

Requiem for the Print Edition



A DISCUSSION PAPER FROM

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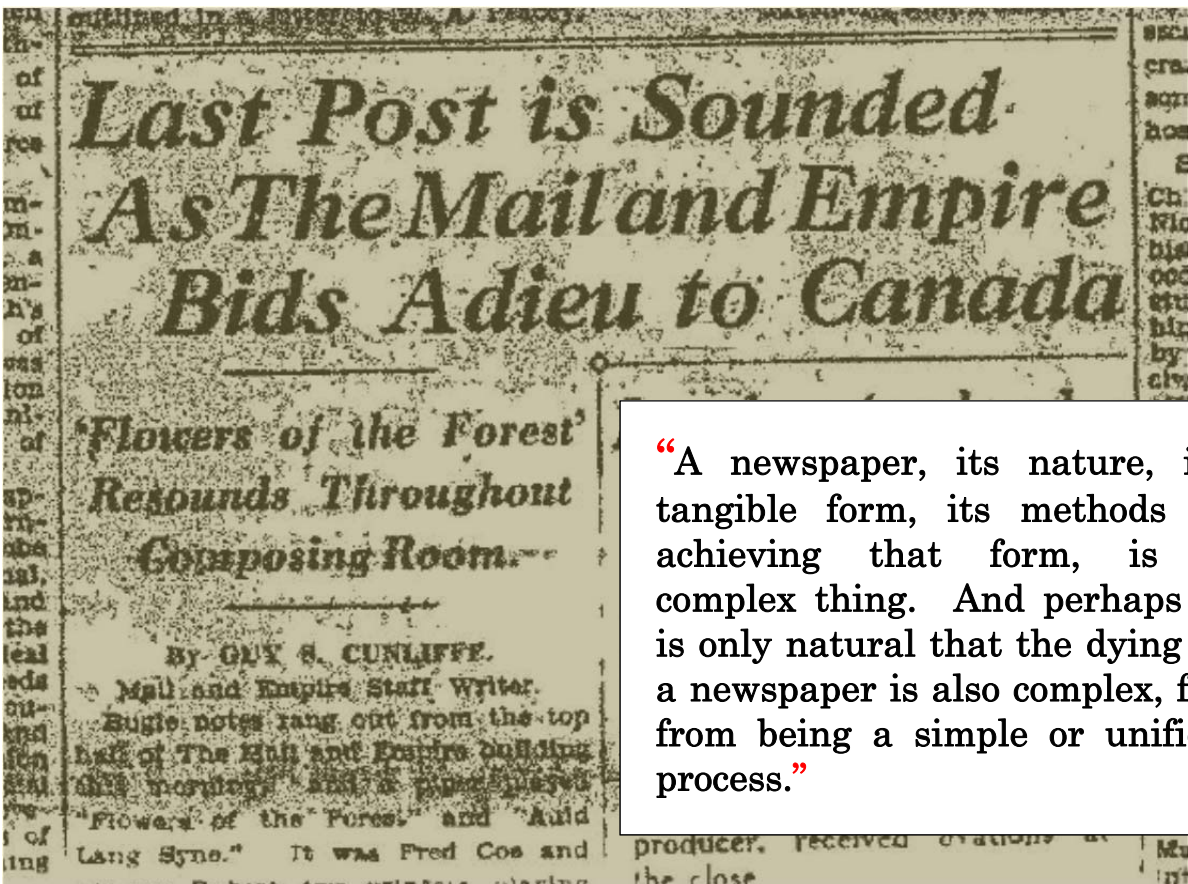
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Introduction

Over eight decades ago, in the early hours of Saturday, November 21, 1936, the last edition of Toronto's *Mail and Empire* rolled off the presses – two days before the paper would be absorbed into the first issue of *The Globe and Mail*. Toronto was about to go from two morning dailies to one, and from a total of four daily newspapers to three.

The smaller-circulation *Globe's* purchase of the larger-circulation *Mail and Empire* had been announced on November 19, and *The Mail and Empire* staff had time to prepare an “elegy” of sorts for their newspaper, which ran on page 1.



***The Mail and Empire*, November 21, 1936, page 1.**

In that “elegy”, one paragraph in particular provided a useful insight into the process by which a newspaper is created and distributed, and it is highlighted above.

For much of the 20th Century, the tangible form of the daily newspaper provided a mix of continuity and familiarity, while at the same time, for a few moments each day, it also provided the illusion that the events of the previous day had been frozen in time, for readers to peruse and absorb at their leisure.

In 1936, the combining of two morning daily newspapers in Toronto to create a single morning daily was a specific event, driven by the specific economics of the newspaper market in that city.

Today, unfortunately, the “tangible form” of the daily newspaper is threatened more broadly, as technology and economics have combined to put the print versions of most of our general interest daily newspapers into a downward spiral towards an unsustainable future.

This year – 2017 – is the 150th anniversary of Canadian Confederation. In typical Canadian fashion, it has been a year of both historical celebration and introspection. We hope to add to both in this analysis.

150 years of daily newspaper circulation in Canada

An anniversary year such as this is a good time to take a long view of the circulation history of the Canadian daily newspaper. Using data from many sources, we have constructed two charts that track the circulation of Canadian dailies over the last 150 years:¹

1. In Figure 1, we have presented the data for the paid circulation of Canadian dailies, and the data for the number of households in Canada, from 1867 to 2017.
2. In Figure 2, we have indicated the paid circulation of Canadian dailies, as a percentage of the number of households in Canada, from 1867 to 2017.

These historical data show how Canadian daily newspaper circulation grew slowly in the years immediately after Confederation, and then began a period of more rapid growth after 1880, in tandem with increased urbanization, the spread of railways and the telegraph, and the changes in technology and scale in the production of the newspapers themselves.

