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## Towards an Innovative Society and Economy

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## Introduction

Canada's newspapers appreciate the opportunity to submit our thoughts on Canada's future innovation agenda. Newspapers Canada believes the government's innovation strategy has the potential to be an important initiative that will ensure Canada's status as a leader in technology, business, science, and other creative pursuits.

Newspapers Canada is a joint initiative of the Canadian Newspaper Association and the Canadian Community Newspapers Association. The Canadian Newspaper Association (CNA) and the Canadian Community Newspapers Association (CCNA) are two separate organizations that partnered to create one strong industry voice for newspapers in Canada. Combined, the two associations represent over 830 daily, weekly, and community newspapers in every province and territory in Canada. The CNA and the CCNA are co-managed by one CEO but remain governed by two separate boards of directors in order to preserve the uniqueness of the programs and services offered to each member. By combining resources and collaborating on a variety of different projects, Newspapers Canada provides more relevant services to all newspaper members, while also increasing the profile and effectiveness of the newspaper industry in Canada.

As an advocate in public policy, Newspapers Canada enables daily and community papers from coast to coast to speak with a unified voice when promoting newspaper interests to governments, regulators and the general public.

## Newspapers and Innovation

Perhaps surprisingly to some, newspapers have not only long been an innovative industry, but have also stood as the bedrock for Canadian innovators, allowing them a critical platform for communication, knowledge-sharing and marketing. Newspapers **adopt and develop** emerging technologies and **pursue creative partnerships**, as well as **spread innovative culture and products** to every corner of our country and beyond.

While newspaper readership is stronger than ever, our business model is changing in the face of new competition, particularly the emergence of new digital brands based outside of Canada. As an industry, we have been working hard to educate policy makers on the changing dynamic of our industry and to propose a number of concrete initiatives to ensure the vibrancy of Canada's newspaper sector for many years to come. With this in mind, Newspapers Canada has been engaging Canada's new government on the following measures that will help build stronger economy and communities:

1. **Expanding the use of newspaper advertising by government:** Local advertising supports local news and information which, in turn, strengthens our communities. Yet, our government chooses to invest an increasing amount of its advertising dollars outside of our local communities instead. Over the last 10 years, the federal government has dramatically reduced

its newspapers advertisement spending, from \$20 million to just \$3.5 million by 2014-15. This has had a devastating impact on our industry, contributing to newspaper closures, reduced publication, and job losses. By contrast, the government spent \$13.9 million on online advertising, with most of that going to U.S.-based digital companies, such as Google. If we want to maintain local platforms for news and information, they need to be properly supported.

2. **Support for Canadian companies advertising in newspapers:** The Government of Canada should take steps to encourage more Canadian businesses to reach their markets through the use of local advertising platforms. For example, the government could provide incentives—such as tax credits when advertising with local media—for companies to increase their newspaper advertisement spending. While non-Canadian legacy media are limited by the *Income Tax Act*, these same limitations have not been applied to our digital competitors.
3. **Tax incentives to encourage investment in newspapers and other local media:** Newspapers would also benefit from an increased investment, which could be supported by measures such as tax credits for digital enterprises that provide public interest journalism, or related digital development, or tax relief to Canadian media companies or investors to encourage reinvestment in newspapers.
4. **Update copyright laws to protect original work:** The current copyright laws are over 20 years old and do not properly reflect the challenges of the digital age. Even though newspapers invest their time and resources to produce original journalism, digital reproduction has made it too easy for their work to be reused and rewritten by others. If newspapers are properly compensated for their original content and their investment protected for longer, their revenues would soar.
5. **Expansion of the Canada Periodical Fund to include community newspapers:** The rules of the Fund need to be updated to encourage the production of Canadian content as well as subsidize the distribution costs of paid circulation newspapers. Community newspapers are an important source of local information, especially in rural communities. Currently, though many community papers are reaching broad audiences with free circulation, they do not get support from the Fund.

In addition to these initiatives, Newspapers Canada is also pleased to provide its input on how the Government of Canada's Innovation Strategy can both strengthen our newspaper sector as both an innovator and as a platform for innovative pursuits by Canadian businesses and other organizations looking to build a stronger Canada in the world. As leaders of innovation, Canadian newspapers have thoughts on several Areas for Action of the Innovation Agenda. Among the addressed themes will be creating an entrepreneurial and creative society, promoting partnerships, growing companies and supporting small businesses, and competing in a digital world.

## Creating an Entrepreneurial and Creative Society

In May 2016, the Honourable Navdeep Bains, Minister of Innovation, Science, and Economic Development, wrote in the *Toronto Star* that we need to “get to a place where ‘innovation’ is thought of as a core Canadian value.” He has stated that “talent” is a key theme of the Innovation Agenda: we have to focus on creating an environment that develops more Canadian innovators as well as attracts global talent.

