full-swing. That reality, in itself, reveals how even just the threat of regulation can help bring to light insights that are foundational to a basic understanding of the interactions between platforms (or digital news intermediaries, as the *Online News Act* calls them), and news media groups. In that sense, while the headline objectives of both the *Online News Act* in Canada and the *News Media Bargaining Code* in Australia are to tackle the imbalanced terms of trade between the tech giants and the press accruing from the former's dominance of the online advertising market, and, thereby, to restore the viability of commercial journalism, it is also about gaining access to more information about how these entities operate and into the news ecology overall.

There is also another key question in play: what will happen when these additional and substantial lines of revenue from government subsidies, increased government advertising, pandemic economic support measures and funding from 'big tech' are withdrawn? While the reprieve at present brought about by the new lines of revenue is welcome in industry quarters, it is reasonable to ask if the whole edifice underpinning their operations rests on a house of cards that could collapse quickly when these sources disappear. In fact, Meta (Facebook) did just this midway through 2022 when it told news groups in the US that it will no longer pay for their content to appear in Facebook's News Tab.[109]

While newspaper publishers have tried since the late 2000s to obtain payments for the use and sharing of their content through search engines and social media services, only in the last few years, with threats of regulation hanging in the air, have significant amounts of money begun to flow into their coffers.[110] How all this will play out in the days ahead, it is still too early to tell. That said, in the future, such payments will need to be added to the bottom line of those who receive them and to the different media sectors affected. It will also be essential to shed light on the terms of these deals, a goal the *Online News Act* could help to achieve. Vigilance will also be needed to ensure that the news media's growing dependency on the platforms does not blunt their willingness to report critically on 'big tech' in order to avoid "biting the hand that feeds them".

As these funding arrangements from 'big tech' to journalism have been put in place in recent years, newspaper publishers have been pursuing other ways for at least a decade to stanch the losses affecting them. One key effort in this regard has been the erection of paywalls.

Prior to 2011, there were no significant daily newspapers with paywalls in Canada. That changed swiftly, however, and by 2013, there were 27 dailies accounting for 45% of daily circulation locked up behind paywalls. By 2015, the number had grown to 38 dailies and well-over half of all circulation. Paywalls were erected so fast and extensively between 2011 and 2015 in Canada that they were more prominent in this country than in either the US or the UK.[111] The use of paywalls climbed to two-thirds of daily newspapers by 2018 and have remained in place ever since.

Figure 34 below illustrates the rise of newspaper paywalls by circulation over the past decade.

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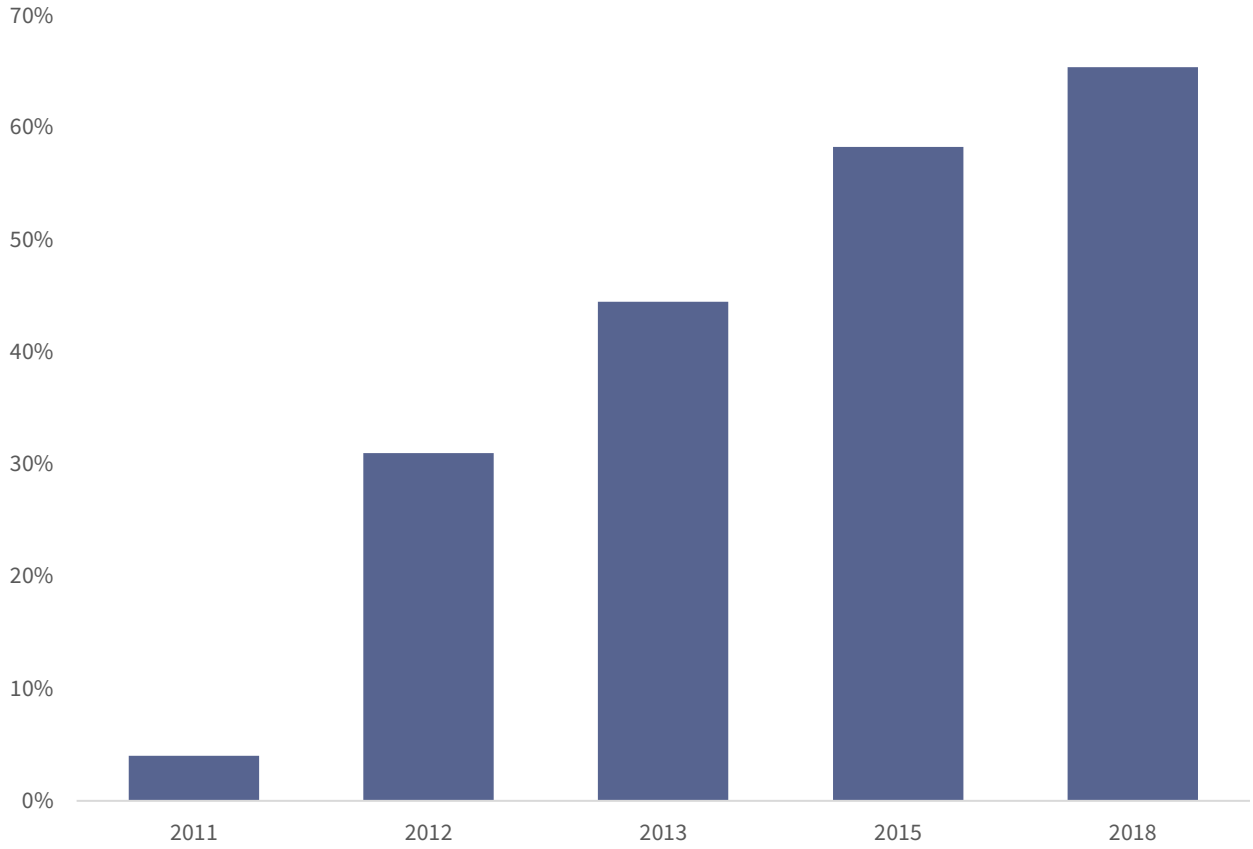
108 Meta (Oct. 21, 2022). Sharing our concerns with Canada's Online News Act; Sims, R. (2022). Instruments and objectives; explaining the News Media Bargaining Code. Judith Neilson Institute.