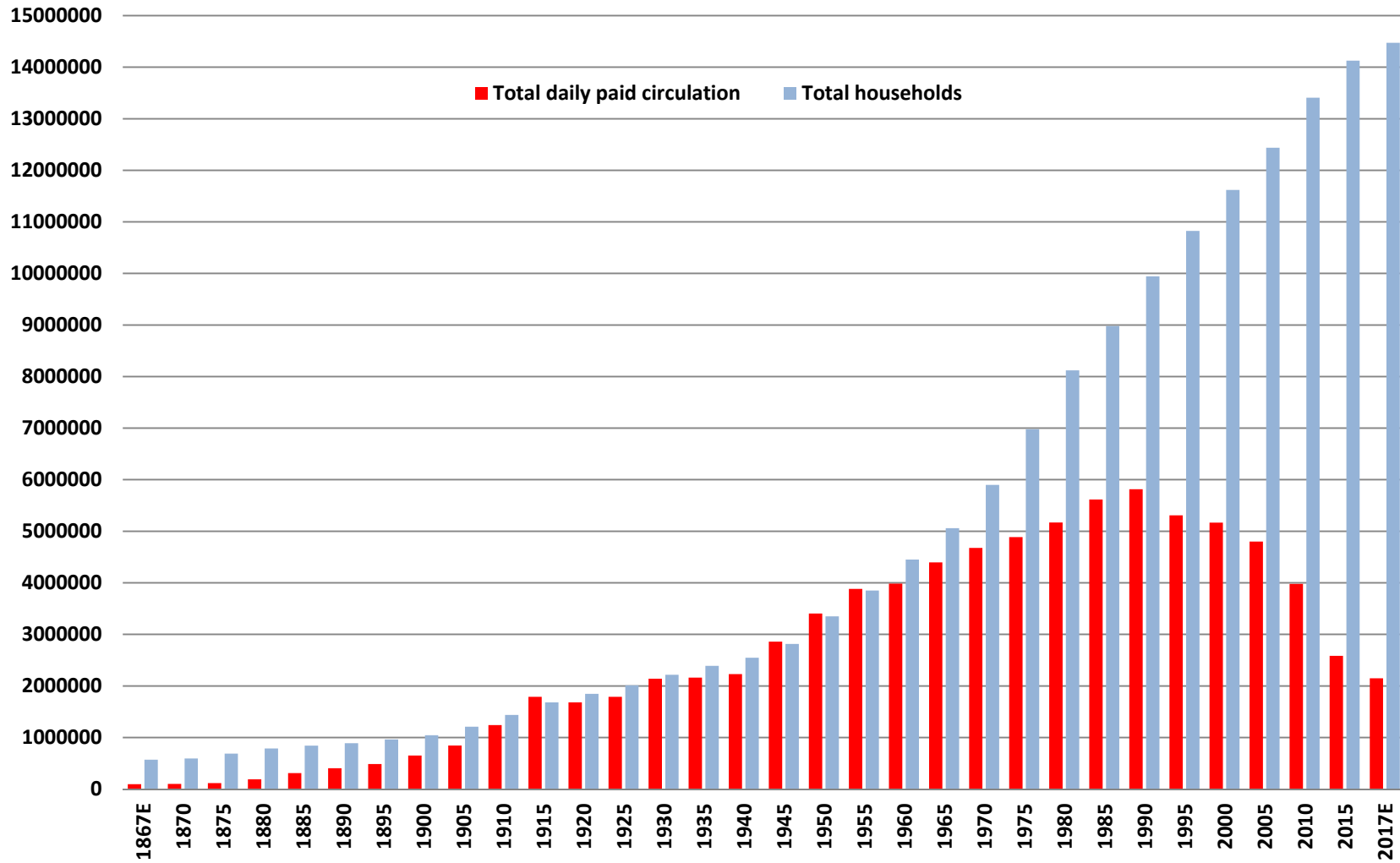
As a percentage of households, we can see that the peak occurred around the time of World War I, with another, slightly lower, peak after World War II. And then, with the advent of television in the early 1950s, began a period of about 40 years in which circulations grew, but not as fast as households. Since the 1990s, actual circulation, and the relationship to households, have both declined.

So we find ourselves in a very interesting place – daily newspaper paid circulation in 2017 is equivalent to 14.8 per cent of households, which is lower than the percentage was in 1867.

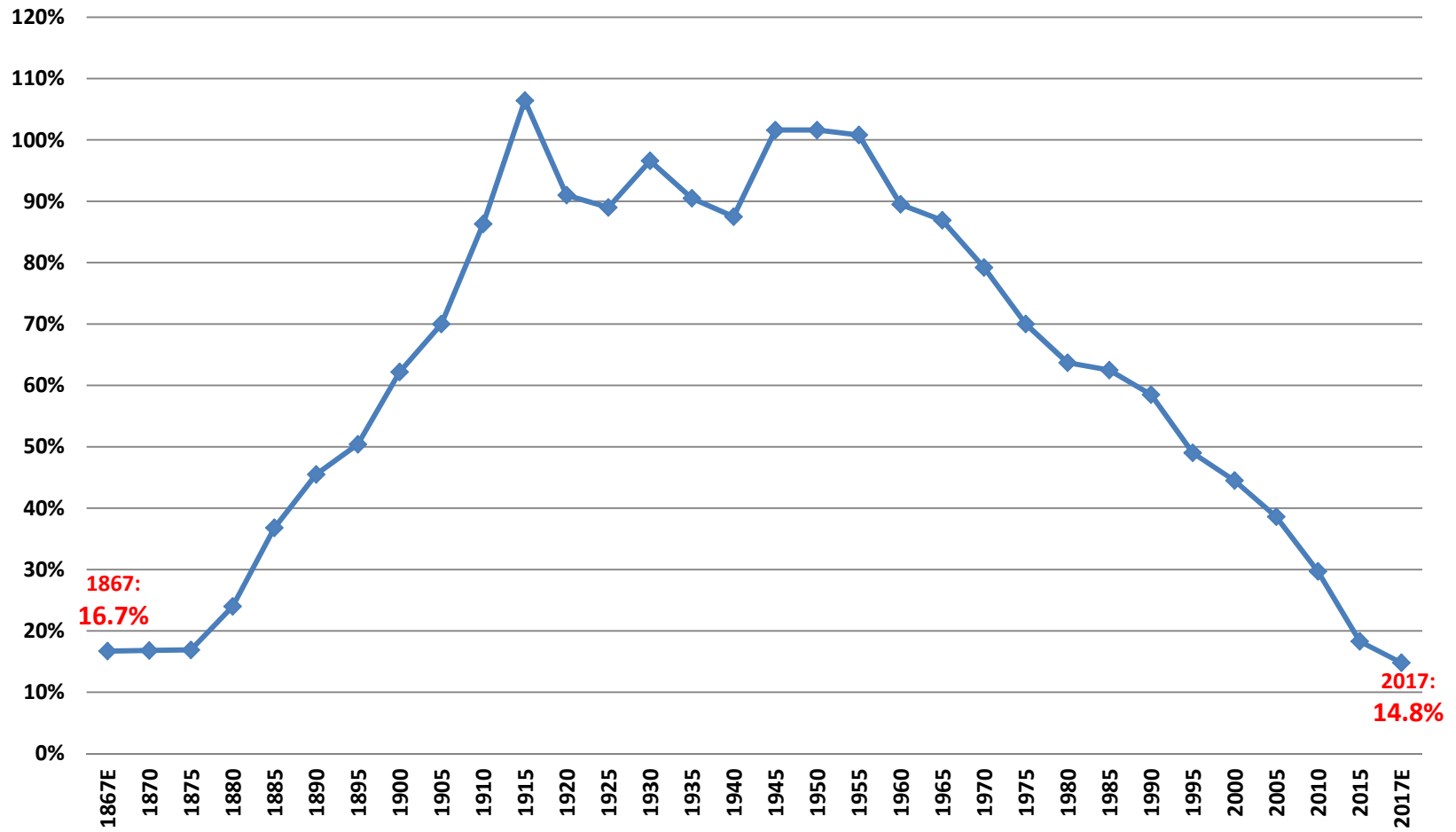
Text continues on page 5 ...

