Six reasons to stop CTVglobemedia's takeover of the CHUM stations

Submission by the Canadian Media Guild re: Application No. 2006-1667-5

April 5, 2007

www.cmg.ca

<u>Executive Summary</u>:

The Canadian Media Guild submits six reasons why the CRTC should refuse the application by CTVglobemedia to take over Citytv licences in five Canadian cities, and why cross-ownership in the media needs to be examined. Following a review of cross-ownership, we believe a policy should be developed and a review undertaken of CTVglobemedia's newspaper, conventional and specialty TV and radio holdings as radio and specialty TV licences come up for renewal.

<u>Who we are</u>:

The Canadian Media Guild represents more than 6,000 media employees in Canada. We work on the front lines of public and private broadcast media at CBC, TVOntario, Sun TV (Toronto), S-Vox, Alliance Atlantis Communications, the Aboriginal Peoples Television Network, and CJRC radio (Gatineau). We have a keen interest in creating a strong national broadcasting system that promotes and supports TV programming that serves the public interests of Canadians and reflects their diversity.

Six reasons to put a stop to CTVglobemedia's takeover of CHUM stations

Introduction

1. A private media monopoly in Canada is looking more and more likely as each new merger deal is announced. In fact, if the three most recently announced mergers are approved, we are only about three more deals away from an effective private media monopoly in this country.

2. Being a monopoly is all well and good for the company and its investors, but it's antithetical to the modern free-enterprise system and to the principles underlying the Canadian broadcasting system as enshrined in the *Broadcasting Act.* A single private company, answerable first and foremost to its shareholders, cannot be trusted to "safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada" 3.1(d)(i). And it will have no compelling reason to "encourage the development of Canadian expression by providing a wide range of programming that reflects Canadian attitudes, ideas, values and artistic creativity…" 3.1(d)(ii).

3. In the heavily regulated field of broadcasting, private companies get market protection from new and foreign entrants in exchange for providing the public benefits outlined in the *Act.* Unfortunately, the push to increase profits tends to reduce those benefits (such as high-quality local content) to optional status when they are not as profitable as other programming strategies.

4. With every media deal that is approved in Ottawa, the arguments seem to grow stronger for further consolidation. The CanWest deal for the WIC TV stations, approved by the CRTC in 2000, is being used by CTVglobemedia as the main argument in favour of approval this year of its own purchase of CHUM. But the current CTVglobemedia purchase goes even further than the CanWest deal, since it also involves the acquisition of a large radio network and specialty TV stations, creating a cross-media juggernaut. If this deal is approved now, where will this process of concentration and consolidation end?

5. We therefore present you with six reasons to immediately **deny CTVglobemedia the licences for the Citytv stations** and to establish a **policy to limit cross-media ownership** after a full review of the implications of a single media company owning significant newspaper, internet, conventional and specialty TV and radio properties in local and national markets.

Reasons

6. **Reason 1**: The Commission's current Common Ownership Policy, part of the 1999 TV policy, suggests that CTVglobemedia's proposal to retain CHUM's five Citytv stations in Toronto, Winnipeg, Calgary, Edmonton and Vancouver, must be rejected. The policy "generally permits ownership of no more than one over-the-air television station in a given market." The policy "ensures the diversity of voices in a given market, and helps to maintain competition in each market."

7. The CRTC made an exception to that policy when it granted the WIC licences to CanWest in 2000. Meanwhile, spending on Canadian programming has not increased, nor has the airing of quality Canadian programming in prime time on the Global and CH networks controlled by CanWest. It is not clear how Canadians benefitted from the exception to the common ownership policy.

8. In the coming licence renewal process, CanWest should be denied licences for both Global and CH stations serving the same market. That will level the playing field for conventional broadcasting and eliminate CTVglobemedia's "me too" argument.

9. **Reason 2**: There would be less local programming, and especially original news programming. The recent Senate report on the state of the Canadian news media points out that consolidation of radio ownership has reduced the availability of local news on the radio. The same trend is happening among national newspaper chains, where content has been centralized and journalists have been laid off.

10. And TV is not immune to the trend. On the same day that the CHUM sale was announced in 2006, CHUM management cancelled local TV newscasts in four cities: Winnipeg, Calgary, Edmonton and Vancouver.

11. For its part, CanWest has also signaled the possibility of reducing its local TV news offering because of declining profitability, despite benefitting from the "synergies" of its consolidated TV network and newspaper chain (in its submission re: NPH 2006-5). We note that CanWest was among the most aggressive broadcasters in seeking a relaxation of rules for conventional TV at the latest hearings to review aspects of the OTA TV policy.

12. We believe that local viewers and advertisers have the most to lose when it comes to cross-ownership in the media. Radio is the platform that provides strong local ad revenues, whereas TV is where national ad revenues are made. The deal in question indicates that media companies are now interested in having a finger in all media pies, including radio, conventional and specialty TV, newspapers and the internet. We believe that this cross-ownership will continue to have a negative impact on quality local programming, permitting media conglomerates to pick and choose, based on market conditions and not public interest, where to prioritize, or forego, less profitable local content.