109 Fischer, S. (July 28, 2022). Scoop: Meta official cuts funding for U.S. publishers. *Axios*.

110 Nielsen, R. & Ganter, S. (2022). *The power of platforms*. London, UK: Oxford University.

111 Toughill, K. (2013). Paywalls are more prevalent in Canada than in U.S. and U.K. *J-Source*.

Figure 34: Percentage of Newspaper Circulation Behind a Paywall, 2011-2018



Source: see the "Figure 33 Paywalls" data sheet in the Excel Workbook accompanying this report

While paywalls have been part of newspaper publishers' strategy of increasing digital revenues for a decade, the revenue gained has not come close to matching what has been lost. Online revenue has grown from next to nothing fifteen years ago to $267 million in 2018. This gain pales in comparison, however, to the roughly $3 billion in lost revenue per annum that has occurred since 2008. Moreover, online revenue has actually declined from its high of $267 million in 2018 to $190.8 million last year. In other words, paywalls and digital dollars have not been a cure for what ails commercial journalism.

Tough Times but Bright Lights on the Horizon

That tough times continue to buffet the newspaper industry can also be seen in the fact that since 2008 the number of paid daily newspapers has dropped from 98 to 68.[112] In fact, even this latter figure masks the reality that even the industry's trade association—News Media Canada—itself has so fudged the definition of what a "daily newspaper" is in recent years that it is no longer possible to compare such figures today with what they once referred to not-so-long ago.

Nonetheless, the punishing effects of these trends are clear, with some of the more illustrative highlights from the past few years listed below to illustrate the point:[113]

112 Canadian Newspaper Association (2009). ***Daily Newspapers circulation report, 2008***. File on record with the author; News Media Canada (2022). *Ownership Groups - Canadian Daily Newspapers.*

113 Thanks to Dr. Sabrina Wilkinson, a recent Ph.D. graduate from Goldsmiths University (London, UK) for her past contributions to this section. Her research has led me to many of these examples and sources, and

- In November 2018, Postmedia pared back its publishing schedule by one day per week at eleven local newspapers: the *Kingston Whig-Standard*, *Belleville Intelligencer*, *The Brockville Recorder and Times*, *Chatham Daily News*, *Cornwall Standard Freeholder*, *Owen Sound Sun Times*, *Sarnia Observer*, *Stratford Beacon Herald*, *Woodstock Sentinel-Review*, *St. Thomas Times- Journal* and *Simcoe Reformer*. This followed the closure of six other small town papers in June and publishing schedules cut at four others.[114]
- In November 2017, Torstar and Postmedia swapped 41 newspapers, mostly community papers, the vast majority of which (i.e. 37) were immediately shut down and 290 employees laid off. The companies' paper swap effectively divided Ontario into zones of mutual exclusivity, or local monopolies—all of which begot an inquiry into potential collusion and anti-competitive behaviour by the Competition Bureau.[115]
- Torstar cut 220 positions in 2016 and eighteen positions were cut at the *Globe and Mail* in 2014 (with the latter cuts bringing the number of lay-offs at the *Globe and Mail* to 100 since 2012).[116] Voluntary retirement programs for journalists and editorial staff have been a steady feature at the paper ever since (here and here).[117]
- *La Presse* announced the elimination of 102 full-time staff positions and fifty-six in 2015.
- Smaller papers such as the *Halifax Chronicle-Herald* saw similar trends, with twenty lay-offs at the 2014 and staff at the paper on strike for much of 2015 and 2016; lay-offs of nine editorial and photographic staff across the Brunswick News chain in the Maritime provinces; and six French papers in Quebec (*Le Soleil*, *Le Nouvelliste*, *Le Quotidien*, *La Tribune*, *La Voix de l'Est*, *Le Devoir*) were sold by Gesca/LaPresse to Group Capitales Médias in March 2015.
- In 2020, Canada's largest newspaper ownership group, Postmedia, closed 15 community papers, laid off fifty people, cut seventy others and imposed a temporary 5-30% salary cut for journalists and staff making over $60,000 per year, despite receiving $10.8 million from the federal government's journalism support program, another $40.3 million from the Canada Emergency Wages Subsidy and $1 million from the Quebec government's subsidy program for news media organizations. In 2020, Postmedia recorded operating profits of 36% on revenue of $190.7 million.[118]

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their significance.

114 Canadian Press. (2018, November 7). 11 Ontario Postmedia newspapers to publish one less day of the week. *J-Source*.

115 Competition Bureau Canada. (2018, March 12). *Statement from the Commissioner of Competition regarding searches in the greater Toronto area* [Statements].; Jackson, E. (2018, March 23). Competition Bureau's concerns over Postmedia-Torstar newspaper swap revealed in court filing. *Financial Post*.

116 Press, D. P., The Canadian. (2017, November 1). Torstar CEO: Cost-cutting has preserved cash needed for business transformation. *Financial Post*; ; Salamon, E. (2017, December 20). All the cuts (and a few hires) in Canadian journalism in 2017. *J-Source*.

117 Houpt, S. (2013, April 22). *Globe announces voluntary separation program for staff*. The Globe and Mail (Online); The Globe and Mail; Miller, J. (2013, April 25). *Drown the kittens*. [Blog].

118 Postmedia (2021). ***Annual Report 2020***, pp. 9, 55, 71. April Lindgren also addresses broader concerns that the Canadian government's journalism support program will prop up the dying newspaper sector and go to the incumbent players such as Postmedia and Torstar, while the same companies will take taxpayers' dollars but continue to cut the resources needed to do good journalism, close community papers and slash staff while giving priority to CEO compensation and payouts to shareholders. Lindgren, A. (2020). Local news is being decimated during one of its most important moments. ***Policy Options***. The reality is that public subsidies for the press are long-standing, but their track- record is mixed. It takes great care to ensure that private interests do not free ride on public funds and public policy. In short, public subsidies for public interest journalism are essential but not an easy to assemble silver bullet. See Murschetz, P. (ed. 2014). State aid for

- Summing up the trends since the onset of the Covid pandemic, Lindgren and Corbett, found that 78 news outlets have been closed down for good—one television station, two online news sources, ten radio stations and 65 community newspapers—although the pace was slower (except for radio) than the preceding two years largely because, both, the federal journalism subsidies and Covid economic support measures helped keep an even worse outcome at bay.[119]

A regularly updated tally of newspaper and broadcasting stations that have been closed, opened, or decided to either pare back or expand their publishing schedules can be found at the Local News Research Project created and maintained by researchers at UBC and Toronto Metropolitan University.[120]

In a recent article in *The Walrus*, April Lindgren of Toronto Metropolitan University draws on interviews and data from one of the unions representing journalists, CWA Canada, to illuminate the human dimension of the losses.[121] As she observes, for example, the number of newsroom staff at *The Ottawa Citizen* has dropped from 190 in the 1990s to fifty in 2019. At the *Montreal Gazette*, the CWA Canada had 275 members in 1990; now its newsroom consists of forty-one people.