¹ The circulation data have been derived from a number of sources. For data for the last half of the 19th Century: *N.W. Ayer & Son's Newspaper Annual* and *Geo. P. Rowell & Co.'s American newspaper directory* (both of which also contained Canadian data), and *McKim's Directory*. For the first half of the 20th Century, sources include *McKim's Directory* and *Canadian Advertising*. Subsequent data were derived from *Canadian Advertising Rates & Data*, the Canadian Newspaper Association, Newspapers Canada, News Media Canada, ABC, AAM, CCAB, and other industry sources. The estimated number of households in each year is based on data from Statistics Canada and its predecessor federal government agencies. □ Beginning in 2013, Newspapers Canada started including paid digital circulation with paid print circulation. □ Please note that data for Newfoundland are only included for 1950 and subsequent years. □ On November 27, 2017, Postmedia and Torstar announced a transaction in which a number of daily and community newspapers would change ownership, to be followed by the closing of a number of those newspapers. Those changes have been reflected in the 2017 data in this discussion paper.

1. Total daily newspaper paid circulation, and total households, Canada, 1867-2017

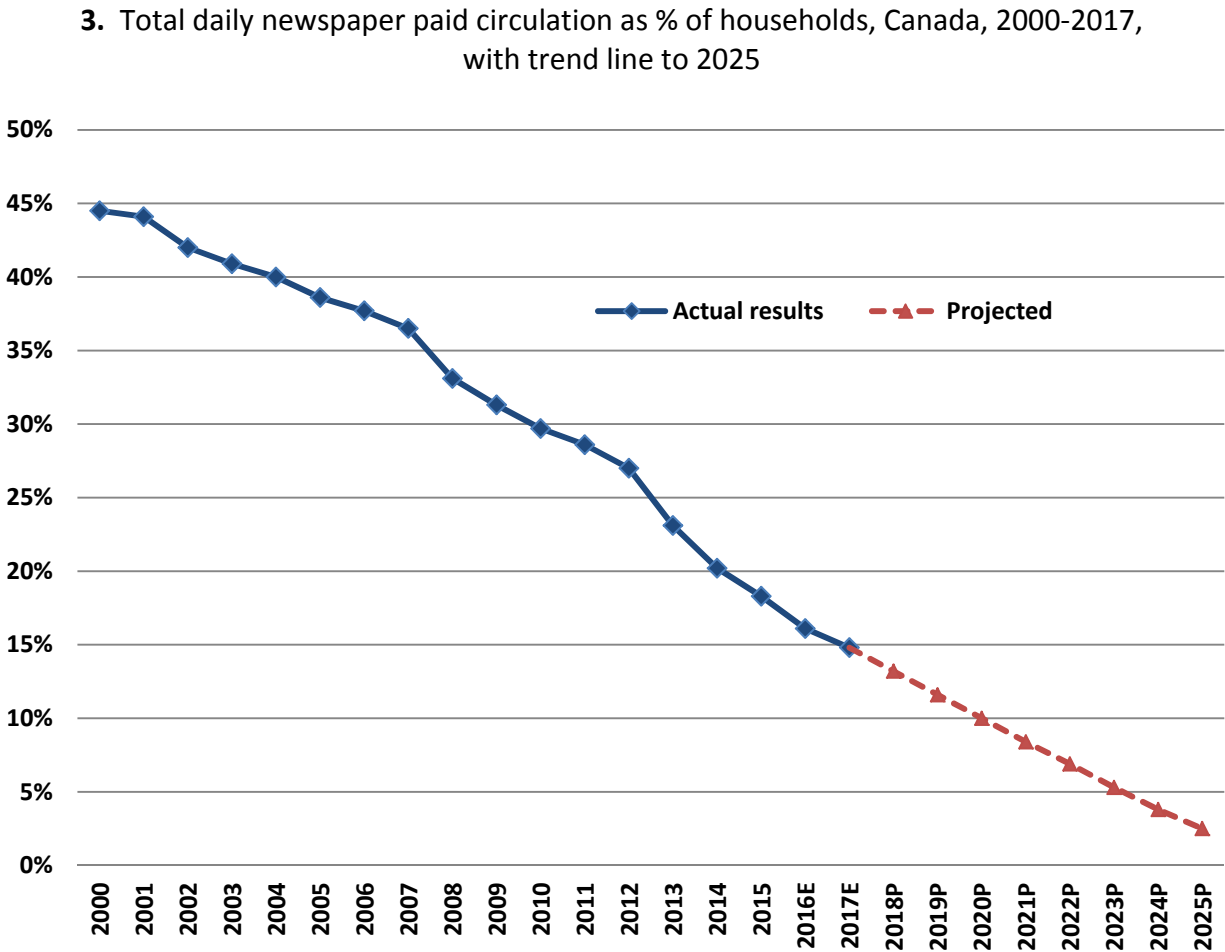


2. Total daily newspaper paid circulation as % of households, Canada, 1867-2017



If current trends continue ...

