THE DAILY NEWSPAPER INDUSTRY UNDER THE MICROSCOPE:
Monopolies, Concentration, Conglomeration and Convergence

BY Enn Raudsepp

"WE HAVE THE IMPRESSION THAT THE AMERICAN PEOPLE DO NOT REALIZE WHAT HAS HAPPENED TO THEM. THEY ARE NOT AWARE THAT THE COMMUNICATIONS REVOLUTION HAS OCCURRED. THEY DO NOT APPRECIATE THE TREMENDOUS POWER WHICH THE NEW INSTRUMENTS AND THE NEW ORGANIZATION OF THE PRESS PLACE IN THE HANDS OF A FEW MEN. THEY HAVE NOT YET UNDERSTOOD HOW FAR THE PERFORMANCE OF THE PRESS FALLS SHORT OF THE REQUIREMENTS OF A FREE SOCIETY IN THE WORLD TODAY."

- U.S. COMMISSION ON FREEDOM OF THE PRESS, 1947

The first inquiry to systematically study how well the 20th Century public was served by its providers of news and information clearly was not impressed. Agreeing with the thrust of much of the criticism of the preceding four decades, it noted that media had become big business and that in the process, access, diversity and quality of information had been seriously eroded, calling into question the very existence of the free marketplace of ideas.

Several public commissions of inquiry have subsequently confirmed that diagnosis, including a special Senate committee and a royal commission in Canada, but corrective measures have yet to be taken. Recently, a spate of billion-dollar takeovers, such as CanWest Global's purchase of the major Southam newspapers, has led to new calls for study and possibly action.

In Canada, the dynamics of the modern media market were set in

motion in 1869 when Montreal Star founders George Lanigan and Hugh Graham caught on to the fact that newspapers, while ostensibly selling news to readers, in fact were in the business of selling readers to advertisers.

That financial formula has been driving the mass media industry ever since. What we pay for our daily newspaper, for example, represents roughly 20% of the paper's revenues, with advertising providing the overwhelming bulk of its income.

Because advertisers prefer to insert their ads in the papers with the largest circulations, they inevitably end up determining the fate of newspapers. The leading papers grow even fatter with ads; the less favored ones wither away.

The essential point is that the economics of the newspaper business now virtually dictate that only one newspaper can survive in all but the largest markets. Only eight English-language markets in Canada support more than one daily newspaper, and in a couple of these, one chain owns both papers. In the United States, where there are about 1,500 daily newspapers, only 50 markets have more than one paper.

The sad fact is that the dynamics of the newspaper industry as now constituted work against excellence.

Unfortunately, this kind of built-in movement to monopoly is irreversible unless a new, non-advertising-based system for financing media can be developed.

At the same time, there has been a great increase in concentration of ownership. From the pre-World War One period, when 138 publishers ran 138 dailies in Canada, we have reached a situation where the largest chain currently has 34% of the national readership, five media companies cover 83% of the national circulation, and the five remaining independent owners account for less than 2%.

Daily newspapers that are strongly rooted in their communities have always been major contributors to establishing the public agenda and providing a forum for vigorous public debate. Under monopolization and concentrated ownership, that role has steadily diminished, and the voices that are left tend to represent an increasingly homogenous perspective on social, economic and political affairs – that of the business class. Other voices, obviously, are not totally stilled, but their ability to claim public attention is compromised greatly. Individuals on soapboxes in the town square are easily drowned out by the barrage of amplifiers and speakers that the corporations have set up.

This does matter, for despite the existence of 200-plus television channels and a seemingly inexhaustible supply of internet sites, newspapers remain the most important source of news and information. Newspapers are the largest employers of journalists and cover the widest range of issues and in the most depth.

Broadcast outlets may be quicker off the mark on breaking news, but their daily output tends towards a quick fix of headline news. And the internet, as a news source, can best be characterized as a kind of repeater station for newspapers. What we know of the world, in other words, still comes to us largely through the mediation of our daily newspaper journalists.

What we know of the world ... still comes to us largely through the mediation of our daily newspaper journalists.

Chain ownership does not necessarily have to lead to a poor quality product, but the track record of chain-owned newspapers is not comforting. As Davey's and Kent's documentation so amply demonstrates, most have padded their bottom lines by skimping on the costs of news coverage.

There is an economic reason for this. Because basic overhead, printing and newsprint are usually fixed costs, the owners' room to manoeuvre is found primarily in the area of news coverage. They can reduce the number of journalists, close down bureaus, cut back on reporters' expenses (eg. trips to the scenes of events) – and paper over the cracks with much cheaper wire copy. The result is a dearth of the most effective form of journalism, the reporter-initiated story. Today, the majority of our news comes from easily-covered, stage-managed events such as speeches, meetings, press conferences and photo-opportunities, leading to a mind-numbing sameness in many of the nation's news reports.

