The Proprietors: Do Too Few Control Too Much?

BY KENNETH J. GOLDSTEIN

ABSTRACT

Technology is rewriting the world of media. For the first time in history, on a mass scale, the means of production and distribution of information and entertainment products are finding their way into the hands of the consumers. In the emerging digital environment, the implications for media companies are enormous.

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The Montreal conference asked "Who Controls Canada's Media?" and "The Proprietors: Do Too Few Control Too Much?" – two provocative questions, to be sure, with the word "control" prominently featured in both.

So let me state at the outset that, if we are really interested in the controlling factors in the future of the media in Canada, we should view much of the recent debate about so-called "concentration" as a sterile and non-productive exercise. And I'm going to explain why I feel that way by revealing who really controls the media in Canada. It's actually two people: Harold Innis… and your teenage son or daughter. You may have been hoping I would name a couple of proprietors or corporate executives. But all of us are working within fundamental and overwhelming forces that are changing the media business.

In 1950, in his book *Empire and Communications,* Innis made this observation about the economic development of the North American continent: "As the costs of navigation declined, less valuable commodities emerged as staples – precious metals… timber… and finally wheat…" In other words, Innis saw a relationship between the cost of transportation and the value of the staples that were being transported. We moved from limited and high-cost transportation that could only be justified if the staples were also high in cost, to modern transportation carrying low-cost staples in high volumes.

There is a lesson here for the media. Technology now allows us to lower the cost of "transporting" channels. And that is already putting pressure on the staple those channels carry – programming, or content. By simply modifying and replacing some of the words in the quote from Innis, you can see how the sheer volume of channels has an impact on content:

"As the costs of *channels* decline, less valuable *programs* emerge as staples – *game shows… syndicated talk shows*… and finally *reality-based shows*…"

All media are facing this pressure, because fragmentation can be seen as a phenomenon both within and across the various media.

Once we understand that fragmentation puts pressure on unit costs, we can understand better why television responds with lower-cost programs to balance the higher-cost scripted shows, why syndication grows in radio, and why newspapers look at content-sharing initiatives.

We can also understand better why media consolidate, which is simply to re-aggregate the fragments to maintain economies of scale. However, those re-aggregated fragments rarely achieve the audience shares that single media outlets had in the past. So Innis, or, more accurately, the economic forces he observed, are part of what controls what the media are doing today.

And what about our teenage sons and daughters? Young people today are approaching media in a different way than in the past. If the Baby Boomers were the television generation, then their children are the Internet generation. And they have used the Internet to create a whole new category of media – consumer-to-consumer, or peer-to-peer. Print material is downloaded and shared. Music is downloaded and shared. And, increasingly, movies are being downloaded and shared. In the long term, this development has fundamental implications for the future of the media.

Here's why: For the first time in history, on a mass scale, the means of production and distribution of information and entertainment products are finding their way into the hands of the consumers. In the emerging digital environment, the implications for media companies are enormous. With digital, every copy is as good as the original, so once it leaves the traditional world of media, it can be distributed, via the Internet, anywhere and everywhere.

But wait, you say, isn't the Internet boom over, with the collapse of so many of the "dot.coms"? No, the unrealistic hype is over, but the Internet boom is actually just beginning. What now is becoming clear is that the idea of the Internet as alternative media may be limited. But the Internet as an *extender* of media – and of stores and government and universities – will have a profound impact on our society.

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So those are two of the principal forces that are controlling where our media are going today, and tomorrow.

One more dose of reality. Canada is a large country but a small market. In 2001, the total revenue of the entire Canadian media industry, from all sources, was C$19.1 billion. Sounds like a lot, doesn't it? Well, not really. $19.1 billion Canadian dollars is about the same as 3-4 months revenue for AOL Time Warner and 6-7 months revenue for Viacom.

As borders continue to erode, those companies, and others, will increasingly be competing with Canadian media for consumers, subscribers and advertisers. In fact, as of the fall of 2001, AOL Time Warner was the sixth-largest television company in Canada in terms of weekly tuning by Canadians.

So what should we do about this? Let me make four modest suggestions, in the hope that it might spur some debate.

First of all, let's stop looking at media through a rear-view mirror, and let's stop casting this as an "us-vs.-them" debate. Regardless of where you are in the media value chain, the changes are going to affect everyone. So everyone should be part of understanding the reasons for change and for crafting the responses.

Second, let's have an informed debate about where we are going, and my definition of an informed debate includes getting the facts right. If you start with a diagnosis based on the wrong facts, it is pretty likely that you'll also end up with the wrong prescription.

Third, let's recognize that, in a fragmented environment, there is a great need for a public broadcaster that has been redefined to face these new realities. But I'm not sure at the moment that the CBC is changing fast enough to fill that need, particularly in English television.

I am troubled that Canadians' level of tuning to CNN is double their level of tuning to CBC Newsworld. When Canadians are voting with their remote controls in such a decisive way, we should all be concerned.

And finally, my fourth suggestion. To those who feel that Canadian newspapers tilt too much to the right – maybe it's time to start a new, national, left-of-centre daily newspaper in Canada. In fact, last month, at the NDP convention, Jack Layton suggested that the NDP itself might get into the newspaper business.

So let's get to the core question: Would it be possible to start a national left-of-centre daily newspaper in Canada? The answer might well be "yes," but it would depend on one important factor – the Canadian Labour Congress (CLC) would have to prove that it represents its members on more than just workplace issues.

Last June, at the CLC convention in Vancouver, the 3,000 delegates passed resolutions on issues far and wide. If the CLC delegates and their resolutions actually represent their 2.5 million members, then starting a new national left-of-centre daily in Canada should be possible. In fact, the CLC wouldn't even need all 2.5 million members to sign up to subscribe to the paper. Remember, there are only four daily newspapers in Canada with average daily circulation over 250,000.

Can the CLC get 250,000 people – only 10 per cent of its members – to sign up and commit $20 per month (less than 75 cents a day) for one year to subscribe to a new, national, left-of-centre daily newspaper? That would guarantee the new paper $60 million in subscription revenues in its first year, with advertising on top of that.

So there's the challenge: If you don't like the content of today's daily newspapers, it may indeed be possible to start your own.

Will the CLC and NDP take up the challenge? I doubt it. Because if they are unable to sign up 10 per cent of the CLC's members as subscribers, they will be forced to admit that there is little demand for a daily newspaper that reflects the policy positions they have been advocating.

So there are four modest proposals. All of them are more difficult than simply creating a bogeyman and, like Chicken Little, running about, claiming the sky is falling, and asking for government intervention. But I believe those proposals could form a more productive basis for discussion of the future of the media in Canada.

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