In Figure 3, we have indicated the paid daily newspaper circulation as a percentage of Canadian households, from 2000 to 2017, and then used the trend since 2000 to project the data to 2025. As can be seen in Figure 3, this key indicator could be around 10 per cent in 2020, and might be as low as 5 per cent by 2023.²



In a discussion paper published in 2015, we noted:

To the extent that the trend lines are realistic, we do not believe that a viable print business model exists for most general interest daily newspapers once paid circulation drops below 10 per cent of Canadian households.

Thus, Canada's daily newspapers now are engaged in a 10-year race against time and technology to develop an online business model that will enable them to preserve their brands without print editions, and – even more difficult – to try to

² The circulation data from 2000 to 2017 come from the Canadian Newspaper Association, Newspapers Canada, News Media Canada, ABC, AAM, CCAB, and other industry sources.

develop new kinds of economic bundles (or other kinds of economic arrangements) that will enable their online presence to maintain their current journalistic scope.³

Since then, two years have passed, and the downward trend has accelerated – the race against time and technology is no longer 10 years; it is closer to five.

And that urgency has become more evident in 2017, as more newspapers have closed, and as industry groups and others have put forward a number of suggestions – often involving government assistance – to deal with the problem.

At the same time as the sense of economic urgency has grown for the daily newspaper industry, concern about another important phenomenon has also grown – the rise of “fake news”, often spread by social media.

“Fake news” can grow when shared experience is diminished

While most comments on “fake news” deal with the role of social media in spreading that false information, it might also be argued that the rise of “fake news” and the decline of the daily newspaper – and its physical, printed form – are (to some degree) connected.

Not much more than a generation ago, paid print daily newspaper circulation in Canada still reached about two-thirds of our households. The tangible physical presence of the daily newspaper, in addition to the specific content in the newspaper, was part of our shared experience.

The physical presence of the newspaper meant that most people knew the broad scope of the material that their fellow-citizens were also seeing. That does not mean we all read the same thing, but it does mean that we all had access to a similar menu of information.

And the implicit assumption that many others might be reading the same content could motivate argument as well as agreement – but, unlike the current situation, such arguments would be more likely to start from the same point.

Newspaper circulation and the rural-urban divide

Even earlier than the rise of “fake news”, the changes in the physical distribution of metropolitan daily newspapers may have been a factor in a growing divide between urban and rural areas, particularly in the United States.

The problem was rooted, at least in part, in pressure from advertisers for daily newspapers to focus their circulation on the suburbs, and cut back on statewide circulation in smaller towns and rural areas.

Sociologists at the University of Minnesota studied this issue in the 1980s, and, in 1990, the Minneapolis *Star Tribune* reported on their findings:

Off the main highways, away from the big cities, rural Minnesotans feel they are increasingly being left behind by the news media.

³ See “Canada’s Digital Divides”, page 6, available at: http://media-cmi.com/downloads/CMI_Discussion_Paper_Digital_Divides_082015.pdf.

Their ... weekly newspapers tell them what happened at the city council meeting, but they don't know much about statewide issues because it's increasingly tough for them to get a metropolitan newspaper. ...

University of Minnesota sociologists who have studied this information drought say that it's happening all over the nation and warn that it has troubling implications in a democracy that's supposedly anchored in a well-informed electorate. ...

The causes of this rural information shortage aren't found in the countryside, but in the Twin Cities, where Minnesota's biggest media companies are headquartered, the researchers and rural residents say. Most often they point their fingers at the Star Tribune.

Once the voice of the entire Upper Midwest, it's now content to be the newspaper of the Twin Cities. The newspaper carries far less routine, daily news from around the state than the old Minneapolis Tribune did as recently as the early '80s. And where the newspaper of a generation ago sold more than half its copies outside the metro area – as far away as Montana – it now sells only one-fourth to nonmetro readers, with circulation plummeting in nearly all rural counties.⁴

Thus, both metro and non-metro residents were learning less and less about each other. And, while the analysis in question focused on Minnesota, similar trends were occurring in many other U.S. states, and in Canada as well. For example, in the past, Canadian dailies like the *Winnipeg Free Press* or the *Toronto Star* had substantial circulations outside their home markets.

With the advent of the Internet, of course, the ability to receive information from anywhere increased, but, in many cases, that electronic connection did not provide the same sense of general community participation as did the physical presence of the daily newspaper in its tangible form.

At the heart of the daily newspaper – the classified ads

It wasn't always the news or the editorials that drew people to the daily newspaper's tangible form. Sometime it was sports scores, features, advice, movie reviews (and listings of show times). And, not uncommonly, it was also the classified ads, which, in their own way, also told the story of their community – help wanted, houses for sale, apartments for rent, furniture to put in that house or apartment. And who was born. And who had died.

And, for many daily newspapers, the classified ads were one of the key economic drivers of their success. Since 2008, however, classified advertising in daily newspapers has collapsed, because of competition from online services like Kijiji or Craigslist.

⁴ Bob von Sternberg, "Rural areas feel information gap, blame metro media", *Minneapolis Star Tribune*, July 15, 1990, p. 1B.

