

Shattered Mirror: 5 Years On

Platforms, Innovation and Local News

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Our latest report discusses how to save local news in Canada, and how to best adapt the Australian model of negotiated compensation between Google/Meta and the news industry.

FOREWORD

Of course, the very thing that makes news special also makes it a delicate subject for public policy. Journalism must maintain its independence from governments large and small, which creates a conundrum that distresses Canadians: how to help something that is increasingly less able to do its job while keeping it free from official influence?

The Shattered Mirror (2017)

Two immediate conclusions can be drawn on the fifth anniversary of the publication of The Shattered Mirror and its remorseless diagnostic of ever-worsening revenue declines among news media organizations and the resulting squeeze on original, public-interested journalism. One, the problem and the risks it poses to the vibrancy of our democracy have not relented and have particularly grown in intensity at the local level — the more rural and remote, the more acute. We are seeing some green shoots of innovation, but too little yet from which to take comfort. Two, the policy menu democratic countries are applying to the challenge has continued to evolve. Five years ago, the conundrum was how to secure public finance support for a floundering industry that was also an essential public good, while guaranteeing government would have no influence on news coverage. Today, the conundrum is how to ensure a rebalancing of revenues from private digital hegemony for this still floundering industry that remains an essential public good, while guaranteeing the digital duopoly has no influence on news coverage.

There is good reason to remain attentive to the issue through public policy and some glimmer of hope the marketplace may eventually rebalance. Likely, if journalism is to continue to offer its core social goods of holding the powerful to account and enabling communities to know themselves, then both policy and markets will be required to play their respective roles.

The Public Policy Forum is pleased that The Shattered Mirror helped set the table in Canada for what we considered a necessary policy debate on what to do, if anything, about the threats to democracy and, by extension, journalism. The report set out three framing questions:

1. Does the deteriorating state of traditional media, particularly but not exclusively newspapers, put at risk the civic function of journalism and media and therefore the health of our democracy?
2. If so, are new forms of digitally based media and communications filling the gap, or can they reasonably be expected to do so after a transition period?
3. If not, what is the role for public policy in ensuring the healthy flow of news and information deemed vital to our democracy, and what are the least intrusive and most efficacious ways of designing and delivering these policies?

The report contributed a factual base on which an informed public debate could occur; it situated the debate within the context of the historical relationship — symbiotic yet adversarial between news media and government; and it provided a series of implementable recommendations for what could be done. At a time when platform companies were still held in unadulterated esteem, The Shattered Mirror also sounded an early alarm bell about the rising dangers to democratic societies from online disinformation and hate, and how this content was purportedly amplified by digital platforms

indifferent to truth and devoid of civic ethos.

Among the report's 12 recommendations, at least six have seen or are about to see the light of day in one form or another:

- The application of the GST/HST to foreign digital services providers, thus levelling the playing field with disadvantaged Canadian companies.
- The lowering of barriers to philanthropic support for journalism in Canada.
- The rebalancing of copyright rules to strengthen the rights of news originators.
- The creation of a fund to support local journalism, along the lines of what the BBC was beginning to do in Britain.
- The establishment of a parallel support system for Indigenous journalism.
- The establishment of a research institute dedicated to the study of journalism and democracy, fulfilled through PPF's partnership in the [Digital Democracy Project](#) with the new Centre for Media, Technology, and Democracy at McGill University's Max Bell School of Public Policy.

The report also introduced important principles into public deliberations, including the principle that public policy involvement in media has always existed in the form of a pre-Confederation postal subsidy or Section 19 of the Income Tax Act or even the creation of the CBC; that the current problem revolved around the contraction of original news capacity of the type that served a civic function; that solutions should be both platform and business model neutral; that any government touch must be as light and brief as possible — it would be wrong for governments to exercise discretion over recipients of public funds.

Following the release of *The Shattered Mirror* in January 2017, PPF workshopped it with a variety of interested parties, including traditional news publishers, digital start-ups, minority-language press, unions representing newsroom workers and, initially, magazine publishers. Out of that process was born the Journalistic Labour Tax Credit, which would be brought forth in the 2019 federal budget and is arguably the most important and least intrusive form of support for news organizations.

And then, of course, there was the report's foundational recommendation, which boiled down to the creation of a special tax or levy upon sellers of digital advertising within Canada who did not re-invest in journalism. The thinking behind the recommendation is addressed by the so-called Australian model promised by the Canadian government — and, equally so, the alternative formulation of a levy on tech akin to the cable levy that finances the Canada Media Fund.

In 2018 and 2019, the Government of Canada introduced four spending measures, each budgeted for five years, to support Canadian journalistic organizations. The first in the 2018 Budget was the Local Journalism Initiative, to which this paper is largely devoted as the program approaches its fourth

anniversary. The other three, unveiled as a package first in the 2018 Fall Economic Statement and then in the 2019 Budget, provided tax credits for journalistic labour and subscription costs as well as creating a pathway for journalism organizations to become “qualified donees” for the purposes of being able to receive charitable dollars.

The world hasn’t stood still, of course, and these policies have had consequences, both intended and unintended. Very few journalistic organizations have become qualified donees and philanthropies have not responded with the same enthusiastic uptake as in the United States. Still, as predicted in a PPF follow-up report, What the Saskatchewan Roughriders Can Teach Canadian Journalism, new non-profit and community models are testing the waters. Larger publishers have lobbied vigorously for payment for content by social media and search companies, with government promising to backstop them through legislation, as in Australia. Other than Quebec, provinces have not introduced any of their own programs. Finally, news broadcasting has joined the ranks of the hard-pressed in seeing its margins squeezed and newsrooms diminished.

In the years following publication of *The Shattered Mirror*, the Public Policy Forum has waded back into the public discussion with suggestions for policy refinements and improvements to better serve Canadian democracy, whether it is how to make the digital subscription tax credit more effective or how to better entice philanthropists, community leaders and individual citizens to support news.

We have always focused on two separate but intertwined policy streams: how to strengthen a fact-based news media ecosystem and how to counter the Internet’s onslaught of disinformation, hate and other harms. Our Citizens’ Assembly and Canadian Commission on Democratic Expression has been deeply attentive to the hallowed place of free expression in our democratic society — rejecting, for instance, the heavy-handed German-style takedown regime (which requires a mandatory takedown of content not compliant with regulations within 24 hours) — just as our policies on news seek to maximize distance between government and journalism, while ensuring the country does not become pock-marked by news deserts.