Elsewhere, Lindgren and her colleagues note that 57 per cent of journalist respondents to their survey said there are fewer people in their newsrooms than in 2016, and that those cuts had eroded the quality of journalism in their publication.[122] As Lindgren concludes, the casualties in all of this are people who live in cities, towns and rural communities across the country. They have been left with little or no access to local news or they are being given gruel rather than the robust, timely, verified and independently produced news required to navigate daily life.[123]

Yet, several things must be born in mind when reading or, more to the point, listening to interested parties and lobby groups such as News Media Canada present the case about journalism in decline based on these scholars' work. First and maybe most importantly, while the loss of close to three-dozen paid daily newspapers over the past decade-and-a-half is significant, it is also the case that roughly half of the titles lost were free commuter dailies that have never been held up as bastions of original reporting of their own, the free press and democracy. Moreover, the vast majority of local news media closures, i.e. 359-out-of-468, were of community papers, most of which were typically published once a week.[124]

While such publications have likely contributed to a sense of community through the publishing of accounts of local events and announcements, their main function has been to deliver advertising to people's doorsteps on behalf of local businesses. As such, mourning the loss of community weeklies and free commuter papers as a loss for democracy rests on a false equivalency between these publications and daily newspapers based on original journalism. Yet, it is just such sleights of hands that too often allow private commercial interests to cloak themselves in the rhetoric of public interests and the free press to further their own ends.

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newspapers.

119 Lindgren & Corbett (2022). Local News Map data reports, p. 4.

120 See Lindgren & Corbett (2022). Local News Map data reports and Lindgren & Corbett (2022). Local News Map data reports—raw data.

121 Lindgren, A. (2019). What the Death of Local News Means for the Federal Election. ***The Walrus***.

122 Lindgren, Jolly, Sabatini & Wong (2019). *Good news, bad news: A snapshot of conditions at small market newspapers in Canada.*

123 Personal correspondence with author, November 18, 2021.

124 Lindgren & Corbett (2022). Local News Map data reports, p. 3.

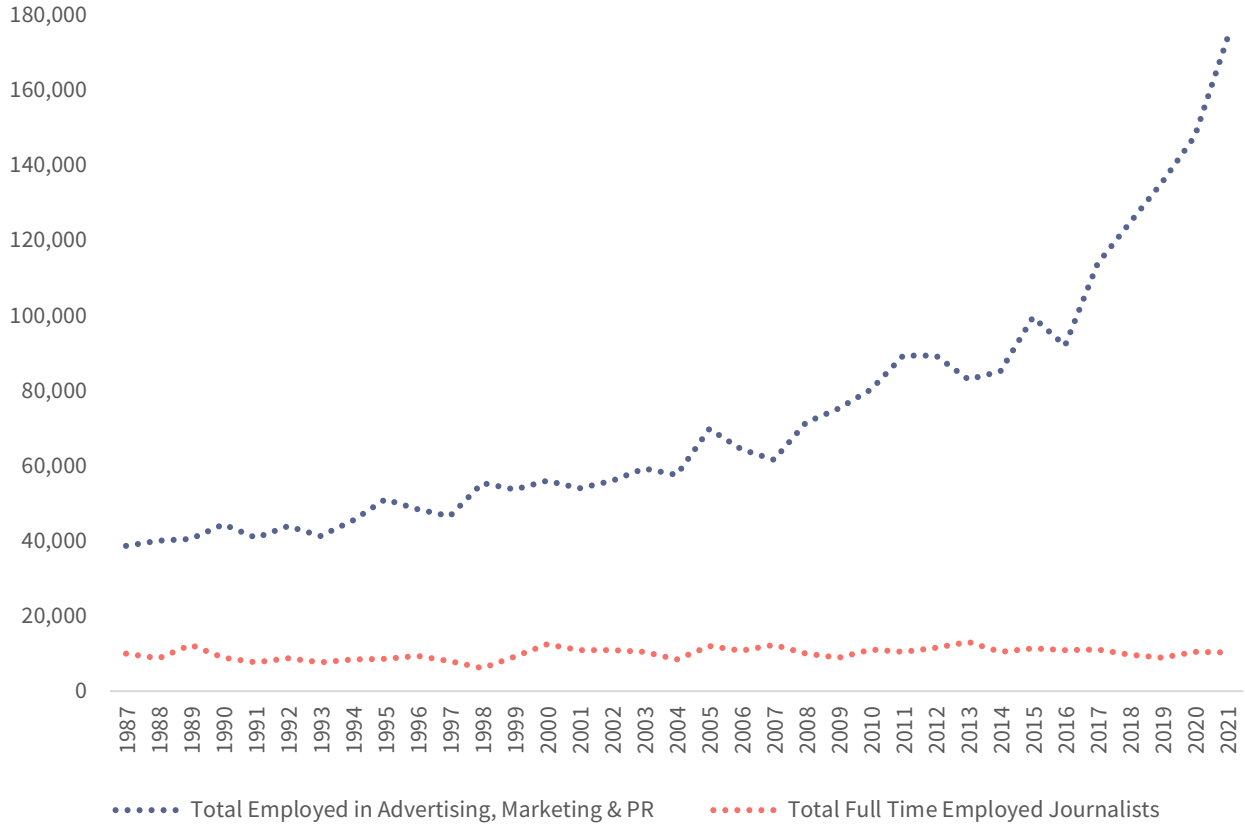
How to square the circle in this regard is not at all clear. Yet, unless we figure out how to do that, the result will be situations described a moment ago where groups such as the US hedge fund-backed Postmedia will avail themselves of public subsidies from the government of Canada while slashing and burning the very thing such subsidies are supposed to fortify, i.e. full-time journalists committed to making the free press work in the public interest.