4. Total classified advertising revenue, Canadian daily newspapers, 1995-2016

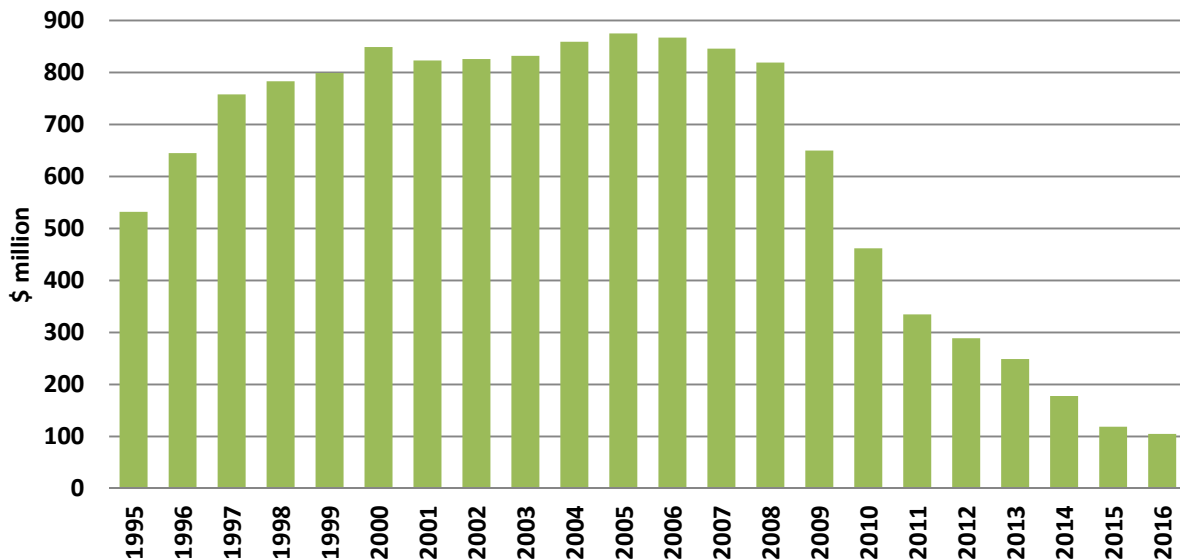


Figure 4 summarizes the trend in classified advertising revenues in Canadian daily newspapers from 1995 to 2016.⁵ As indicated in Figure 4, from a peak of \$875 million in 2005, the total had fallen to \$105 million in 2016. (Dramatic declines in daily newspaper classified ad revenues have also occurred in the United States and the United Kingdom.)

The collapse of classified advertising in daily newspapers is a classic example of the “unbundling” effect of technology – in which a competitor is able to compete for just the most profitable part of an established business, without the overheads of that established business. In the process, the established business also loses the ability to internally cross-subsidize public service components of the business, such as (in the case of newspapers) local news.

And it reminds us again of a 1964 prediction by Marshall McLuhan:

The classified ads (and stock-market quotations) are the bedrock of the press. Should an alternative source of easy access to such diverse daily information be found, the press will fold.⁶

Is it possible to make the print-to-digital transition?

Given the trends in circulation and advertising revenues, it seems unlikely that most general interest daily newspapers will be able to make the print-to-digital transition. There may be a small number of unique cases, usually involving national or special interest daily newspapers, where the transition may succeed. But for the classic mid-size local general interest daily newspaper, the prospects are not good.

⁵ The data in Figure 4 come from ThinkTV (formerly TVB Canada).

⁶ Marshall McLuhan, *Understanding Media: The Extensions of Man* (McGraw-Hill), 1965, p. 207 (originally published in 1964).

Does this matter? If we believe that local news is important, and if we believe that the ideal of holding power to account is important, then, yes, it does matter.

Who will cover the School Board?

Your local School Board – and how (or if) it gets covered – is a perfect example of what is at stake in the transition from the old models of journalism to the as-yet-unclear new models of journalism. School Boards are important, but covering them is not a profit centre – it is one of the internally cross-subsidized functions that we have come to take for granted from our print newspapers and from our broadcast media.

But what if those media are either gone, or so diminished, that coverage of the School Board is also drastically cut back? Who will cover the meetings? Who will expose the flaws? It's pretty obvious that there are two highly self-interested groups that would be likely to step forward to provide that coverage – the School Boards themselves, and the teachers unions.

But, as parents, citizens, and taxpayers, is that how we want to get the information about how our children's education is being governed?

Finding a solution – Step 1: Let's move away from mythology

If public and private policies are going to address the issues raised by the challenges to media in general, and local media in particular, then we have to start by moving away from a lot of mythology that surrounds discussions of the media. If we don't do that, then public policies based on myths will be doomed to fail.

Three of those myths are discussed here:

1. Media "concentration"
2. The forms of media ownership
3. The impact of Google and Facebook

Media "concentration"