Canadian newspapers play a critical role in fostering a culture of innovation and entrepreneurship by creating a foundation to communicate, educate, and shape opinions. **Communication** is a key character of an innovative society because it creates new ideas as well as further develop existing ideas. In addition to encouraging communication, newspapers effectively provide a window to the world and present information about the needs of employers, innovators, and entrepreneurs in order to develop and recruit the best talent.

The news media, because of its diverse platforms -- including print, web, phone, and tablet -- are the most effective at reaching all groups; they attract younger generations with digital platforms, while reaching older generations and rural communities through print. Research shows that 9 out of 10 Canadian adults read a newspaper in print, online or mobile format every week. Consequently, advertisements in news media have proven to be extremely successful. A study on media influence on automobile purchase found that 60% of new car buyers are influenced by newspapers—the highest percentage of all advertising media.

The number of social entrepreneurs may be a good measure of the innovativeness of a society, because it shows how many people are thinking creatively to solve pressing issues. A creative, proactive culture inevitably develops entrepreneurs who at once confront problems and help the economy. Social entrepreneurship is a culture cultivated and promoted through the sharing of stories—newspapers, as storytellers that are effective at making information readily accessible to all groups, encourage it.

The story of WE (formerly Free the Children)—a global non-profit organization based in Canada that focuses on youth empowerment and engagement, poverty alleviation, and education—shows the crucial role the news media has played in the development of this successful social enterprise. This international movement started because a newspaper article inspired a child: Craig Kielburger of Ontario, then 12 years old, came across a *Toronto Star* article on child labour and felt compelled to start a movement at school. Now a Major 100 charity in Canada, WE came to life because of a story presented by a newspaper.

Newspapers also inspire people by highlighting and honouring those that are engaged in social entrepreneurship. By learning about innovators who have paved the path, many ordinary citizens become empowered to become change-makers themselves. Therefore, newspapers create a chain

effect: by presenting primary information (e.g. child labour in Pakistan), it creates social entrepreneurs, who in turn create more social entrepreneurs, often by using newspaper platforms.

In order to promote communication and information exchange we need a strong Canadian newspaper sector – supported by advertisers. In this regard, the Canadian government should expand its use of newspapers as a vehicle for its own advertisements. In 2014-15, the government only spent 6.5% of its advertising budget on weeklies/community newspapers and a meager 0.7% on dailies/national newspapers. The government should not rely too heavily on a single medium for information and knowledge dissemination, and use to its advantage the power of newspaper media in reaching across age groups and regions.

The government should also encourage Canadian companies to spend their advertising dollars in newspapers and other local media. Encouraging Canadian businesses to support their fellow Canadian businesses would help the economy; the government could provide incentives—such as tax credits, or penalties for using foreign firms—for companies to increase their newspaper advertisement spending.

## Promoting World-leading Clusters and Partnerships

In launching the Innovation Agenda, the Honourable Kirsty Duncan, Minister of Science, expressed her hopes to “strengthen applied research while promoting partnerships with businesses so that the knowledge and discoveries generated in the lab make their way to the market.”

Canadian newspapers have been a leader in this regard. As an industry that encourages **development** as well as **application** of new technology, it has been collaborating with other businesses and academic institutions in order to further develop and apply novel technologies. The following areas of innovation show newspapers’ demonstrated leadership in combining research with partnerships.

- **Digital media (mobile & tablet applications, web):** In 2015, La Presse, a Montreal-based daily newspaper with over 130 years of history, made a monumental decision to only publish its weekday issues online. The move made La Presse an example to other publications, as it was among the very first publication in North America to go entirely digital. La Presse became aware of the changing tide early; two years earlier, it had released La Presse+, an application for tablet computers, that became more successful than even its print edition. Currently, the newspaper has over 570,000 weekly tablet readers, 2.1 million website visitors (desktop only), and 435,000 mobile readers. Other Canadian newspapers are now following La Presse’s lead; Toronto Star launched its tablet computer application last fall with the help of La Presse.
- **Leading the way on a new revenue model:** In 2015, the Winnipeg Free Press became the first North American paper to introduce a “micropayment” model, allowing users to pay by the article. Sometimes referred to as an “iTunes for newspapers”, this Canadian innovation has been drawing attention from newspaper publications worldwide.