13. It is worth looking at the state of local news in Vancouver, the country's third largest urban centre: the two daily newspapers are owned by the same company and only two private stations – CTV and Global – now provide local TV newscasts.

14. The remaining companies have found that they can make more money by being adequate, and limiting investment in newsgathering, than they can in being excellent, according to veteran Vancouver broadcaster George Orr, who now teaches TV news reporting at the British Columbia Institute of Technology and follows the local media scene in Vancouver.

15. "The more people chasing the story, the better the story is," Orr points out in an interview. The city has lost its critical mass of "nosy journalists" who hold public officials to account, he says. Media outlets then focus on covering the "hand-out" stories of the day, instead of delving into issues that haven't been packaged in a media release.

16. The situation gives people with power and money more ability to shape news coverage in a local market, which can have a real impact on how the public learns about and participates in political processes.

17. Cross-media ownership should be examined by the Commission to determine the impact on local programming, and on quality Canadian content in general.

18. We should note, too, that when the US regulator, the Federal Communications Commission, proposed a relaxation of cross-ownership rules in 2002, it drew unprecedented public and political opposition. The FCC is currently undertaking a public process to establish a new policy on media ownership.

19. **Reason 3**: There would be more repetition of programming across stations and across media lines, and therefore less original, new content to attract and hold Canadian audiences. CTVglobemedia is proposing to limit repetition to 10%; that's 10% more duplication than now exists between CTV and CHUM stations. And who will be monitoring whether this 10% promise is kept over time? It appears to be difficult enough to get broadcasters to honour all of their licence requirements, let alone live up to promises made when trying to get approval for a deal.

20. **Reason 4**: There would be even fewer editorial voices. Concentrated and cross-media ownership tends to centralize editorial decision-making in fewer hands. This has an impact on editorial content, regardless whether newsrooms are formally separate, since corporate decisions can affect how news programming is defined and what role it plays on each platform, as well as how newsgathering resources are deployed.

21. For example, after eliminating its electronic newsgathering capabilities and reducing its news production staff at Sun TV in Toronto, Quebecor has launched an ambitious project to converge its news platforms for both French- and English-

language services, despite making a commitment to the CRTC through the TVA and Sun TV licence processes that it would not do so.

22. While the CanoeLive format in Toronto, where Sun newspaper journalists provide TV content in a talking-head format, is a very crude example of the negative result of convergence, it provides a cautionary tale about the real reduction in the diversity of news and views available to local audiences.

23. Cross-media ownership, and convergence of news production resources should be examined by the Commission to determine the impact on news diversity.

24. **Reason 5**: Media consolidations inevitably lead to a loss of jobs. We actually saw layoffs at the CHUM TV stations on the very day the deal was announced. The loss of decent-paying, skilled jobs is bad for local economies. It also means a reduction in the number of people creating programming. With fewer people working in the media, there is less opportunity for a diversity of voices to be presented to Canadian audiences. Cultural diversity is especially at risk from job cuts because people from equity-seeking groups tend to have the least job security.

25. **Reason 6**: Greater concentration of media ownership means fewer markets for advertisers and for content creators to sell their work. As well, with increased program repetition across stations, there would be less time in the schedule to air new productions.

26. Fewer people would effectively define Canadian content and the independence of independent producers would be eroded. The CTVglobemedia proposal on how to manage the proposed $103 million benefits fund that would flow from the current purchase would only accentuate the trend.

27. The proposed benefits would provide an incremental increase in Canadian programming for a few years. However, given that benefits are a one-time cash infusion, they provide no sustainable approach to funding Canadian content production into the future.

28. It is possible that CTVglobemedia would, in fact, do as it promises and nurture new, innovative Canadian programming for its CHUM stations. The benefits fund would make it likely in the short-term. But in a post-benefits Canada (eg. once all of the mergers have been done and the money spent) where will the money and commitment come from, beyond the overstretched Canadian Broadcasting Corporation and Canadian Television Fund?

29. We also have concerns that the CTVglobemedia deal is also masking the elimination of a competitor in the form of the A-Channel network. With no apparent buyer, and no particular strategy being put forward for these vulnerable stations, we believe they are at risk of closing altogether. We believe that

CTVglobemedia should have a suitable buyer for the A-Channel stations before approval of any part of its purchase of CHUM.

30. It would appear that the “synergies” provided by media mergers have not actually contributed to an increase in original Canadian programming; in fact, as the Candian Coalition of Audio-Visual Unions pointed out in its submission to the CRTC with respect to NPH 2006-5, private TV broadcasters have reduced the proportion of ad revenue they spend on Canadian programs while increasing the amount spent on non-Canadian programs.