This five-year anniversary report does not attempt to boil the media ocean. It focuses on two matters at hand:

- How to add greater ambition and impact to the reasonably successful Local Journalism Initiative, including attracting philanthropic support and creating an independent structure that could be used to support the likes of Black, Indigenous and People of Colour journalists and news media innovators.
- How to adapt for Canada the promised importation of the Australian model of payment for news by platform distributors, including the erection of guardrails to ensure global

giants like Meta (Facebook) and Google do not, in the process, gain influence over journalistic organizations.

As someone who began my journalism career at a local newspaper in Lloydminster and had the privilege to serve as Editor-in-Chief of Canada's national newspaper for seven years, I have a strong appreciation for the democratizing role of journalism big and small. In the following pages, the Public Policy Forum team will set out how to continue to sustain journalism while protecting its independence from both government and global platform giants.

Edward Greenspon

President & CEO, Public Policy Forum



CHAPTER 1: LOCAL JOURNALISM: BOTH IMPERATIVE AND IMPERILLED

At the onset of the 21st century, new technologies of communication brought about an explosion of information content, public expression and creativity. Novel forms of connectivity crackled into life, changing how communities of interest coalesce and interact almost overnight. From podcasting to pornography, fan fiction to multiplayer online gaming, almost everything across the spectrum of cultural expression underwent a momentous upsurge in output and engagement.

Older models of information and entertainment provision were blindsided. The Eastman Kodak corporation was worth US\$31 billion in 1996 and commanded more than two-thirds of the global photography market; by 2012 it had filed for bankruptcy even as photography proliferated and Instagram, Pinterest and Flickr

amassed users in the hundreds of millions. The streaming services spelled the end of the dominance of the broadcast networks, but the amount of television content being produced multiplied exponentially. Popular music was disrupted, but what was threatened was an industrial structure of record labels, A&R agents and limited radio airplay — not the music itself, which could now find listeners through platforms from YouTube to TikTok and could be accessed and marketed via services such as Spotify, Apple Music and Soundcloud.

Alone amid this proliferation of media content, one form of information — prosaic but vital to the social good — was orphaned: the day-to-day documentation of community affairs. Which is to say, local news.

Not news *per se*.

The 21st century media market still rewards certain types of news journalism: those that can scale to find national or international audiences, provide coverage of subject matter that subscribers are willing to pay, or are able to use the pretence of “news coverage” to propagandize for partisan ends.

So, the cable tiers filled with global news channels — Al Jazeera, Euronews, Sky News, France 24, Africanews. The new media environment birthed scores of faux “news” titles trading on current events in order to advance sectarian agendas, such as RT, Breitbart, the Gateway Pundit, the Post Millennial or the Rebel. Outlets emphasizing business coverage (news you can use) — Bloomberg, Thomson Reuters, the Wall Street Journal, the Financial Times — prospered. And so did legacy properties, such as The New York Times and The Guardian, with the brand and marketing clout to cultivate international readerships.

Local news — focused on ongoing, reliable accounts of the government, civic institutions and people of a municipality or geographic region — was a collateral casualty. In the 20th century, localities were served by publications that both chronicled their affairs and promoted their commerce via display and classified advertising. The advertising was as indispensable to the life of the community as the reportage, perhaps more so in that the advertising paid for the reportage. Local news was therefore an essential part of the fabric of communities, a crucial means by which they knew themselves and therefore functioned as communities rather than merely aggregates of individuals who happened to reside in contiguous space. A community without a way to inform itself about itself is just a population of unempathetic strangers.

Because going further afield raised costs of delivery or rebroadcast, the economics of the old model of news rewarded intensifying within the locality. Digital eliminates the marginal cost of new users altogether and impels news organizations to aim for the greatest scale, regardless of location. News media therefore adjust their mix from local to regional to national to international. The nature of news becomes less unifying (the common interest in a park down the street) and more divisive. Recently, The New Yorker reported on a 2018 paper in the Journal of Communication, which found that local news encouraged people to “think like locals,” and to focus on what they had in common. As sources of local news diminished, the 2018 paper argues that people turned to national news, but national news, particularly in the U.S., encouraged them to think like partisans instead of neighbours and hence contributed to polarization.

Meta (formerly Facebook) and Alphabet (formerly Google) did not set out to exterminate local news journalism. Quite the opposite. The purpose and the business model of Google is to make instant, unlimited information available to its users, and its users amount to almost everyone. When it was founded in 2004, the purpose and the business model of Facebook was “to give people the power to build community.” And yet, at the level of the local — the places where people live — the effect of Google has been to undermine the means of providing people with the information they need, while the effect of Facebook has been to corrode the ties of community, the opposite of its stated aim.

Every community in Canada remains keenly interested in its own local affairs. Google and Facebook did not do away with that interest. But between them, Google and Facebook drained advertising from the news publications for which that interest was both the point and the business model. Local interest in local affairs, by itself, is not enough. Without revenue, there is nothing to underwrite the expense of reliable, responsible reportage. And unlike other forms of content, local news publications can neither scale up nor scale down. What they can do is consolidate, as seen again in the recent acquisition of Brunswick News by Postmedia. Yet in so doing, they become more and more distant from the communities they serve.

Local news simply cannot hunt for bigger readerships without surrendering its local focus. There is an upper limit on the number of people who are interested in what is going on week by week in Esterhazy, Sask., for example, and that limit is generally set by the number of people who live there. Nor are the people of Esterhazy terribly interested in the mayoral election in Antigonish, N.S., or a dispute about school bus routes in Rivière-du-Loup, Que. Every locality is an island of its own parochial issues.

Nor can local newsrooms scale down *ad infinitum* — that is, continue to reduce their capacity to report on their communities in line with diminishing revenues. In music, one person with talent and a guitar can record the most wonderful songs on their smart phone in the hope of finding a following. Responsible local journalism is not like that. It cannot be done by a single person on the spur of inspiration. It has to be done day after day by people who monitor the deliberations of city council and the courts and the school boards, and who are able to command the confidence of the community they are covering, even when that community is itself divided. It requires a collaboration of talents, from reporting skill to editorial judgment. However modest, it requires a newsroom.

Even in the heyday of 20th century journalism, when newspapers were fat with advertising, most local papers were owned by chains that minimized staff so as to maximize profit. Sterling newspaper chain co-owner David Radler famously testified before the 1980 Royal Commission on Newspapers that his ideal local paper had a “three-man newsroom, and two of them sell ads.” Pared to the bone even in the best of times, local news operations today cannot cut staff without compromising their product to the point of ceasing to exist.

And so many of them have, indeed, ceased to exist.