It is also important to get a robust measure of the scale of lost journalism jobs over time to get a proper gauge of the seriousness of the crisis of journalism and the policy measures that might counteract it. In this regard, Statistics Canada's data on the number of full-time journalists employed over the past three-and-a-half decades is the most complete and comprehensive source on the subject.

The headline based on Statistics Canada's Labour Force Survey data is that the number of full-time journalists in Canada has fallen from 13,000 to 10,200 since 2013—a drop of 22%. This is a big loss, to be sure, but it is less than figures that are many times that high endlessly circulated by lobby groups and think tanks like the FRIENDS (formerly Friends of Canadian Broadcasting), he Public Policy Forum, News Media Canada, and regularly regurgitated by them and others in the context of the ongoing debates that are taking place over the *Online News Act* (Bill C-18) as I write, for instance. All this takes place despite each of these actors knowing full well that the Statistics Canada data exists, but avoiding it, likely because it is not as lurid as the figures they cite and, therefore, not as useful to advancing the interests and particular views of media and Internet policy they are advocating for.

Figure 35 below illustrates the twists and turns that have defined the uneasy fate of journalists in Canada for the last three-and-a-half decades.

Figure 35: Journalists vs the PR, Advertising and Marketing Professions, 1987- 2021



Sources: Statistics Canada (various years), Labour Force Survey, custom tabulation: Total employment for journalists (NOC 5123), all industries 1123 and Professional occupations in advertising, marketing and public relations (NOC 1123). See the "Fig 35 FT Journalists vs PR" data sheet in the Excel Workbook accompanying this report.

It is also important to note two other things. First, pinning the number of journalistic job losses to 2013 is selective, given that this was the high point of journalism jobs ever. Prior to that, the number of full-time working journalists in Canada had stumbled upwards over the past three-and-a-half decades, growing by roughly fifty percent to 12,400 full-time journalists at the end of the 1990s, then plunging thereafter amidst the dot.com financial crisis, before inching ever so slowly upwards after that until reaching its peak in 2013. Second, while a wave of cuts followed for the next six years, the pace of those cuts has slowed over time. In 2020, the number of working full-time journalists actually rose from 8,880 the previous year to 10,500, before dipping again to 10,200 full-time journalists employed last year. Yet, even this piece of good news over two years running has not garnered any headlines. Why?

The circumstances look even more grave once we consider that the modest increases that have taken place over time did so against a media economy that has quadrupled in size and relative to increases in the size of the economy and the general population. Moreover, as Sabrina Wilkinson observes, not only are the number of journalism jobs in decline, amongst those that do remain, fewer are permanent and less job security is now the new normal.[125] Also, consider the grim fact that the modest growth in the number of journalists that did occur over the past three decades has been vastly outpaced by the growth of the PR, advertising and marketing professions. In 1987, there were four people working in the publicity business for every journalist; last year, the imbalance had ballooned to an astonishing 17:1.

Will Digital Upstarts and Not-for-Profits Turn the Ideals of the Networked Free Press into Reality?

Of course, new commercial and even a few philanthropic supported, Internet-based approaches to journalism and public commentary have sprouted up all over the country in the past twenty years.[126] Thus, alongside news outlets closed and journalism jobs slashed, we must also tally up those cases where news services have expanded and new news outlets created. Again, as the *Local News Research Project* observes, since 2008 there have been 207 new local news media created. Many of these are community papers, as well as a handful of private and public television stations and nineteen radio stations, but the biggest growth has been with the 111 online news sources launched during this period.[127]

Some of these new news sources are owned by well-established media companies, such as Rogers, Bell, Black Press, Torstar, Glacier Media and the CBC, but the vast majority are from new independent owners as well as several regional media groups such as Village Media, Overstory Media Group, Your Community Voice, and so forth.[128] Others sources such as Canadaland, in particular, have also added a vibrant and credible new source of news, information, media criticism and opinion to the otherwise often insular media and journalistic culture in Canada. Other publications like *The Walrus* also seem to be gaining a new lease on life, with valuable examinations and commentaries of its own on significant public issues and written by those with journalistic experience.

Other examples offer specialized expertise in specific areas, such as *iPolitics*, *Policy Options* and the Hill Times' suite of publications (e.g. *The Wire Report*). That many of these ventures have been launched by professional journalists is to their credit, as is the fact that they have also broken important news stories picked up by the national and international media.

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125 Wilkinson, S. (Nov. 19, 2019). Canadian journalism in decline: Fewer permanent jobs, less security. *The Conversation*.

126 See: the National Observer, The Tyee, AllNovaScotia, Policy Options, Canadaland and Blacklock's Reporter, for instance.

127 Lindgren & Corbett (2022). Local News Map data reports, p. 6.

128 Lindgren & Corbett (2022). Local News Map data reports, p. 6.

Another notable development in recent years is the emergence of several non-profit news organizations, no doubted aided by the measures in the federal government's Supporting Canadian Journalism program that explicitly aim to promote just that.[129] Perhaps the best-known example of a not-for-profit journalism organization in Canada is the remaking of *La Presse* from a subsidiary of the diversified conglomerate, Power Corporation, into a free-standing and independent charitable trust in 2020. Altogether, there are now eight such not-for-profit journalism organizations that have taken root in the past few years in response to both the conditions outlined in these pages and the new policy measures designed to help nurture their existence: La Liberté, the Narwhal News Society, New Canadian Media, The Local TO, Journaldesvoisins.com and The Canadian Jewish News.

At the same time, however, whether it is the commercial *iPolitics* or the not-for-profit *LaPresse*, they also remind us that their independence must be qualified by the recognition that they, too, continue to be heavily subsidized, not by advertising or government funding, but wealthy patrons. For *iPolitics*, it was the Molson family, while for LaPresse, it is the Desmarais family, one of the wealthiest and most politically well-connected families in Quebec and Canada.

Altogether, this remaking of news, opinion and public commentary media in Canada has also brought academics-as-public intellectuals back into the public conversation in ways that have added expertise and diversity to journalism and the public sphere. The revival of the partisan press, while unfortunately also fueling vitriol and extreme political voices, can also offer new voices that enliven democracy by engaging people to be more actively involved in it. Overall, this flurry of activity and the mix of commercial and not-for-profit journalism reminds us that, while the crisis of journalism is real, the interregnum period we are now in is also ripe with opportunity to create a more robust, vibrant and networked digital free press.