The sad fact is that the dynamics of the newspaper industry as now constituted work against excellence. As Tom Kent so presciently pointed out, "a newspaper property is worth more to a company that does not care about the newspaper's role in society than it is worth to someone who does care."

For example, the Southam chain at the time of the Kent Commission was spending more than the national average on editorial coverage, and consequently was considered ripe for takeover since a purchaser could easily reduce editorial expenses to enhance profits. That, in fact, is exactly what happened with takeovers, first by Hollinger and then CanWest Global.

The result, in the colourful language of the Davey Committee, is that newspapers in the 20th century are ripping off their communities, taking much more out than they are putting in.

That's how FP, Thomson and Hollinger, in their day the largest chains in Canada, operated, and the same economic imperatives dictate the policies of the new corporate behemoths: CanWest Global, Quebecor, Bell Globemedia, Rogers Communications and Torstar.

These companies grow by using the momentum and leverage of size to make ever bigger acquisitions. Southam, the first Canadian newspaper chain painstakingly acquired its papers one by one over the course of a century. Today, whole chains are swallowed up overnight, and the costs of these acquisitions create monstrous debt loads that they try to work off by cost cutting.

In addition to monopolies and concentration of ownership, a third issue – conglomeration – had emerged by the time of the Kent Commission.

Thomson, which had just swallowed the FP chain to become the largest media company in Canada, also had sizeable interests in oil, retail, travel, trucking, and insurance. In New Brunswick, the Irving papers are a minor part of the parent company's diversified interests in the petroleum, forestry, and shipping industries.

The concern of the Kent Commission was that, in becoming just another "profit centre" in a vast corporate structure, media would end up in a tangle of conflicts of interest that would erode even further the diminishing level of confidence the public had in their news sources.

Now, a fourth area of concern has arisen – convergence. At the time of the Kent Commission, cross-media ownership was a future possibility to warn the public against, rather than a serious problem, except perhaps in New Brunswick where the Irvings had invested in radio and television and in the case of Southam, which owned a 30% share in a radio and TV company in Western Canada.

The principle, which had been widely accepted within both the broadcast and newspaper industries, was that cross-media ownership would be an unacceptable restriction on diversity of viewpoints.

Because the industries employed different technologies and personnel with significantly different skills, there weren't that many savings to come by anyway – except in using some of the same content, and that was not a big enough incentive to offset the expected criticisms.

JOIN THE ACS - ADHÉRER À L'AEC
RECEIVE 6 EDITIONS OF CANADIAN ISSUES EVERY YEAR
RECEVER 6 NUMÉROS DE THÈMES CANADIENS CHAQUE ANNÉE

AND ENJOY MANY OTHER BENEFITS OF MEMBERSHIP
ET BÉNÉFICIER DE NOMBREUX AUTRES AVANTAGES ASSOCIÉS À VOTRE ADHÉSION

Please complete this membership card and return it with VISA# or cheque to:
SVP remplir cette carte d'adhésion et faites la parvenir avec votre #VISA ou un chèque à :

Association for Canadian Studies / Association d'études canadiennes
209 Ste-Catherine Street East, Suite V-5140
c/o UQAM
P.O. Box 8888, Downtown Station
Montreal, Quebec H3C 3P8

Name / nom _____

Address / adresse _____

_____

Tél _____ Fax / télec _____

e-mail / courriel _____

Payment / paiement by/par ☐ Cheque ☐ VISA

VISA# _____ Exp _____

Membership in the ACS (tax exempt) / Adhésion à l'AEC (exonérée de taxes)		
Regular / régulier	$40	$55 international(e)
Student (with ID) / étudiant (avec CE)	$15	$30 international(e)
Lifetime / membre à vie	$400	$500 international(e)
Sustaining / donateur	$65	$80 international(e)
Institutions	$75	$90 international(e)

material, a single journalist could package news for press, radio, television and the internet.

In the United States, meanwhile, under Reagan's presidency, the long-existing restrictions on cross-media ownership were relaxed. A spate of mergers ensued in which media companies tried to marry every conceivable form of carrier and content in the race to tap the synergies of convergence, with AOL Time Warner leading the pack.

The dam was broken, and Canadian companies also began jockeying for position, arguing that in order to hold their own on the world markets, they had to be substantially bigger and converged, entirely overlooking that Canada protects its media from foreign takeovers.

Convergence, so far, remains a pipe dream. For now, its only impact on the public is negative through further reductions in the diversity of our sources of news and information. And because the new conglomerates have generally paid far too much for their unproven acquisitions, they are all staggering under immense debt loads which most are trying to pay off by further reducing their editorial expenses.

AOL Time Warner, for example, set a rather dubious record with first quarter losses of $54.2 billion this year.