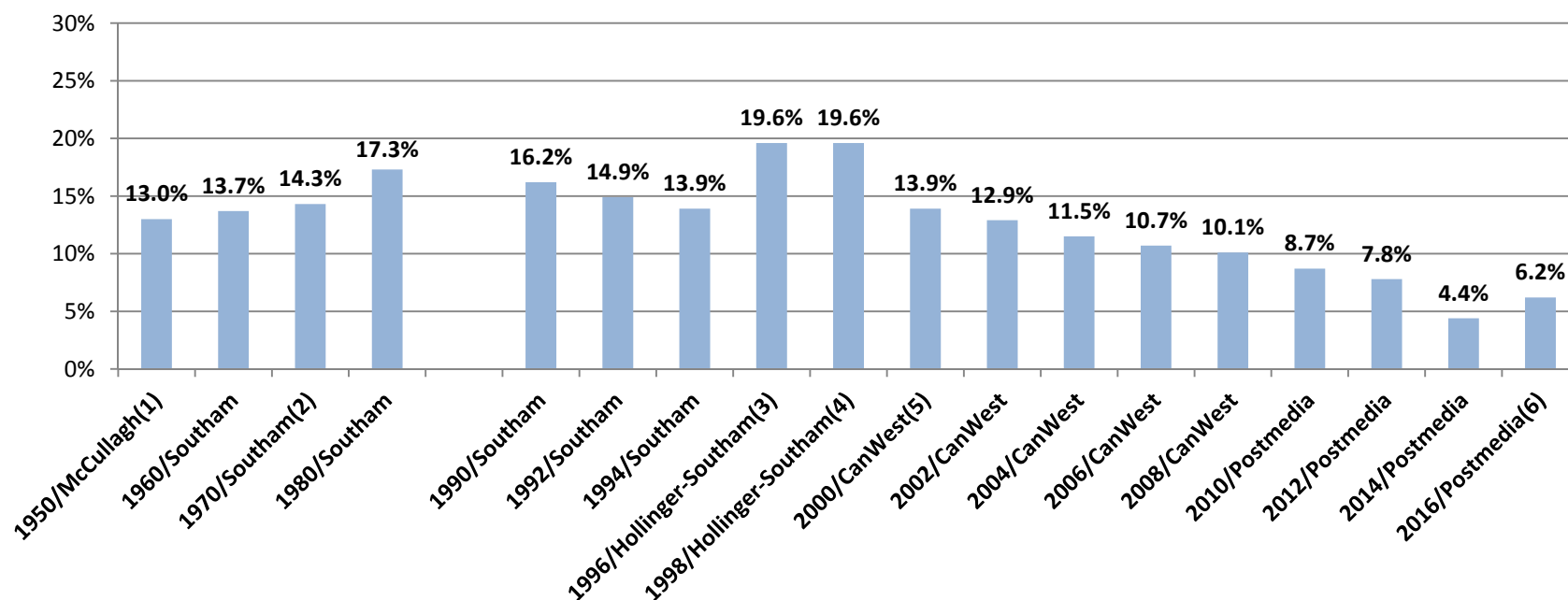
This is one of the enduring myths about our media, and it probably endures because it provides a simplistic scapegoat for many who feel that the so-called "mainstream media" do not reflect their particular points of view. But the actual facts simply do not support the claim of "concentration".

In the case of Canada's daily newspapers, it has been pointed out that Postmedia accounted for about 38 per cent of the combined circulation. But that ignores the fact that the 38 per cent is a share of a declining market. When related to households (a more realistic indicator), we can see that, in 2016, Postmedia's daily newspaper paid circulation was equivalent to just 6.2 per cent of the households in Canada.

The major Canadian daily newspaper ownership groups, and their paid circulation as a percentage of households, from 1950 to 2016, are summarized in Figure 5.⁷

⁷ The data in Figure 5 come from the same circulation sources noted above.

5. Total paid circulation of Canadian daily newspapers, for the largest ownership group, as a percentage of Canadian households, selected years, 1950-2016



NOTES:

1. In 1950, George McCullagh owned or controlled both *The Globe and Mail* and the *Toronto Telegram*.
2. In the late 1960s and early 1970s, the two largest ownership groups (by circulation) were Southam and F.P. Publications, with F.P.'s totals exceeding Southam's in some reporting periods.
3. Hollinger-Southam was controlled by Conrad Black.
4. Hollinger-Southam launched the *National Post* in October 1998, but its audited circulation data were not available until 1999; we estimate that, had those data been available in 1998, the group's total circulation as a percentage of households would have been about two percentage points higher.
5. The share reduction in 2000 is due to the fact that CanWest did not purchase all of the Hollinger-Southam newspapers.
6. The 2016 data for Postmedia include the Sun Media papers purchased by Postmedia; the transaction was approved in 2015. (If the 2016 data reflected the results of the Postmedia-Torstar transaction of November 27, 2017, the Postmedia percentage of households in 2016 would have been 5.9 per cent.)

Thus, many of the claims of “concentration” have been based on share without size. Yet it should be clear that the daily newspaper industry’s problems have a lot more to do with the relationship between circulation and households (Figures 1 and 2), rather than the shares within the circulation totals.

Indeed, with the diminished size of the newspaper market, and the competing alternatives available to advertisers, consumers, and consumers-as-advertisers (classified ads), it might be useful to question the degree to which the newspaper market constitutes a separate “relevant market” within the meaning of competition law.

The form of media ownership

In the case of newspapers, we’ve also heard people argue that the current contraction is because of owners with shares listed on the stock market, or companies that have investments from hedge funds. But *The Guardian* in the U.K. has a completely different ownership structure – essentially a trust – and it is facing exactly the same headwinds as its more conventionally-owned competitors.

In Figure 6, we have tracked the circulation from 2000 to 2017 for three U.K. dailies, *The Guardian* (owned by a trust; leans left editorially) and *The Times* and *The Daily Telegraph* (both have corporate ownership and lean right editorially).⁸ In Figure 7, the same data are presented on an “Index” basis (2000=100, in each case).⁹

In the U.S., in July 2017, it was announced that a group involving organized labour would take ownership of *The Chicago Sun-Times*, whose ownership was also sought by the rival *Chicago Tribune*. As *The New York Times* reported:

The deal not only saved The Sun-Times from possible extinction, but also created a highly unusual arrangement: Labor unions now share ownership of a news organization that covers them closely, in what is still one of the nation’s strongest union towns.¹⁰

According to *The New York Times*, Edwin Eisendrath, the former Chicago alderman who helped organize the successful bid “... wants to breathe new life into the newspaper, revitalizing it as a publication that tells stories of the working class and acts as a voice of the people.”¹¹

So Chicago now has a daily newspaper that is partly owned by organized labour, and is likely to be committed to progressive causes. Will that be enough for it to succeed? We wish it well, but its ultimate success might depend on the answer to this question:

Will union households pay for classified ads in print or online from the *Sun-Times*, or will they continue to use free online classifieds?