ANALYSIS - Some Reflections on Journalism, Public Subsidies and Public Goods

Early on, the intersection between journalism and the Internet led some—including me—to be hopeful that we were seeing the emergence of a vibrant "network free press" that would help to shake democracy out of its long-term stupor.[130] Such hopeful optimism, however, has not come to pass, and in many ways the situation now is far worse than it was a decade ago. That said, the possibilities to foster a more diverse and free press have not been snuffed out, either, but to understand such prospects we must be realistic in our assessment of the situation while also confronting some hard truths.

Take, for example, the reality that Canadians use the Internet and social media quite extensively as "pathways to the news".[131] Furthermore, the range of Internet news sources that they consult when doing so is quite broad and diverse, consisting as it does of a mixture of new and old, as well as local, national and international news sources (a point we will return to in our next report). Even with the far greater diversity of online news sources available to Canadians, however, traditional news organizations are still the most important sources of journalism. In fact, that none of the newer news outlets outlined above, either online or off, even ranks amongst the top sixty Internet news sources that people in Canada turn to for news speaks volumes about their modest impact so far.[132]

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129 Canada (2019). *Budget 2019: Tax Measures, Supplementary Information*.

130 Benkler (2009).

131 Newman, N., Fletcher, R., Kalogeropoulos, A., & Nielsen, R. K. (2019). Reuters Institute Digital News Report 2019. *Reuters Institute for the Study of Journalism*, p. 156.

132 See the "Online News Media" sheet in the GMIC Project—Canada open data sets.

The possibilities for revitalizing journalism are also hemmed in by an intractible problem that has affected journalism throughout the history of the free press and democracy: i.e. *people have never paid the full cost for the news*. Indeed, for the past 150 years, this reality had been masked by the steadily increasing role that advertising played in subsidizing people's news consumption, but that façade has, as we have seen above, been collapsing for the last decade-and-a-half.[133] As the Reuters Institute's *Digital News Report* (2022) observes, only 15% of Canadians are willing to pay for the news online. This number has inched up over time, but ever so slowly, and it remains in line with most of our international peers, with the average across the US, Australia, Europe and Japan being just a few percentage points higher.[134]

Given this unwillingness to pay for the news—historically and today—once the advertising subsidy that has been journalism's bread-and-butter for the last century dries up, or is diverted more and more to the Internet and into the pockets of Google and Facebook, who or what will fill the breach?

Many of the major publishing and broadcasting groups in Canada have repeatedly called for subsidies in response to these conditions, and, unsurprisingly, that they specifically should be the main beneficiaries.[135] It is precisely this combination between the entrench unwillingness of people to pay for news and such lobbying calls for subsidies that underpin the steps taken by the Liberal government in its 2019 Budget by announcing a journalism support program and the Local Journalism Initiative.[136]

Of course, the idea of public policy supports and public subsidies for journalism has also been resisted in many quarters, not least by many of the new journalistic ventures that have emerged in recent years and which are still trying to become commercially viable.[137] The view from those opposed to public policy interventions of any kind along these lines tends to be four-fold:

1. First, taking subsidies from government will turn journalist watchdogs into politicians' lapdogs, and be at odds with the liberal theory of the free press;
2. subsidies will be used to preserve "legacy media" like broadcasters and newspapers that are better left to die;
3. or worse, funds will be funneled to commercial enterprises and the CBC—both of which are exactly the incumbent players that new upstarts must compete against tooth-and-nail as they seek to carve out a place for themselves in the media world;
4. crowd-funding, subscriptions or some other type of direct payments by consumers will do the trick while also avoiding all of the above threats.

Point one is historically incorrect. Points two and three are real concerns and are already being borne out by the two years of experience so far with the Liberal Government's journalism support program, as the example of Postmedia a moment ago vividly illustrates. Indeed, itis highly problematic that News Media Canada—the industry's trade group—plays a role in determining who get what from the $50 million Local Journalism fund. Just the perception of conflicts of interest arising from this situation compromises the integrity of the government's otherwise creditable bid to bolster independent, public interest journalism. However, we can take some comfort in the fact that News Media Canada does not play a role in deciding

133 John, R. & Silberstein-Loeb, J. (Eds.) (2015). *Making news: the political economy of journalism in Britain and America from the Glorious Revolution to the Internet* (pp. 196-222). London, UK: Oxford University; Pickard, V. (2019). *Democracy without journalism*. London: Oxford University. Also, see our first report in this year's two-part series where we elaborate on this point.

134 Reuters Institute (2022). *Digital News Report 2022*. London, UK: Reuters Institute for the Study of Journalism, p. 19.

135 See, for example, Postmedia CEO Paul Godfrey's call to the Canadian Heritage Parliamentary Committee along these lines, as well as similar calls from Quebec-based newspaper groups (see here). Also, News Media Canada (2020). *Levelling the Playing field.*

136 Canada (2019). 2019 Budget.

137 See, for example, Canadaland's position statement on the issue.

who gets accredited as a Qualified Canadian Journalism Organization (QCJO), or who receives benefits from the Journalism Labour Tax Credit and Digital Subscription Tax Credit from the far larger, five-year $595 million Canadian journalism support program. That said, the flow of tens of millions of dollars per year from that program into the coffers of the Postmedia Group and Torstar while news budgets continue to be slashed and lavish, executive compensation goes on as usual, as we saw earlier, is deeply troubling.[138]

Point four is wishful thinking: crowd-funding will never rise to the level needed, nor be public in nature or as representative as it needs to be. In sum, the idea that paywalls, crowdfunding, paid subscriptions, wealthy philanthropists, or some combination thereof might carry the day brings us right back to square one: people have never paid the full-freight for journalism. This has been true historically.[139] This is still true today.

From a historical point of view, and within the context of liberal capitalist democracies, there has always been some combination of three types of subsidies that have kept the "free press" afloat:

1. Advertising, which came unto its own between the 1880s and 1920s in North America and Europe as the main source of income for the press.[140]
2. Public funds provided by democratic governments, perhaps most innovatively and expansively beginning with the 1792 Postal Act in the US that used the development of a universal postal system to (a) bring "general intelligence to every man's [sic] doorstep" The use of public funds to create public service broadcasters throughout western democracies from the 1920s and 1930s onwards to the present day is a more familiar version of the use of public subsidies to support the development and economic viability of journalism in the public interest.[141]
3. Wealthy patrons who have funded journalism to pursue political, ideological and philanthropic goals, notably in Canada by Conrad Black who started the National Post in 1998.