[According to News Media Canada, advertising revenue for community newspapers dropped to CDN\\$411 million in 2020 from CDN\\$1.21 billion in 2011. Over that span, almost 300 papers either disappeared or merged with other publications.](#)

Some of these were thin sheets owned by the big news companies, Torstar and Postmedia, and distributed for free in urban areas, but 266 of them were publications that served non-urban communities. The list of dead newspapers reads like a roll call of regional and small-town Canada: the Souris Plaindealer, the Winkler Prairie Farmer, the Lethbridge Sun-Times, the Chilliwack Times, the Sackville Tribune-Post, Le Courrier de Saguenay, on and on. When the Moose Jaw Times-Herald closed in 2017, the paper was 128 years old. The Esterhazy Miner-Journal shut down in 2018 and now exists only as a Facebook page, preserved as a vestigial presence on the platform that inadvertently helped to kill it.

[So, we have curiously engineered circumstances in which someone who lives in Esterhazy is awash in information and opinion about everything and everywhere except the place they live. They have](#)

access to Al Jazeera and Fox News, Reddit and Joe Rogan, BBC World News and TMZ, but they no longer have a ready, informative, trustworthy local newsroom monitoring the actions of those who exercise political power in their community, and chronicling for the public record what citizens should be attentive to or concerned about in their town, their region. They have, instead, a volunteer Facebook page.

There is nothing wrong with Facebook pages devoted to community issues. The use of the platform to circulate local information and opinion by residents of a community is a welcome development, unless it is hijacked by haters and misinformers. But they are no substitute for sustained, impartial, responsible journalistic attention to civic affairs.

The loss of a shared record of local governance inflicts a pernicious form of social damage, because the vigilance provided by news organizations is crucial to the integrity of democracy.

As much as politicians and governments may resent the intrusive attentions of journalists, all mature democracies recognize that the news media are essential to it, precisely because they're outside the apparatus of government. Authoritarian societies may exercise power without explanation or justification, but democracies require mechanisms of legitimation, chief among is that the business of government (as well as the governance of business) must not only be seen to be done but to be questioned and contested at every turn. Indeed, even (perhaps especially) the elected are deprived of sight — and voice — when the local news media is gone.

“Democracy dies in darkness,” as the Washington Post’s slogan puts it, but not because — or not only because — a lack of scrutiny allows unscrupulous politicians or business interests to get away with things. Neither is it because without the news media we will no longer have an informed, rational electorate. The electorate has always been spottily, selectively informed, and never completely rational. What matters is whether there is sufficient information in circulation for citizens to come to considered decisions should they wish to make the effort to inform themselves. Darkness imperils democracy because without an ongoing record of public affairs there is nothing for the will of the people to act on. Ignorance of civic affairs leads to disenchantment, disinvestment, and the breakdown of commonweal, which in turn provides space for extreme views divorced from fact and driven by fervor.

The loss of conscientious local journalism manifestly harms the public interest. Across the political spectrum, right to left, everyone would agree that it did no good to the city of Moose Jaw (population 35,000) when the Times-Herald closed in 2017. Hence the policy problem. Surely measures should be taken to correct this sort of thing, or prevent it, or minimize the damage when it happens.

But what measures, exactly? If what has precipitated the problem is a structural reality of the new communication environment, a consequence of technology that cannot be undone, no amount of government intervention can bend the market back into a shape that will make local news profitable again. Nor would one wish public funds to be used to prop up private-sector companies that began as the authors of their own misfortune and may have ended up the distressed assets of hedge funds and speculators for whom every dollar of public subsidy would be swallowed into augmenting the bottom line. Nor should the state be the major benefactor of the very agencies tasked with its impartial scrutiny. If the news media appear beholden to the state, then their independence is compromised along with their utility as instruments of democratic legitimation.

It was in this context that the federal government created and implemented the Local Journalism Initiative in 2018 and 2019, one of several measures to support journalism introduced over two budgets.



CHAPTER 2: THE LOCAL JOURNALISM INITIATIVE AND HOW IT COMPARES TO

OTHER NATIONS

The threat to local journalism is not confined to Canada. All the Western democracies have been troubled by the disruption of the news ecosystem and especially concerned about the attenuation of media coverage of local and municipal authorities. The grand national theatres of politics, the House of Commons or the U.S. Congress, will always be the subject of scrutiny and debate, but there are myriad other forums of decision-making in any nation every bit as important to the everyday lives of their citizens.

The U.K.

In 2017, the first Western country to implement a decisive response to the deepening news crisis was the United Kingdom through what became the Local News Partnership. There were three elements to the initiative, which is administered by its national public broadcaster, the BBC.

The first, and most substantive, was the Local Democracy Reporting Service, in which 150 journalists would be hired, trained and set to work covering local government and other public institutions (an additional 15 positions would be added in 2021 for a current total of 165). Although their salaries would be paid (on three-year contracts) by the BBC, the journalists would be attached to regional private-sector newspapers.

The second was the Shared Data Unit, which trains reporters in data journalism and coordinates large-scale data investigations. And the third was the News Hub portal, which syndicates without charge news content produced in the regions to more than 800 local and regional news outlets around the country.

The BBC has committed to the program until at least 2027, and funds it in the amount of £8 million a year, for a total of £88 million from 2017 until 2027. Journalists hired through the Local Democracy Reporting Service have broken important stories of misconduct and malfeasance that otherwise would not have come to light. New Zealand's public broadcaster RNZ launched its own version of the program in 2019, which currently employs 20 Local Democracy reporters. The BBC initiative has also been cited as an inspiration for Canada's Local Journalism Initiative, although the Canadian program differs from the British example in important specifics, including that the CBC was widely seen more as a competitor than collaborator, even locally, when it came to supporting news gathered and disseminated by others.

The U.K.'s Local News Partnership marks an ingenious effort to invigorate coverage of local government by directly hiring qualified personnel to report on it rather than subsidize the ledgers of private sector news companies. It secures the autonomy of the journalistic enterprise it supports by ensuring the necessary funds do not come directly from government coffers but are administered at arm's length by a not-for-profit corporation that already commands the public trust. The program represents a marriage of convenience between the crisis in local news and pressures that were building on the BBC as it sought to secure a 10-year renewal of its charter in 2017. Facing widespread industry and government criticism for "crowding out" commercial competition, it sat down to negotiate with newspaper publishers through their trade body, the News Media Association. The upshot was the Local News Partnerships, in which the BBC would earmark a small part of its budget to support responsible civic journalism that would be carried out by the newspapers, not the public broadcaster itself. "The day after this agreement was signed, the government published its White Paper on the future of the BBC, in which it backed away from earlier threats to the BBC's funding and autonomy," observed Jonathan Heawood, executive director of the Public Interest News Foundation. (However, in January 2022 the Conservative government announced that the BBC's budget would be frozen for two years and that the licence fee through which the broadcaster is funded would be abolished by 2027.)