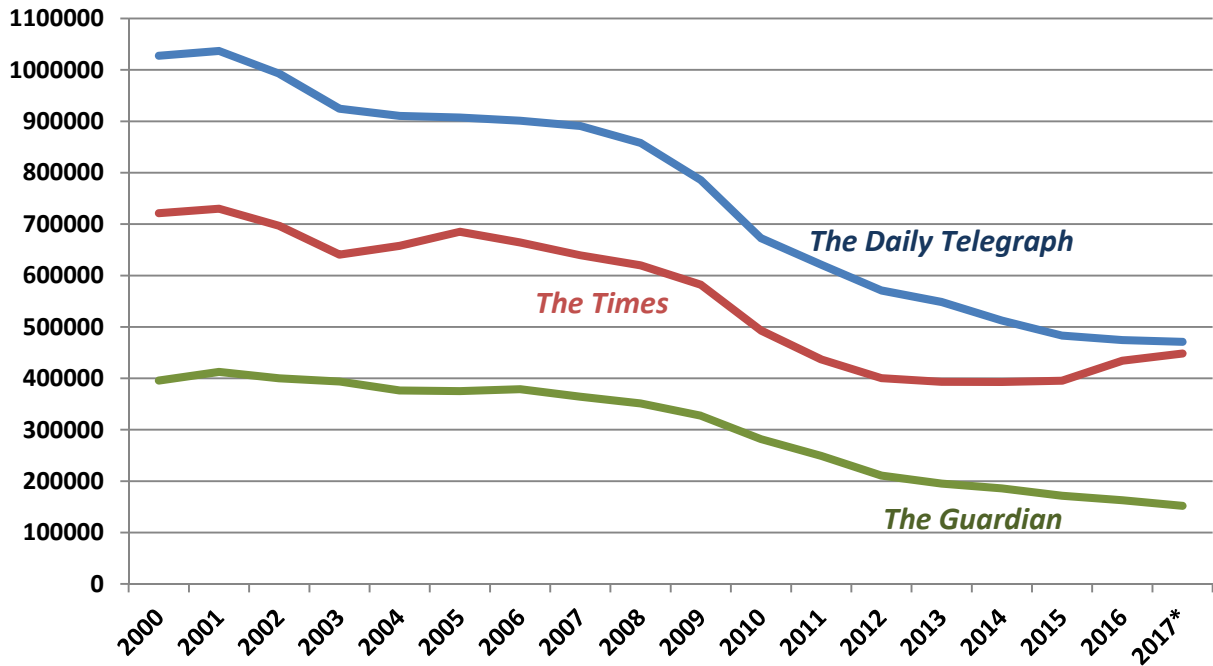
⁸ Data from ABC, as published regularly by *The Guardian* and *Press Gazette* (a U.K. trade publication).

⁹ The current circulation totals for *The Times* and *The Daily Telegraph* both include some “bulk” copies, while *The Guardian* does not. To assess the impact, we compared the circulations without bulk copies for 2017 and 2000, and found that the circulation declines for each of the three newspapers would still have followed broadly similar trends.

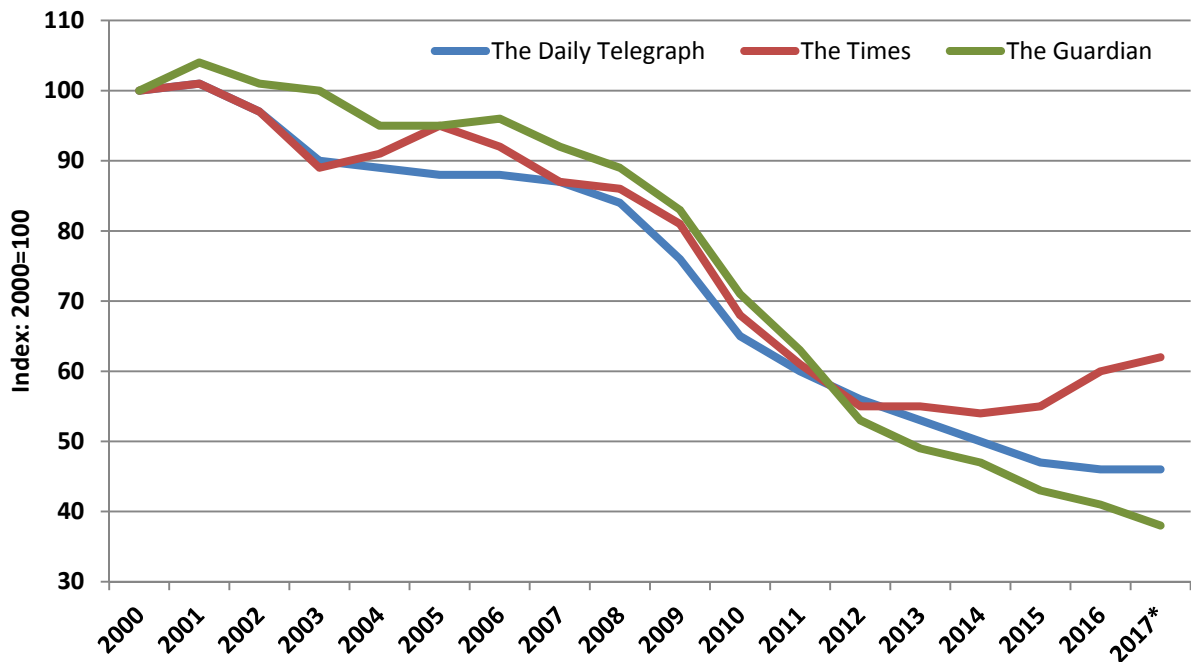
¹⁰ Julie Bosman and Sydney Ember, “At Chicago Sun-Times, New Owners Vow Return to Tabloid’s Blue-Collar Roots”, *The New York Times*, July 24, 2017, p. B1.

¹¹ *Ibid.*

6. Circulation of *The Daily Telegraph*, *The Times*, and *The Guardian*, 2000 to 2017



7. Circulation of *The Daily Telegraph*, *The Times*, and *The Guardian*, 2000 to 2017, Index basis (2000=100)



* Data for 2017 are based on the first 10 months of the year.

The impact of Google and Facebook

A number of observers have noted that Google and Facebook (often called “The Duopoly”) are realizing almost all of the gains in digital advertising, and some have implied that Google and Facebook might be considered root causes of the crisis facing newspapers and journalism.