The question, thus, is not whether journalism should be, at least in part, subsidized but what kind of subsidies will be established, how much will they be, what criteria will be used to decide who will get them, and how will they be organized and administered in a way that best supports public interest journalism fit for a democracy?[142]

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138 See Lindgren, A. (2020). Local news is being decimated during one of its most important moments. *Policy Options* and Scire, S. (2020), In Canada, a government program to support local news tries to determine who's deserving, NiemanLab, for a fuller account of the beneficiaries of the journalism support fund. For details on these programs, see these two sources; Canada (2020). Supporting Canadian Journalism; Canada (Canada Revenue Agency (Nov. 15, 2021). Guidance on the income tax measures to support journalism.

139 John, R. R. (1998). *Spreading the News: The American Postal System from Franklin to Morse*. Harvard University Press; Pickard, V. (2019). *Democracy without journalism*. London: Oxford University.

140 Baldasty, G. J. (1992). *The Commercialization of News in the Nineteenth Century*. Univ of Wisconsin Press; Pickard, V. (2019). *Democracy without journalism*. London: Oxford University. Sotiron, M. (2005). *From Politics to Profit: The Commercialization of Canadian Daily Newspapers, 1890-1920*. McGill-Queen's Press.

141 John, R. (1998). *Spreading the news*. Cambridge, MA: Harvard University; John, R. & Silberstein-Loeb, J. (eds.). *Making news: the political economy of journalism in Britain and America from the Glorious Revolution to the Internet* (pp. 196-222). London, UK: Oxford University.

142 See Murschetz, P. (ed. 2014). *State aid for newspapers*; Lindgren, A. (2020). Local news is being decimated during one of its most important moments. *Policy Options*.

> Railing against the idea of press subsidies as if they are an aberration and endemically at odds with the liberal free press tradition is factually incorrect

Avoiding, or simply opposing, subsidies on the ground that they are antithetical to "market values" also ignores the reality that paywalls, and the entire edifice of intellectual property upon which they are based, is a specially devised creature of "the state" designed to deal with the public good characteristics of news, knowledge, ideas and culture to begin with. Indeed, the whole institutional set-up of copyright is founded on a basic predicate: these goods are not normal commodities traded in normal markets. That is why distinct "intellectual property laws" have been created for them, unlike most other kinds of "property" where the standard laws that govern property and market relations hold sway.

In a bid to encourage the production and consumption of news, copyright was not extended to news until after the turn-of-the-20th century. Indeed, news itself wasn't even copyrightable–i.e. treated as quasi-property—in the eyes of the law—in the UK until this time. Similar events took place in the US in 1918.[143] As a matter of fact, subsidies and legal protections like copyright have been the twin pillars of journalism in liberal capitalist democracies for the last century, and both measures have been crucial to furthering the free press and free speech values that it embodies and that democracy needs to flourish.[144]

The economic ways and means used to produce such things through a combination of market and non-market forces are integral parts of the overall structure of the media economy not just in Canada but around the world—at least developed and democratic ones. The settlement struck during the 'industrial media era' that recognized these basic facts is coming undone, but without any clear alternatives in sight. Turning away from such realities for reasons of self-interest is understandable but avoids the nub of the issues before us. How to settle the problems raised by these issues is an open question. However, railing against the idea of press subsidies as if they are an aberration and endemically at odds with the liberal free press tradition is factually incorrect.

Once this is understood, then we can have a reasoned debate about what the Liberal government's journalism support measures do and do not do well. We can also face up to the reality that even if Google and Facebook are properly brought to heel, advertising is not the core of the media economy and it will not be the cure for important media functions that we do need. Even when advertising was more central to the commercial media model, this was not some kind of golden age but came with its own compromises and constraints that always rubbed uneasily with both people's needs and the needs of democracy.

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143 Tworek, H. (2015). Protecting news before the Internet. In R. John & J. Silberstein-Loeb (eds.). *Making news: the political economy of journalism in Britain and America from the Glorious Revolution to the Internet* (pp. 196-222). London, UK: Oxford University.

144 See John, R. (1998). *Spreading the news*. Cambridge, MA: Harvard University, on how the US post service subsidized the development of the "free press" to the tune of tens of billions of dollars per annum in the late-18th and 19th centuries).

Some Concluding Observations on the Political Economy and Power of Communication and Culture Policy

This report has examined the development of the network media ecology over the past three- and-a-half decades. It has offered a step-by-step examination of each of the twenty sectors of the telecoms, audiovisual media and online services and applications that together comprise the network media economy. In so doing, it has revealed which sectors have floundered while also highlighting those that have flourished.

Overall, the report has shown that, for the most part, the network media economy in Canada has grown immensely over time and become more diverse. That this has continued to be so under the past two years of Covid pandemic conditions and public health measures has only served to underscore the importance of communication and media services to all aspects of people's lives, from work, to accessing government services, including health services, how we socialize and interact with colleagues, friends, families and lovers, and how we play and entertain ourselves.

Indeed, nearly all sectors of the communications industries (e.g. wireline, mobile wireless and Internet access) as well as the digital audiovisual media sectors (e.g. online video services, digital games, digital music, app stores, and so forth) are flourishing. Moreover, in contrast to the steady drum beat of those who claim that the media economy in this country is a pygmy amongst giants, it is important to highlight the fact that Canada, in reality, consistently ranks amongst the top ten markets, based on revenue.

Yet, just because revenue, adoption rates and usage levels for mobile wireless and Internet access services, for example, continue to grow briskly, and in some cases, prices have fallen (as is the case for mobile wireless services and the price of mobile data), does not mean that all is well. Indeed, as we have shown in the pages above, prices for mobile services in Canada have fallen steadily since 2016, when measured against the consumer price index, while both adoption and mobile data usage is up. Yet, it is still too early to declare a victory because the truth of the matter is that prices have fallen more slowly than in other countries, and from a much higher starting point. Meanwhile, and consequently, adoption levels continue to be at the very low end of the scale by international standards, as does mobile data usage. In other words, high prices and concentrated markets in Canada have effectively suppressed adoption and usage of mobile wireless services, including, most notably the mobile Internet, and done so for *decades*.