The Local News Partnership has not been without its critics. As Heawood complained, the Partnership is one between the BBC and newspaper companies, "which together own 80 per cent of local newspaper titles, control 85 per cent of revenue in the sector, and have arguably done as much as anyone to cause the problem this scheme purports to address by closing local and regional newspapers across the U.K."

The example of the BBC's Local News Partnership is instructive in a number of respects, not least in the way it attempts to provide a needed public good while also charting an accommodation between the public sector and the private sector — uneasy bedfellows in a turbulent media environment — and housing public support within a trusted arm-length organization.

The U.S.

Local journalism in the United States has suffered the same misfortune as local journalism throughout the West. Between 2005 and 2020, about a quarter of U.S. local print newspapers, some 2,200, ceased to publish, while those that survive are pale versions of what they had once been. However, unlike in Britain, New

Zealand or Canada, the U.S. response to this failure of the market to sustain a public good has not been, at least until recently, to mobilize public resources. Rather, it has called upon the largesse of benefactors, whether civic minded billionaires, charitable foundations with vast endowments created from business wealth or individual citizens willing to pay small sums to support what they believe is in the public interest. In the U.S., the deficiencies of one type of market are addressed by the spending power of another: the discretionary decisions of philanthropists or their administrators.

Donor money for the news media figures far more prominently in the U.S. than any other Western democracy. According to [Foundation Maps for Media Funding](#), a chart of philanthropic support for journalism and information media around the world, between 2018 and the end of 2021, charitable foundations awarded US\$907 million globally in grants for “journalism, news and information.” Of this amount, U.S. media undertakings accounted for US\$747 million and those in the rest of the world only US\$160 million.

No doubt this map favours data from the U.S. and its figures are not comprehensive, but it nonetheless points out a significant distinction between charitable sources of media funding in the U.S. and elsewhere. U.S. private sector philanthropic support for journalism has been growing as the financial base of the commercial news media has been crumbling. According to [Media Impact Funders](#), just under 300 donor organizations dispensed US\$69 million in grants to slightly more than 300 recipient news media organizations in 2009. By 2017, more than 1,200 funders awarded more than US\$255 million to 925 organizations — an almost fourfold increase.

Other nations often look enviously at the amounts U.S. charitable foundations are able to command and willing to commit to public service journalism. Their own countries’ ultrawealthy seem miserly by comparison. But the charitable response of granting foundations to the failings of the American news media is as specific to the political realities of the United States as the BBC’s arrangement with local news publishers is to the United Kingdom.

The exaltation of free enterprise is a signature of American exceptionalism, and no more so than in the realm of the media. From the birth of radio broadcasting through the advent of television, every other liberal democracy recognized that a media system entirely given over to the profit motive would not, left to itself, be all for the public good. A purely commercial media system would leave whole swaths of social experience unmentioned and unrepresented; its very popularity would conceal deserts of silence. As a result, every other liberal democracy engineered a mixed-media system in which the private sector cohabited with a public sector

whose mandate was to provide programming content that the private sector either could not or would not, establishing the precedent of a public presence in the media sector.

Not so the United States, which harbours a deep distrust of any intrusion into the affairs of the market. PBS and NPR notwithstanding, the U.S. has no strong tradition of public sector media content. (PBS produces very little original programming and the audiences for NPR are dwarfed by those for commercial talk radio.) And so solutions in the United States would originate from a very different place.

We should recall that the plight of local news is not just a consequence of the digital giants siphoning off local advertising revenue. It is bound up with a larger market dysfunction that has afflicted municipalities across North America, non-urban towns especially. In too many communities, too many local businesses have been exterminated or absorbed into non-local conglomerates. What was once a local pet shop is now a Pet Valu. Home Depot displaces the local hardware store. When Walmart arrives, the independent retailer struggles to compete. The convenience of shopping from home via Amazon is a catastrophe for local commerce. It is not simply that local advertising has fled to Google and Meta. It is that there are fewer and fewer local businesses to advertise at all. And the businesses that have replaced them are corporations that do not reside in the communities they serve and do not require a local news outlet in which to advertise. They often are their own media.

So, in the face of the market dysfunction that has led to the impoverishment of local news, the remedial responses in the U.S. have been *ad hoc* and have come largely not from policy makers but from civic minded organizations that have persuaded wealthy charitable foundations to support local journalism, or that offer coaching for local news enterprises in how to raise money from foundations and citizen donors in a never-ending treadmill of beseeching fundraising drives.

Initiatives designed to save or resuscitate local civic journalism in the U.S. include:

- The Lenfest Institute. Founded in 2016 by media lawyer, cable TV entrepreneur and philanthropist Gerry Lenfest with an endowment of US\$20 million (since supplemented by donations from the Wyncote Foundation, the Kopelman Foundation and others), the Institute describes itself as working “throughout local news ecosystems, in Philadelphia and beyond, to crack the code on a sustainable future for this vital resource.” Lenfest owned the *Philadelphia Inquirer*, which he donated to the Institute, making it now the largest newspaper in the U.S. operated as a public-benefit corporation. Among the Institute’s projects is the Lenfest News Philanthropy Network, intended to teach and assist newsrooms in fundraising, which convened the inaugural Lenfest News Philanthropy Summit in November 2021.

- The Local News Lab. Originally launched by the Geraldine R. Dodge Foundation to aid in building a local news ecosystem in New Jersey, it relaunched in 2016 under the aegis of Democracy Fund, the charitable foundation created by eBay founder Pierre Omidyar. The Lab exists to share “models and materials that practitioners and communities will find useful” in the quest to make local news robust and sustainable.
- The American Journalism Project. A philanthropic undertaking that awards grants to existing and start-up local journalism enterprises, the American Journalism Project itself depends on the generosity of some 40 major donors, including the Craig Newmark Philanthropic Fund, the Abrams Foundation, the Facebook (now Meta) Journalism Project and the Google News Initiative.
- The News Revenue Hub. A venture intended to “help news organizations achieve greater financial stability,” the News Revenue Hub mainly involves working to secure donations. “We make fundraising easier,” it says, having assisted in raising more than US\$52 million for more than 50 news partners, from the Nevada Independent to Canada’s The Narwhal.
- NewsMatch. Funded by an array of U.S. charitable foundations and companies (including the Meta Journalism Project), this initiative “is designed to strengthen the fundraising capabilities of nonprofit newsrooms and promote giving to journalism in the U.S.” Since 2016, it has raised and disbursed US\$150 million.