As noted, these kinds of problems started to become evident some 100 years ago and at least seven major public inquiries have made remarkably similar

Convergence, so far, remains a pipe dream. For now, its only impact on the public is negative through further reductions in the diversity of our sources of news and information.

The digitalization of the media changed that situation dramatically. All of a sudden, synergy was a buzz word, and visions of substantial savings began to dance in owners' heads. Because all media could use digitally encoded

diagnoses about the dangers of M-triple C media. Yet nothing has been able to stop the inexorable march towards increased levels of monopoly, concentration, conglomeration and convergence.

Why?

A major part of the answer, of course, has to do with our society's inherent suspicion of big brother government. For most of the 500 years since Gutenberg, the press has fought a running battle to get rid of licensing, censorship, intimidation, punitive laws and taxes, restrictions on access to information and all the other stratagems employed by authoritarian governments to preserve their power over the people.

The press, the multiplier of mind and the oxygen of democracy, was the natural opponent of arbitrary measures and policies. It inevitably grew into the watchdog that keeps an eye on government abuses ... But the conditions and contexts of that role have changed.

The press, the multiplier of mind and the oxygen of democracy, was the natural opponent of arbitrary measures and policies. It inevitably grew into the watchdog that keeps an eye on government abuses. That became one of its most important functions and it remains that to this day. But the conditions and contexts of that role have changed.

The kind of monopolies, concentration, conglomeration and convergence we have been referring to are not particular to the newspaper or media industry. These things are rife in all corporate sectors and part of what has come to be known as globalization – the corporatization of the world by big business, a situation epitomized by the fact that most of the largest economies in the world no longer belong to nations, but to transnational corporations. These companies increasingly are the press lords of our times.

The corporate sector, in other words, has become the locus of power in the contemporary world and in the process has lost its credibility to be a watchdog over abuses of power.

Democratic governments, such as ours, on the other hand, have moved emphatically from authoritarian to libertarian principles, and have entrenched in constitutions and charters of rights the safeguards that guarantee our basic freedoms, including freedom of the media.

In 1947, however, the U.S. Commission on Freedom of the Press still reflected some of that deeply-rooted suspicion of government regulation and hoped that moral suasion and voluntary compliance by media owners would solve the problem; though they foresaw that government arbitration might one day be necessary:

"In the judgment of the commission everyone concerned with freedom of the press and with the future of democracy should put forth every effort to make the press accountable, for, if it does not become so of its own motion, the power of the government will be used, as a last resort, to force it to be so."

Almost very commission of inquiry since then, in fact, has desperately wanted to believe in that self-correction is better than outside correction, but despite their earnest rhetoric and admonitions, the media have carried on consolidating and "rationalizing" the industry to their advantage. By 1981, when the Kent Commission issued its report, it was clear to the commissioners that voluntary compliance and the establishment of press councils, codes of ethics, ombudsmen and better training for journalists, could not provide an effective counter balance to the power of profits.

In 1970, the Davey Senate Committee had painted a dismal picture of corporate rip-offs in Canadian news media but had refrained from calling for concrete action. Ten years later, the Kent Commission, faced with a massively deteriorating situation, had no compunction in doing so – and made a number of detailed recommendations – none of which was ever implemented. (Which is why another inquiry is necessary.)

Despite the predictable cries of slippery slopes and creeping socialism emanating from media corporate headquarters, the most far-reaching contribution of the Kent Commission was to demonstrate how the government could play an effective role in guaranteeing press freedom without itself infringing on press freedom.

The principle it established points out that the free marketplace of ideas is not congruent with the capitalist free market. In fact, the big mistake we have made in the past is to accept that these two very different things are one and the same. By separating the two concepts, it is possible to distinguish between business practices that lead to monopoly, concentration, conglomeration and convergence, and media content, which suffers as a result.

The antidote, it would seem, is to allow, within carefully defined limits, the regulation of the business practices of the media, which, to a certain extent we have done before and continue to do, for example, in protecting our media against foreign takeovers. Thus, if a social consensus were to emerge that it would be against the public interest for companies to own more than a certain percentage of the total national circulation, or to own both print and broadcast outlets in the same community, the government would be empowered to adopt such regulations.

But, under no circumstances, it has to be emphasized, would the government be permitted to tell owners what they can say in their media outlets. Content must be inviolable.

It's a simple enough principle to understand, and it is difficult to see why it would lead to any abuses. Certainly, trusting the government today is less risky than trusting big business.

So it seems we have two choices. We can continue to allow the inevitable drift to a business big brother – or we can try to develop a national consensus about the quality of the news and information we expect from our media and then take steps to ensure that we get it.

The right place to start would be a new commission of inquiry into these matters. Now.

Enn Raudsepp is the director of the Journalism Department at Concordia University in Montreal, and a former journalist for The Montreal Star and The Globe and Mail.