We will return to a more focused analysis and discussion of these issues in our next report, but for now and by way of conclusion, we want to highlight several factors that have brought about such harsh realities:

- the concentrated structure of mobile wireless and Internet markets, in particular at the local and regional level;
- the diagonally-integrated nature of the firms that operate in these markets also helps to explain these persistently poor outcomes;

- incoherent policies and inconsistent actions by the CRTC, Competition Bureau and ISED/Industry Canada have also contributed greatly to this state of affairs. Whether things will get better or worse in the days ahead will turn greatly on the Competition Bureau's efforts to block the proposed deal between Rogers and Shaw, and if the Minister for ISED equally holds the line against further consolidation in the communications industry;
- the reality that communication policy in Canada is too often hijacked by an excessive focus on Canadian content and associated cultural policy tools such as catalogue quotas and program production spending obligations. Indeed, for those who lead the charge on this front, everything else besides these concerns is "mere housekeeping".[145] Regrettably, that widely held view in policy circles—and within too many academic quarters, truth be told—entails a disfigured view of communication and crowds out other conversations and policy issues. It is also why debates are raging over the *Online Streaming Act* and the *Online News Act*, while nothing comparable exists in terms of communication and Internet access policy, and the evocative ideas in the BTLR report (and other sources) about such services are left to wither on the vine. Communication and culture should be dealt with in integrated ways but we are a long way from that happening.

Turning to a few concluding thoughts in relation to both legacy and fast-developing digital media services that are aggregated and made available over the Internet, several things stand out, as we have shown in this report. For one, these services, in the aggregate, are growing fast, with overall revenue at all-time highs, and only buoyed during the pandemic years. In particular, the "pay-per media" (e.g. mobile phones, Internet access, cable television, online-video, music and gaming subscription and download services and app stores such as Google Play and Apple's App Store) are thriving, and now constitute the core of the network media economy, with combined revenues between them that outstrip those of advertising-based media by a ratio of 4.3:1 last year.

The fast growth, in particular, of communication and digital media services also means that communication and media companies in Canada are facing intensifying competition from powerful and highly capitalized international digital conglomerates, the latter often with several subsidiaries each operating in multiple markets: search, advertising, app stores, online video services, social media, digital games, digital music, etc.

Of course, the reference here is to Google, Amazon, Facebook, Apple and Microsoft (the GAFAM group of Internet giants), but it is also to a raft of more specialized, niche services such as Netflix, Twitter, Snapchat and Tiktok. As these companies take on a growing role in the aggregation and distribution of media content, communication and media conglomerates and smaller firms based in Canada are facing intensifying competition. Those among them whose operations focus on the production and distribution of media content are becoming more platform-dependent, at the same times as they battle one another, and "big tech", for access to people's time, attention and money. And as we have seen, in many ways, this battle is taking place for a bigger slice of a relatively "fixed pie", given that there are only twenty-four hours in a day and the remarkable stability of people's spending on media and cultural services *and* advertising, as observed throughout this report. Yet, as a result of these dynamics and trends, media producers now have more doors to knock on for the distribution of their wares in domestic and international markets, while people have more choices in front of them. Market concentration is, in fact, declining and with it, diversity in digital media markets is on the rise, often for the first time ever.

We will have more to say on that in the next report.

145 See, for example, Richard Stursberg's (2019) book, *The Tangled Garden*.

To the extent that there are economic woes, they relate to the slow decline in BDUs as well as pay and specialty television services, while the bottom really has fallen out for four sectors of the media whose business models have long relied almost entirely on advertising: broadcast television, broadcast radio, newspapers, and magazines. They are in crisis. For these media sectors, and the important functions that they support—namely professional, original and local journalism—these are dark days indeed. What, if anything, can or should be done to turn things around is both uncertain and hotly contested.

The tendency, however, to generalize from these specific media to the alleged sorry state of the communications and media economy in Canada, tout court, is both wrong and misleading. It also undermines the quality of analysis and evidence being marshalled in the public policy debates over, most notably, the *Online Streaming Act* and the *Online News Act*, that are on a high boil as I write—and as they have been for the last several years in a more general way. Dubious evidence is polluting the pool of public knowledge and, insofar that even the CRTC has been complicit in this by publishing flawed and incomplete data of its own, is corrosive of both public debate and public policy in Canada. This, in turn, further undermines not just the legitimacy of the regulator and communications and cultural policy, but democracy, tout court .

The choice today is no longer *whether* there will be new forms of Internet regulation but rather what form they will take. The real question now is whether the regulation ultimately adopted will effectively curb market dominance wherever it exists, create fair conditions of carriage, open the inscrutable blackbox technical systems and business models of powerful carriers and platforms alike to public and regulatory scrutiny, promote free expression, and further public interests and democratic values. Once again, both the *Online Streaming Act* and the *Online News Act* contain some promising measures in this respect, but their details are fuzzy, and too often punted to the CRTC to decide.

That Internet services regulation is coming, even Facebook agrees, as its ongoing “regulate us” PR and advertising campaign and full page *The Economist* illustrate.

> “ Market concentration is, in fact, declining and with it, diversity in digital media markets is on the rise, often for the first time ever

Figure 36: Facebook's "Regulate Us" Campaign

Source: *The Economist*, June 5, 2021, p. 4.[146]

Given these realities, it is necessary that we have better research, better evidence and better public policy debates. This also means that we need a common set of principles and effective tools that can be applied, not just to GAFAM et. al., and to more specialized, niche service providers such as Netflix, TikTok, Spotify, and so forth, in proper proportion to wherever similar conditions exist across the network media economy. In this regard, Bell, Shaw (Corus), Rogers, Telus and Quebecor (Videotron) are still the biggest players in Canada, by far, and their market dominance is even more entrenched and their technical systems and business models no less inscrutable than any of the Internet giants. Those principles should draw more extensively on the history of antitrust and communications regulation rather than the current proclivity to look mostly to content and broadcasting regulation.[147] Crucially, the nationality of corporate identity cannot be allowed to negate accountability and public interest.

146 The discussion here is based on a forthcoming paper by Winseck and Miaoran (Blue) Dong, Reconstruction and Reform or Deflect and Delay: Facebook's Ongoing "Regulate Us" Public Relations and Advertising Campaign.