There are scores of others, including the Detroit Journalism Engagement Fund (supported by the Knight Foundation and the Ford Foundation), News Voices (a community news initiative begun in New Jersey in 2015, which has since expanded to North Carolina and Philadelphia, supported by Democracy Fund, the Carnegie Corporation of New York, the Foundation for the Carolinas, and others), and the Colorado Media Project (funded by the Gates Family Foundation, Democracy Fund, the Membership Puzzle Project, as well as local philanthropies).

The most prominent recent U.S. initiative to address the impoverishment of local civic journalism is Report for America. Created in 2018, its aim is “to unlock millions of dollars in U.S. philanthropy to help America’s decimated local news ecosystems. In three years, more than US\$15 million has been generated for Report for America newsrooms.” Like to the BBC initiative, it places entry-level journalists in newsrooms to cover areas and topics that otherwise would go unreported. In 2021, it placed 300 reporters in local newsrooms in 49 states as well as Washington, D.C., Puerto Rico and Guam. In the first year of three-year contracts, Report for America pays 50 per cent of the salary of these journalists, with 25 per cent provided by the local newsroom and 25 per cent by local donors; in the second year, Report for America funding drops to a third of the salary, and to 20 per cent in the final year. A number of its operating procedures should be of interest to Canadian policymakers.

In some respects the initiative is more like the Peace Corps than a structural solution to a structural problem. (It describes the opportunity it offers as “national service” and invites young people to “join the corps.”) It provides valuable experience to the young journalists it bankrolls, and they are welcome additions to the newsrooms that host them, but as Report for America itself points out, the number of local news reporters in the U.S. fell to 183,000 in 2016, from 455,000 in 1990. Three hundred young people on short-term contracts hardly makes up the difference.

Still, it provides a measure of relief as well as lessons for other countries. It makes its contribution — although not one sufficient to repair the damage done.

Assuming a salary of US\$50,000 each (the [U.S. Bureau of Labor Statistics](#) lists the median pay for American journalists in 2020 as US\$49,300 per year), US\$255 million would be enough to hire 5,100 reporters. According to the Pew Research Center, in 2008 there were a total of 114,000 newsroom employees in the U.S. (reporters, editors, photographers and videographers). [By 2020 that figure had dropped to 85,000](#), a loss of 30,000 jobs. Even in the U.S., with the wealthiest charitable foundations in play, the scale of the problem is such that the industry cannot simply philanthropize its way out of the problem.

Report for America is a subset of the [GroundTruth Project](#), which has paid for the placement of a further 300 young journalists in newsrooms in 50 countries outside the U.S. The GroundTruth Project, in turn, is financed by 55 major donors, each of which has contributed between \$50,000 and \$5 million, along with scores who have given less than \$50,000.

The fact that its funding derives entirely from philanthropy has not shielded it from political attack. In a country as aggressively polarized as the U.S., even benign motives can be ill-construed. [Influence Watch](#), an offshoot of a right-wing organization dedicated to exposing how charities “are ‘captured’ by interest groups and used to undermine Americans’ freedoms,” claims that Report for America was created “to insert left-leaning journalists into news organizations across the U.S.” As a way of signalling its independence and neutrality, GroundTruth prominently declares that it accepts no government funds (the implication is that to accept government money would somehow taint the enterprise, notwithstanding that U.S. organizations that do accept government funds include the National Endowment for the Arts, the National Park Service, and the Corporation for Public Broadcasting).

It is a reminder that even charitable enterprises can be accused of ulterior political motives, particularly so when they underwrite news coverage. And some charitable support for journalism is unapologetically politically motivated. For

many progressive donors, that is the point: to finance reporting that will expose social injustice. “Funders have a long history of supporting social issue media,” notes a report for [Media Impact Funders](#). But the same is also true of U.S. conservative foundations, which have donated tens of millions to media organizations whose purpose is to promote a right-wing view of current affairs, an element of what [Sally Covington](#) has called “strategic philanthropy.” In 2020, the [Tow Center for Digital Journalism](#) at Columbia University identified a network of more than 1,200 U.S. digital outlets masquerading as local news websites that are in reality designed to push conservative talking points and harvest user data — so-called “pink slime” sites. The sites are funded by [registered charities](#) “to support independent media coverage in communities across the U.S.,” according to the center’s findings.

Philanthropic support for responsible local news is one of the potential sources of revenue with which to repair the problem of community news poverty, even if it comes with its own complications and is not in itself the entirety of the solution. Canada has tried to unleash philanthropic capacity to support journalism in Canada through the qualified donee designation of [Registered Journalism Organization](#), but after two years only five journalistic organizations have applied and met the criteria to be designated as such. That said, Montreal’s La Presse, for one, has been rescued from the brink through a combination of government tax credit, revenues earned in the marketplace and charitable contributions. While philanthropy has been tentative at best in responding to the crisis in news, it is arguably better to keep pushing on all fronts than give up on any prematurely. Even in the United States, the gravity of the local news challenge is such that support has grown for additional sources of funding beyond philanthropy. Members of the U.S. Congress have been moved to devise tax incentives for local news producers, consumers, and advertisers. The U.S. Local Journalism Sustainability Act, first introduced in the House of Representatives in 2020, became part of President Biden’s Build Back Better Act.

The bill is akin to the tax incentives for the news industry that Canada put into place in the 2019 Budget. There are three elements to the U.S. version. To encourage consumers to pay for local news, it offers a tax credit of up to US\$250 against subscription costs to local print or digital publications. The tax credit would cover 80 per cent of subscription costs in the first year and 50 per cent in the subsequent four years. Second, to incentivize advertising in local outlets, it offers a tax credit of up to US\$5,000 in the first year for small business that do so, and US\$2,500 in the subsequent years. Third, and most consequentially, it offers local news outlets a payroll tax credit of up to US\$25,000 in the first year for each journalist employee and US\$15,000 a year for the subsequent four years.

Though the bill has been overall well received, critics have noted that half of the daily newspapers in the U.S. are now owned by hedge funds, so a tax measure intended to put wind in the sails of struggling local newsrooms will also have the effect of burnishing the balance sheets of companies whose very purpose is to squeeze every immediate return for their investors with little thought for the public good aspect of journalism or the communities these properties serve. In these cases, the target recipients themselves are implicated in the plight of local news and the democratic deficit. Even as it editorially endorsed the bill, the Salt Lake City Tribune ruefully acknowledged that

“the bravest and boldest of community-serving publications will benefit alongside the shallow, absentee-owned newspapers being stripped for parts by vulture hedge funds.”