- **Content Management System for the digital age:** The Globe and Mail has been at the forefront of developing new platforms to enhance the digital user experience. For the past year, it has been collaborating with The Washington Post and its Arc Publishing technology, a content management system (CMS) designed specifically for digital storytelling and effective data gathering. The two newspapers had been testing and refining this new platform at Lab 351, The Globe's innovation centre, until earlier this year, when The Globe officially became the biggest North American media outlet to adopt this innovative technology. The Globe will continue to work with The Post to co-develop new modules and integrations to further develop the system.
- **Virtual Reality (VR):** Again, newspapers are working collaboratively across sectors in order to bring this novel, up-and-coming technology to the public. Reuters is partnering with Samsung to bring VR and 360 video to all its platforms. Other publications, such as Huffington Post and The New York Times, have acquired VR companies (RYOT and Fake Love, respectively). This year, The Globe and Mail created an innovative 14-minute documentary about solitary confinement using virtual reality, to bring focus on the issue of the overuse of solitary confinement in the Canadian prison systems. The film, *Surviving Solitary*, premiered at the Hot Docs Film Festival in Toronto.

Newspapers have always exhibited innovative spirit. As digital media is still in its nascent stage, with the proper support from the government, Canadian newspapers are in a strong position to be a global leader in this growing area.

## Growing Companies and Supporting Small Businesses

Minister Bains, in the same Toronto Star column, pointed out that innovation "can be in a start-up garage in Vancouver, a mine in Saskatoon, or a fishery in Saint John." In a recent interview with Canadian Business, he also raised the following issue: "We're really good at starting up companies. Seventy thousand companies each year we start, approximately, but, how do we grow them?"

Canadian newspapers believe that we can do so through effective community advertising and marketing. There is a snowballing effect at play: as more people find out about a product/organization, even more people will learn about it (through word of mouth, promotions, etc.). For example, a book that is on the best-seller list will get even more sales by the virtue of being on that list, and after a certain point, it becomes so well-known that its status becomes secured. Innovative companies need a similar approach.

Community newspapers have a strong local voice and connections. Consequently, they can help build a brand bottom-up, with strong local support; they can first establish the status of a small innovative business within a community.



Community newspapers are able to effectively communicate to local audiences because they represent the neighborhoods they serve and are able to target these communities. 62% of Canadians cite community newspapers as their medium of choice for local information. Of those who read community newspapers, 95% cite local information as their reason for reading community newspaper, and 67%, as advertising. A business with a strong community foundation will then be spread outward through further newspaper presence (e.g. article featuring the business) and word of mouth.

Indeed, many global businesses started out in such manner, as a strong community business before moving into other communities, states and provinces, and then countries. Take Burt's Bees, for instance, which started at a small town in Maine. The business first built its reputation at a town craft fair, before establishing its name in Maine, then in New York, and so on.

As mentioned previously, Newspapers Canada strongly encourages the Canadian government to increase its advertisement spending in newspapers, as well as develop measures (e.g. tax credit) to incentivize Canadian businesses to increase their use of newspaper advertisement.

In addition, we propose that the Canada Periodical Fund be expanded for community newspapers. The rules need to be updated to encourage the production of Canadian content, not only to subsidize the distribution costs of paid circulation newspapers. Even though many community papers are reaching broad audiences with free circulation, they do not get support from the fund.

As shown above, community newspapers play a huge role in building a strong support network for businesses, and in order to do so, they need more support from the government and other businesses.

## Competing in a Digital World

If Canadian innovation is to find a voice and a platform for future growth, Canada needs local media voices to be able to compete with global digital media giants in our own backyard.

We need to find ways to support newspapers' transition to digital platforms, as well as to develop new ways to leverage those platforms to make them more attractive to both readers and advertisers (more and better data for advertisers, ensuring greater access and relevance to readers). Government of Canada should support that transition through targeted support to help newspapers make those investments by ensuring that government advertising programs properly recognize the value that local news media outlets play in communicating to Canadians.

## Conclusion

Newspapers are innovators that adopt and develop emerging technologies, pursue creative partnerships, and spread the culture of innovation. First and foremost, newspapers are apt storytellers: they reach all audiences—young and old, rural and cosmopolitan—and promote the exchange of ideas. By sharing stories and empowering people to take action, newspapers create social entrepreneurs. Through their effective advertisements that reach local audiences, community newspapers create strong foundations for small, creative businesses that can then go on to become provincial, national, and international.

Newspapers work collaboratively with other businesses to further develop new technologies and put them to practical use. From successfully shifting their business models to the digital to producing work in virtual reality, newspapers have embraced modern technology and have demonstrated their commitment of being a leader in innovation.

However, in order to continue to support innovation, newspapers need help. Despite our efforts, we are facing financial challenges, which, in large part, arise from misunderstanding. Government ad spending on newspapers have decreased continually over the past decade, even though research shows that newspapers advertisements can reach all target groups. Antiquated copyright laws that do not reflect the digital age continue to leech millions of dollars in revenue from newspapers each year. We believe that the recommendations put forth in this report have the potential to help the industry that has been, and will continue to be, a leader in innovation.