147 See Winseck, D. & Bester, K. (2022). Regulation for a Broken Internet: Lessons from 19th & 20th Centuries Antitrust and Communications Regulation for 21st Century Digital Platform Regulation. In T. Flew, J. Thomas & J. Holt (eds.). *Sage Handbook of the Digital Media Economy*. Thousand Oaks, CA: Sage.

Three overarching principles and objectives stand out as potential common threads that might tietogether discrete policy and regulatory domains: market dominance and gatekeeping power; privacy and data protection; and mandatory information disclosure obligations for regulated companies to increase both regulatory, academic and public scrutiny of these entities that now stand at the cross-roads of so much of our public communications infrastructure and digital media environment.

We also need a more honest, historically-informed and philosophically grounded grasp of the fact that at the core of issues about journalism and culture are intractable and controversial debates over public goods and what range of such goods citizens in a democracy can expect. As we have shown in the pages above, this is central to debates over journalism, where people have never been willing to pay the full costs of its provision, despite the fact of its centrality to our perceptions and understanding of the world, and democracy itself. This has not changed for centuries and it's not likely to change any time soon. As such, we need to hone in on the reality that public subsidies designed to foster a robust public media service like the CBC, for instance, have been ruthlessly scaled back over the past four decades, with funding as a proportion of total media economy revenues now a fifth of what it once was. Turning around that tide would go a long way to strengthening public service media and public interest media.

The restoration of public funding and the targets just mentioned should animate a new phase of Internet services regulation. Such an approach should simultaneously seek to establish a suitable regulatory framework to blunt the power and influence of large corporate interests that dominate many, even most, aspects of the media economy in Canada. What we need is to create a normative horizon that serves to guide the development of a communication, Internet and media landscape that serves the public interest.

Doing so with a focus on public media, and in a way that supports the recent advent of not-for-profit journalistic organizations, would go a long way to revitalizing earlier hopes that the rise of the Internet might translate into a renewed, networked public sphere. It would also be superior to trying to push everything along a single path of trying to harness the international Internet giants and Canada's own communications and media conglomerates to such ends. As profit-driven enterprises, both of these groups will always serve their own private interests first and foremost, leaving large swaths of society to fend for themselves when their communication needs don't add to the bottom line. ■

Appendix 1: The Rise of the Great Paywalls of Canadian Newspapers, 2011-2018

	Language	Paywall	Owner	Weekly Total	Daily Avg.
Whithorse Star	English	2004	Independent	8,992.5	1,799
Times Colonist, Victoria	English	May 2011	Glacier Media	349,784	58,297
Gazette, Montreal	English	May 2011	Brunswick News Inc.	99,696	16,616
Red Deer Advocate	English	June 2011	Brunswick News Inc.	170,412	28,402
The Daily Gleaner, Fredericton	English	Nov. 2011	Brunswick News Inc.	161,100	26,850
Times-Transcript, Moncton	English	Nov. 2011	Brunswick News Inc.	485,369	80,895
New Brunswick Telegraph Journal	English	Nov. 2011	Black Press	n/a	n/a
% of Circ behind Paywall (2011)				4	4
Cranbrook Daily Townsman	English	Feb. 2012	Black Press	23,834	4,767
Daily Bulletin	English	Feb. 2012	Black Press	15,215	3,043
Vancouver Sun	English	Aug. 2012	Postmedia Network Inc.	820,719	136,787
The Province, Vancouver	English	Aug. 2012	Postmedia Network Inc.	686,805	114,467
Ottawa Citizen*	English	Aug. 2012	Postmedia Network Inc.	550,777	91,796
Journal de Montréal	French	Sep. 2012	Quebecor/Sun Media	1,626,327	232,332
Journal de Québec	French	Sep. 2012	Quebecor/Sun Media	1,063,611	151,944
Globe and Mail	English	Oct. 2012	Globemedia Inc.	2,018,923	336,487
Ottawa Sun	English	Dec. 2012	Quebecor/Sun Media	238,584	34,083
Toronto Sun	English	Dec. 2012	Quebecor/Sun Media	849,131	121,304
Winnipeg Sun	English	Dec. 2012	Quebecor/Sun Media	328,303	46,900
Calgary Sun	English	Dec. 2012	Quebecor/Sun Media	302,938	43,277
Edmonton Sun	English	Dec. 2012	Quebecor/Sun Media	263,542	37,649
% of Circ behind Paywall (2012)				31	31
Medicine Hat	English	Apr. 2013	Glacier Media	73,938	12,323
National Post	English	May 2013	Postmedia Network Inc.	1,116,647	186,108
Calgary Herald*	English	May 2013	Postmedia Network Inc.	641,495	106,916
Edmonton Journal*	English	May 2013	Postmedia Network Inc.	555,252	92,542
Windsor Star	English	May 2013	Postmedia Network Inc.	297,679	49,613
Guardian, Charlottetown	English	May 2013	TC Media	86,261	14,377
Leader-Post, Regina	English	May 2013	Postmedia Network Inc.	204,814	34,136
StarPhoenix, Saskatoon	English	May 2013	Postmedia Network Inc.	234,045	39,008
Lethbridge Herald	English	Jun. 2013	Glacier Media	115,941	16,563
Daily News, Truro	English	Jul. 2013	TC Media	26,820	4,470
Chronicle-Herald, Halifax	English	Aug. 2013	Halifax Herald Ltd.	548,938	91,490
The Journal-Pioneer, Summerside	English	Nov. 2013	TC Media	36,169	6,028
% of Circ behind Paywall (2013)				44.6	44.5
Western Star, Corner Brook	English	Jan. 2014	TC Media	n/a	n/a
Cape Breton Post, Sydney	English	Feb. 2014	TC Media	101,179	16,863
Trail Times	English	Mar. 2014	Black Press	11,200	2,800
Telegram, St. John's	English	Apr. 2014	TC Media	171,054	28,509
Prince Albert Daily Herald	English	Jun. 2014	Star News	31,425	5,238
% of Circ behind Paywall (2014)				58.2	58
Nanaimo Daily	English	Sep. 2015	Black Press	43,185	7,197.5
% of Circ behind Paywall (2015)				58.3	58.1
Toroto Star	English	Sep. 2018	Torstar	2,162,443	308,920

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