Canada

The Canadian Local Journalism Initiative, by contrast, and in line with the BBC's Local News Partnership and Report for America, was conceived as a means to help redress genuine news deficits in primarily non-urban regions and among underreported communities from the outset. And it was forthrightly implemented by the federal government on the principle that it is the responsibility of government to protect the social fabric when it is patently under threat. At the same time, the need for independence was respected in the fact that the program is not administered by the bureaucratic apparatus of the government, the public service. The architects of the Initiative were fully mindful of the fact that government influence in the content of news coverage is anathema to liberal democracy, but they equally understood that the lack of news coverage also poses a danger to democracy. So, the program was designed to prevent any involvement of the government whatsoever beyond the provision of the funds and the drafting of the terms of eligibility to receive them. The same principles govern every other publicly funded granting agency, from the Canada Council to the Social Sciences and Humanities Research Council to Export Development Canada. However, it would be naïve to say that the agenda of the government of the day doesn't have some implicit influence as has been described by some administrators of the Local Journalism Initiative.

A five-year program funded at CDN\$10 million per year, the Local Journalism Initiative was announced in the 2018 federal budget and began life in late 2019. As a measure of scale, if we take the generally accepted rule that Canada is a

country about a tenth the size of the U.S., this would be the equivalent of the U.S. committing US\$100 million to address the issue.

Report for America is a much more modest enterprise by comparison. It proudly reports that it has raised US\$15 million over three years. Proportionally, this would be the equivalent of raising CDN\$500,000 a year in Canada to support local journalism, as opposed to the CDN\$10 million a year committed by the federal government through the LJI.

In scale of expenditure, the LJI is comparable to the U.K.'s Local News Partnership. The £8 million a year the U.K. has committed to its project is the equivalent of CDN\$13.8 million, but the U.K. is also a country of 67 million, while Canada's population is 38 million.

Proportionally then, Canada's policy commitment to addressing local news poverty outstrips both the U.S. and the U.K. Yet is it enough for the scale of the problem?

The British and Canadian responses to the problem both involve directing public funds largely to private news companies to boost responsible, truthful local reporting. The U.K.'s model uses the national broadcaster as the administrative agency through which monies are allocated to participant newspapers. In Canada, it would not be politically realistic to use the CBC as the arbiter of a program such as this, nor would the CBC want the responsibility and the headache of administering it. Under the current Canadian model, funding for the LJI is disbursed to news outlets through a distributed network of seven industry associations such as News Media Canada (formerly Newspapers Canada) and the Canadian Association of Community Television Users and Stations.

These organizations process applications from news organizations that present a case for the need for reporting staff to cover localities or issues that would otherwise go under-reported or not reported at all. (Individual journalists are not eligible to apply, unlike Report for America, which engages in matchmaking.) The applications are adjudicated by a panel of six senior figures from the news industry, who select recipients and decide on funding allocations, taking into consideration factors such as diversity in the journalistic workforce and in news representation, the population distribution of the country, minority languages and ethnic communities. At the behest of government part way through the program, a number of positions have been reserved for Indigenous media. While the outcome is widely supported, the idea of having government directly involved in modifying criteria mid-stream has rankled some media recipients.

News organizations can apply to hire full-time staff, part-time staff or freelancers. Contracts are for one year and the maximum award for any position is CDN\$60,000 to cover salary and benefits, and up to five per cent of the amount may be used to purchase or lease equipment. Salaries are determined by industry norms — for example, the maximum award for any position allocated to a community radio station is CDN\$37,500. Work produced by LJI journalists is published under a Creative Commons licence that allows it to be used editorially by other news organizations, and all stories are uploaded to an LJI portal. (However, these stories are not directly linked back to the news organization, which causes frustration among some media organizations.)

For the fiscal year 2020-2021, the Local Journalism Initiative supported the hiring, or maintaining in employment of 435 journalists in 386 media organizations. Again, for purposes of comparison, the U.K. Local News Partnership funded 165 positions in 2021, but the U.K.'s population is almost twice that of Canada. Report for America currently funds 325 journalists in 200 newsrooms representing all 50 states, but the U.S. population is almost 10 times larger than Canada's.

Any novel undertaking such as the LJI is bound to experience teething pains — even measures implemented with the best of intentions cannot anticipate every consequence or development. Indeed, some smaller outlets point to an opaque approval process, and concerns around minimum content quotas resulting in a churn of subpar content. Overall, however, the LJI has already proven to be a contribution to the social good. That does not mean it cannot be improved upon in a number of ways large and small, as we will discuss in Chapter 6.

Oddly absent from the policy discussions that created the LJI, the U.K.'s Local News Partnership, or the U.S. Local Journalism Sustainability Act was any reference to the change agents that aggravated the circumstances within the news industry these measures were created to address. The initiatives were proposed as at least partial answers to a manifest problem without grappling with what caused the problem in the first place.

[It may not be the “fault” of Google and Meta that a necessary element of a healthy democracy has been compromised, but they clearly have been free riders on content produced elsewhere and should be summoned to participate in addressing the reinvigoration of news.](#)

As noted earlier, Canada already has a tradition of distributors being called upon to help finance content production.

The first country to prominently involve Google and Meta in measures to support responsible journalism was Australia.



CHAPTER 3: THE AUSTRALIAN MODEL

The “Australian model,” as it has become known, is a legislative framework designed to compel Google and Meta, the duopoly that has a stranglehold on digital advertising, to fairly compensate news organizations for the use of their news content, and so provide the news industry with revenue to underwrite the costs of producing news coverage.

Google and Meta traffic in attention, without the distraction of civic ethos or purpose. Their users follow the world as it unfolds in their news feeds and their web searches, posting and circulating items of interest. But neither Meta nor Google generate these news items; they originate from the newsrooms of media corporations, which have long claimed the use of their content without compensation by the Internet portals is a form of theft. The portals, in return, argue that the exposure they provide the news media is itself a form of reward, since the coin of the news industry is also attention. Moreover, if the news media really wanted, they are perfectly entitled to deny Meta or Google any use of their content. Instead, news companies do all they can to make their content visible via social media and search engines. The Australian legislation, the News Media and Digital Platforms Mandatory Bargaining Code, was created in an effort to make the two parties come to terms.

The Canadian government has committed to implementing a version of the legislation, as has the U.K. government, and a U.S. version — the Journalism Competition and Preservation Act — was introduced in the U.S. Congress in 2021. Although it was not devised as a means of rescuing local news specifically, the Australian measure and the strategy that gave rise to it has become a pillar of the larger policy response to the inadvertent damage the Internet giants have done to the essential journalistic component of a healthy democracy.