No, they are not. It is true that Google and Facebook (and similar platforms) have taken advantage of new technology. And we would argue strongly that such platforms should be subject to the appropriate provisions in the laws of copyright, competition, and taxation.

But we should also consider this comment about focusing too much on Google and Facebook:

The danger with this new conflict is we finally have a couple of handy scapegoats to pin our problems on. Instead of a vague overarching concept like the ‘digital disruption’ we now have The Duopoly, and the introduction of these bogeymen makes it easier to avoid the real issue:

Publishing’s traditional business models have been blown up by digital technology.¹²

Finding a solution – Step 2: Let’s identify the real issues

Scapegoats are convenient – “concentration”, ownership, “The Duopoly” – but not only do they not bring us closer to real solutions, they actually divert our attention from reality.

As we have noted before, for most of the 20th Century, media’s role as an intermediary based on scarcity led to its development as a “bundled” or “packaged” product. Thus, newspapers were a product that bundled news, opinion, entertainment, advice, guides, display advertising, and classified advertising – and a product that was able to use profitable parts of the bundle to subsidize unprofitable parts of the bundle (like local journalism).

For newspapers, one might conceptually describe three stages of development since 1950: First, growing circulation, but a decline relative to the number of households. Second, declines in both actual circulation and circulation as a percentage of households. The third stage – economic unbundling forced by technology – did not happen in a major way until after 2005. As noted above, it happened most significantly with respect to classified advertising, but other revenues were also impacted, as Internet alternatives effectively removed sources of content, income, and profitability from the daily newspaper bundle.

While technology is the main contributing factor, the responses by newspaper management are also partly responsible for the current situation. Initially, too many newspaper managers underestimated the potential impact of technology.

As early as 1997, an article in *The New York Times* had observed:

Computers love to make lists, and lists of lists, and to search those lists for specified words, phrases, numbers and categories. Harnessed to the Internet, they therefore pose a serious threat to the newspapers’ own cherished income from lists – those

¹² Peter Houston, “Demonising the Duopoly won’t save journalism”, 12th April 2017, accessed at: <https://www.themediabriefing.com/article/demonising-the-duopoly-won-t-save-journalism>.

small-print lists of houses, cars and jobs that papers have "classified" and crammed onto their back pages. ...

Newspapers talk about the threat but have done little to meet it by overhauling their classified business. ... But they had better bestir themselves. They are grist for the Internet lists.¹³

However, later in the 1990s, two of Canada's major newspaper companies appeared to be downplaying the threats from the Internet.

On March 4, 1998, *The Globe and Mail* reported that Torstar, owner of the *Toronto Star*, was arguing that "there's no market for on-line newspaper subscriptions and only a limited one for Internet classifieds ...".¹⁴ The argument came in a submission by Torstar to the Ontario Labour Relations Board, in response to a union complaint that Torstar was keeping workers in their then-new electronic media ventures out of the union.¹⁵

And, on May 6, 1999, *The Globe and Mail* reported:

Newspaper baron Conrad Black says he has little use for publishers who are "overly-terrified" of losing big chunks of advertising revenue to Internet providers.

"Only if they actively acquiesce in this will that happen," Mr. Black said after Hollinger International Inc.'s annual meeting in Manhattan yesterday.¹⁶

In addition to underestimating the potential negative impact of technology, many newspapers viewed technology as an opportunity for product extension rather than a challenge posed by product disruption.

Yet the product being extended was rooted in bundling and internal cross-subsidies, all linked to being created in what had been an environment of scarcity and, for most, defined territories. But the place to which extension was contemplated was characterized by unbundling, an abundance of content choices, and the elimination of distance.¹⁷



¹³ Max Frankel, "Grist for Lists", *The New York Times Magazine*, April 27, 1997; accessed at: <http://www.nytimes.com/1997/04/27/magazine/grists-for-lists.html>.

¹⁴ Robert Brehl, "No market on-line: Torstar", *The Globe and Mail*, March 4, 1998, p. B8.

¹⁵ *Ibid.*

¹⁶ Brian Milner, "Black fearless of ad losses to Internet", *The Globe and Mail*, May 6, 1999, p. B5.

¹⁷ "The elimination of distance" may sound like a simple concept, but it has enormous implications for any business – like local media – that has developed within the concept of defined territories. In the case of newspapers, one of the effects of the Internet's elimination of distance was to allow readers to go directly to many sources of information that they had previously received only as syndicated content in their local newspaper.

Finding a solution – Step 3: Let’s plan – now – for the transition

During 2017, a number of solutions have been put forward to help support local journalism. Some of those solutions linked that help to tax-related measures. Many of those proposals are worthy of further discussion – even if that does not lead to their adoption as public policy, the discussion itself can add to our understanding of the rapidly-changing media environment.

But a number of the proposals for assisting threatened local newspapers seemed also to carry with them an assumption that assistance should be provided to those media as quickly as possible, in their current form, for a fixed period of time, with the hope that devising a transition to “what comes next” would be accomplished over that time period.

We may not have enough time for that approach to work.

Much more work is required – quickly – to try to understand what the media are going to look like in the very near future. Put simply, we need more context. Both public and private policy-makers should be spending the next few months modelling possible futures, and, for those possible futures, make three important assessments:

1. Which of those possible futures might best serve our public policy goals – local news, Canadian content, etc.?
2. Which of those possible futures might be most amenable to financial and/or regulatory intervention?
3. What is the most appropriate form of intervention?

From that starting point, public policy must then broaden the scope of the modelling, to ask some additional questions, including:

4. What is the future of local Canadian radio and television stations without local newspapers?
5. Are there changes that need to be made in the way governments inform citizens, if available resources will support fewer journalists to report on those institutions?

The trends documented in Figures 1 and 2 are more than just some interesting history about newspaper circulation in Canada. They tell us where daily newspapers have been, but they also may be telling us where daily newspapers are going. Planning for the transition before we get there is not a luxury; it’s a necessity.