31. Clearly the more strategic reason for CTV to own the CHUM stations has less to do with developing Canadian programming than with providing shelf space for the “less attractive” Hollywood shows that CTV must purchase from US studios along with the more “sought-after” ones (page 23, Appendix 1A – CTV Supplementary Brief). It is also about eliminating a growing competitor for the more popular US shows, given that CHUM had begun bidding against CTV and CanWest for Hollywood hits.

Conclusion

32. We urge the CRTC to deny licences to CTVglobemedia for the five Citytv stations. We also urge you to develop a policy to limit cross-media ownership and to examine the CHUM radio and specialty TV licences when they come up for renewal in light of the proposed policy. In addition, we urge you to deny licences to CanWest for both Global and CH stations in the same market during the coming round of TV licence renewals.

33. Finally, we believe the CRTC should use this occasion to reconfirm a commitment to Canadian ownership rules for media companies.

34. We make these submissions because we believe there is no credible case for suggesting the CTVglobemedia deal will benefit the Canadian viewing or listening public. Nor is there a case to be made that advertisers, who continue to pay the bulk of the costs for Canadian broadcasters, will benefit from such increased concentration.

35. It is certainly not credible to suggest employees of these companies, who have already faced, and will continue to face, layoffs as a result of increased concentration, will benefit.

36. So the CRTC is left with a decision. Why is the market being regulated? Is it for the benefit of the broadcasters alone? If that is the case, it hardly seems worth the effort.

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Appendix A

A look at private media ownership in Canada in 2007

THE "TRI-OPOLY"

CTV Globemedia
Woodbridge Co Ltd.

~ **Newspapers**: Globe and Mail
~ **TV** - Conventional: CTV, TQS (40%)
- Specialty: 10 channels (inc. TSN).
~ **Internet**: workopolis.com (40%)

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CHUM
(Waters Family) - sale to CTV announced in June 2006

~ **TV** - Conventional: Citytv and A-Channel, CKX
- Specialty: 21 channels
~ **Radio**: 33 stations

CanWest Global
Asper Family

~ **Newspapers**: 13 dailies (inc. Ottawa Citizen, National Post); 2 free dailies (Metro in Ottawa and Vancouver)
~ **TV** - Conventional: Global
- Specialty: 8 channels
~ **Radio**: 2 stations
~ **Internet**: canada.com, FPinfomart.ca

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Alliance Atlantis Communications
(Southhill Strategy Group/Michael MacMillan) - sale to CanWest announced in January 2007

~ **TV** - Specialty: 13 channels (inc. Showcase, HGTV, Discovery, History)

Quebecor
Peladeau Family

~ **Newspapers**: 17 dailies, inc. Sun chain; 3 free dailies (24 hours); 50 weeklies (and 15 magazines)
~ **TV** - Videotron cable
- Conventional: TVA, Sun TV
- Specialty: 9 channels
~ **Internet**: canoe.ca, jobboom.com (more than 12 sites)

CANADA'S "LARGEST RADIO NETWORK"

Astral Media Inc
~ **TV** -Specialty: 10 channels
- Pay: 6 channels
~ **Radio**: 29 stations (Quebec and Atlantic Canada)
~ **Internet**: TATV

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Standard
Sale to Astral announced in February 2007

~ **TV**: 2 stations in BC
~ **Radio**: 51 stations

Note: This chart does not include public and public-service media, including CBC/Radio-Canada, TVOntario, Knowledge Network, Télé-Québec, APTN, and Canadian Press, or independents.

Sources: L'actualité, cbc.ca, Canadian Newspaper Association, Canadian Media Guild

Cogeco
~ **TV** - cable service
- TQS (60%); Canal Indigo (32%)
~ **Radio**: 2 stations

Corus
~ **TV** - co-owned with Shaw Cable
- 3 CBC affiliate stations
- 10 specialty stations
- 2 pay TV stations
~ **Radio**: 51 stations
~ **Internet**: corusnouvelles.com

Gesca Ltd. (Power Corp)
~ **Newspapers**: 7 French-language dailies (La Presse)

Irving (Brunswick News)
~ **Newspapers**: 3 dailies and a handful of weeklies in New Brunswick.

Maritime Broadcasting
Radio: 25 stations in NS, NB and PEI

Osprey
~ **Newspapers**: 21 dailies in Ontario (Kingston Whig-Stand) 36 weeklies/community

Rogers
~ **TV** - Cable co
- Conven: OMNI TV
- Specialty: 6 channels
~ **Radio**: 45 stations
~ **Magazines**: dozens, inc. Macleans, Chatelaine

Torstar
~ **Newspapers**: 5 dailies & 95 community papers (Ont.)
~ **Internet**: Toronto.com
- Torstar owns 20% of CTV-GM

Transcontinental
~ **Newspapers**: 12 dailies, 125 weeklies/community; 40 mags