Other jurisdictions have tried to oblige the digital giants to compensate content creators, notably in Europe through the use of copyright laws. The innovative aspect of the Australian model is that it approaches the issue through the regulation of what it deems as anti-competitive commercial behaviour. In December 2017, the government directed the Australian Competition and Consumer Commission (ACCC) to examine the effect of the Internet giants on the state of competition in media markets and advertising, and particularly their impact on the supply of news. The ACCC took more than a year to investigate, and in July 2019 released a 600-page report that concluded the power of the digital hegemony was so great that the news media could not compete fairly for online advertising. The report recommended that, where the digital portals obtain value from content produced by the news media, the two parties should be required to negotiate over compensation.

The Australian government originally hoped parties would come to an understanding without legislative intervention. When it became apparent this was not happening, the government drafted an amendment to its Treasury Laws that would make negotiation compulsory. The bill was introduced to the legislature in December 2020. By making bargaining the centrepiece of the scheme, it treated the digital portals and the news media almost as though they are employer and employees or management and union, when of course they are nothing of the kind. In so doing, the scheme avoided embracing the clear alternative, which is to simply impose a tax, duty or levy on the Internet portals as a price of their extraction of revenue and profit from a nation's economy.

In retaliation to the very suggestion of mandatory negotiation, the digital hegemony threatened what amounted to an Australia-wide denial of service attack on their own services. In January 2021, Google warned it would remove Google Search from Australia if the Mandatory Code became law. A month later, Facebook abruptly pulled news from and about Australia from its platform, a stunning gambit that turned the country against it and from which it quickly backed down — albeit only after securing several rounds of negotiations with the Australian Treasury. These discussions led to concessions, ranging from what the platforms would be required to share with the news media about their algorithms

and the user data it collected, and that any mandated negotiation would be required to take into account the value the tech portals provide the news media through exposure.

The law provides that once the Australian Treasurer (the equivalent of the Canadian Minister of Finance) “designates” Google or Meta (or any of their individual services such as Instagram or Facebook’s News Feed), then the companies are required to bargain with the news media companies over compensation for use of content. If after three months the parties cannot come to agreement, then the matter will go to mediation, a step that did not feature in the original bill and a concession won by the tech portals. If after two months of mediation there is still no agreement, then the matter goes to final arbitration, in which the arbiter — an officer of the government — will make no attempt to find a compromise but will choose one of the two competing offers, what is sometimes referred to colloquially as baseball-style arbitration. This final-offer arbitration therefore encourages the parties to be reasonable in their positions. If one offer is patently unreasonable, then the arbiter will select the competing offer whatever it may contain, provided it too is not patently unreasonable.

Despite being on the books for a year, designation under the Code has not yet been triggered. The Treasurer has yet to “designate” either Meta or Google, and therefore the mandatory bargaining aspect of the Mandatory Code sits dormant. Some combination of legislation hanging over the heads of the platforms and the compromises reached with the government in February 2021 has proven enough to spur the digital portals to negotiate compensatory arrangements with many but not all Australian media corporations, one by one rather than as a collective. In that regard, the “Australian model” has so far proven to be a government response to a market dysfunction in which the government has (so far) not had to interject itself directly.

“You’ve got deals done without them even needing to be designated, but only because the Code’s there, and the Treasurer’s finger is on the designation button,” outgoing Australian competition commissioner Rod Sims told the Sydney Morning Herald in February 2022 “Provided the Treasurer...still has the finger on the designation button, then we’re okay. Provided the future government stays committed to the code, then we’re okay.” The Treasury department intends to conduct a review in March as to whether Facebook and Google have struck enough agreements to satisfy the government. If not, designation may occur.

Critics are wary of the lack of structure around the deals so far, and whether that is creating winners and losers among news producers. Certainly, money has flowed to help news organizations. Presumably — though with no hard assurance

— this money has been utilized by recipients to finance their news operations. Again, nobody knows for sure just how much money has flowed to the news organizations or how it is spent.

Some operators, including The Conversation and the multicultural public service network SBS, have complained about being unfairly left at the altar by Meta (although each has a deal with Google). What's certain is that no guarantee exists of equal treatment, nor has a governing formula been adopted for how money should be distributed among eligible media. The one-off nature of the arrangements to date arguably places greater power in the hands of the larger parties, the platforms and the biggest news publishers. Among the Western nations, Australia has by far the greatest concentration of ownership of news media companies. This has long been a political and policy concern. Some Australian critics worry that this scheme of forced compensation between the tech companies and the existing news media merely entrenches the status quo.

Criticism about the Australian model starts from this under-appreciated fact that it has not actually been brought into force. There have been negotiations and deals, but to date all exist outside the regulatory contraption of the Mandatory Code. To the good, these deals have meant millions of new dollars flowing from the tech companies to the news media. To the bad, nobody but Meta and Google know the total sums transferred given the confidentiality clauses surrounding each arrangement. And there is potential for inequitable treatment. In Australia, the media companies have not, as supposed, assembled themselves into a consortium to bargain collectively, as though they were a labour union. Instead, Google and Meta arranged meetings with each of them separately as though they were valued employees asking for a raise.

Nor is there anything in the letter of the Mandatory Code (and certainly not in the deals struck between the tech portals and the news media companies) that requires money received from the tech companies to be spent on producing public interest journalism — the reason for the legislation in the first place. This is another issue to which Canadian policymakers need to remain attentive.

“The adoption of a Code is not a panacea for the problems that led to the crisis in journalism,” Karen Lee and Sacha Molitorisz observe in the *Journal of Media Law*. “To its credit, the Code has already prompted significant payments to flow to news businesses, but for more comprehensive support for quality news and public interest journalism, and to better foster innovation, further government policy initiatives are required.” In particular they note, “countries should anticipate the need to develop additional measures that support smaller, but registrable, news media businesses in parallel with a Code” — a point to which this paper will return

in discussing a proposal to expand and reform the existing Local Journalism Initiative.

With an election looming in 2022 (no later than May 21), the Australian government is promising increased funding for its national broadcaster, AU\$48.5 million of which would be devoted to the ABC's "Enhanced News Gathering" program aimed at "strengthening local public interest in regional communities."

Election promises also include a AU\$10 million Journalist Fund "to support the provision of public interest journalism in the regions."



CHAPTER 4: OPERATING PRINCIPLES FOR IMPROVING THE AUSTRALIAN MODEL AND SUPPORT FOR LOCAL JOURNALISM

Canada enjoys the "second-mover advantage" of having seen the design and implementation of the Australian example begin to play out, and therefore the opportunity to consider what has worked well, what to avoid and, most pertinently, how it might be best adapted to Canadian circumstances. We also enjoy some advantages from the policy infrastructure put in place in the news media support mechanisms meant to flesh out the 2018 and 2019 budget initiatives.

In its Fall Economic Statement 2018, the Government of Canada put forth two key principles with regard to aid for the news media sector, stipulating that any mechanism of support must:

- "Be arms-length and independent of the Government. To this end, an independent

panel of journalists will be established to define and promote core journalism standards, define professional journalism, and determine eligibility.”

- “Be focused on the creation of original news content.”

These principles remain foundational; however, this report goes further in identifying seven additional principles needed to guide further support for civic-based journalism:

1. Direct assistance primarily at news organizations producing public-interest and original journalistic projects that better inform our democracy with a goal to helping them grow and become more sustainable.
2. Avoid picking winners and losers by being platform- and business-model neutral and by ensuring fair treatment of media organizations that meet the qualification criteria for government support.
3. Increase transparency around funding decisions as a means of addressing perceptions of favouritism.
4. Minimize discretion in funding decisions and maximize the distance between government and funding recipients and between platforms and recipients by increasing the clarity of eligibility criteria and the independent governance of decision-makers.
5. Create an entity that can source funds for assisting news media from multiple channels in addition to public funds, including charitable and community giving.
6. Allow the independent entity to identify multiple streams of funding support for different forms of civic journalism — starting with underserved geographic communities as intended in the Local Journalism Initiative but also potentially extending to journalism by and for Black, Indigenous and People of Colour Canadians, multicultural media, and communities with special needs, such as those who are hard of hearing.
7. Ensure that public funds incentivize rather than deter innovation of journalistic models making use of new digital means to tell stories or aggregate and reach audiences.

By upholding these seven principles, public support for journalism will avoid the trap of distorting the natural evolution of the marketplace, will create a diversified complement of funds in and supports out for different forms of public interest journalism aimed at different audiences, and ultimately will deliver on the tricky proposition of governments preventing the impoverishment of journalism without compromising its essential independent role in a democracy.

In the final two chapters, we will apply these principles first to an improved made-in-Canada Australian Model and then to proposed reforms of the Local Journalism Initiative to allow it to build out from a strong base to better support local news and potentially other forms of information distribution in support of under-served communities and news innovation.



CHAPTER 5: A BETTER AUSTRALIAN MODEL

The mandate letter issued to the Minister of Canadian Heritage in December 2021 directed the minister to “swiftly introduce legislation to require digital platforms that generate revenues from the publication of news content to share a portion of their revenues with Canadian news outlets to level the playing field between global platforms and Canadian outlets. This legislation should be modelled on the Australian approach and introduced in early 2022.”

Meta and Google have already positioned themselves by inviting select media organizations into support programs designed to blunt the pressure for change. In May 2021, three months after passage of the Australian legislation, Facebook announced it would provide financial support to 14 Canadian publications as part of its News Innovation Test; it now has agreements with 17 news organizations. The pilot will “pay participating publishers for the ability to link to additional news stories not already posted on Facebook — helping us experiment with ways to enhance the experience for people on the platform who are looking for trusted Canadian news about important topics.” In February 2022, it unveiled the Canada Reader Revenue Accelerator program with 16 organizations aboard.

In June 2021, Google announced its Google News Showcase and expanded its Google News Initiative with a commitment to train 5,000 journalists and students in digital skills over three years (in 2019, Statistics Canada estimated that there were 9,100 journalists in Canada). By November, it was channeling money to 11 Canadian news organizations. Some of these were prominent legacy media with single properties (the Globe and Mail, Le Devoir). Some were regional chains of local properties (Black Press, Glacier Media). Some were relatively new operations aimed at under-served local markets (Village Media) or young urban

downtowners (Narcity). On the face of it, these arrangements may appear to compensate for the migration of advertising revenue to the digital portals: in a private sector solution to the problem, Google and Meta were bringing a watering can of money to the wilting gardens and news deserts of Canadian journalism. The private sector would sort the matter out amongst themselves. There would be no call to involve the state, and therefore no need for any legislation. Except, even if the money the digital portals were to contribute were more than enough to finance the operations of news journalism in every underserved community in the country, these agreements create their own suite of problems.

Neither Meta nor Google have made any effort to broker their support for news journalism through arm's-length measures or neutral agencies, nor have they acted with transparency. They have come to agreements directly with news organizations individually, all bound by non-disclosure strictures — the anointed must sign non-disclosure agreements just to enter discussions. Even should they wish, the recipients of the revenue transfer cannot inform one another, much less the public, about the deals they have struck. Journalism is founded on the principle that the public interest is best served by the public disclosure of the facts of civic life. This surely applies to the news media themselves. For news companies to enter into revenue arrangements with powerful companies with an obligation to conceal the terms from the public sits uneasily with the culture of journalism or the demands they place on other institutions.

The same problem has arisen in the one-on-one deals negotiated in Australia. Although it is impossible to know with certainty given that the details remain secret, it seems that in Australia, Facebook has agreed in many instances to provide funds in the amount of 10 per cent of editorial costs and Google — 20 per cent. These are material amounts of money, a larger slice of revenues than almost any single client would have ever accounted for in the days when people worried about advertising distorting news coverage.

Google and Meta's financial contributions to news companies create an immediate and profound conflict of interest. This funding comes at the discretion of two of the largest corporations in the world, with market capitalizations in January 2022 of US\$873 billion and US\$1.79 trillion respectively, as against Canada's entire GDP of about CDN\$2 trillion. Moreover, these companies are interested parties and active lobbyists on some of the most contentious public policy areas domestically and internationally, including copyright law, taxation, privacy and data rights, regulation of disinformation, hate speech and other forms of content deemed illegal or otherwise harmful, such as child pornography, terrorism recruitment, white supremacy and the enabling of extremism.

Canadians should know by how much their independent media might be indebted to two of the biggest corporate titans in history and under what conditions.

Transparency should be part of any scheme backstopped by government, as is the case even for an Australian model that has so far side-stepped the final designation step.

Just as journalism financed by public funds must take scrupulous measures to ensure the state has no discretion to exert influence on content of reportage, it is a further principle of responsible journalism that the news media should not be beholden, nor seen to be, to any party other than the public interest. The very opaqueness of the deals struck between Meta/Google and the news media invites concern about the influence the digital hegemony might be able to wield over coverage, not only of themselves but of the myriad issues in which they have an interest or are implicated. It is imperative funding from platforms, just as from government, is accompanied by guardrails of transparency and by mechanisms to ensure the payers do not have the means to play favourites, punish those out of favour, or skew coverage.

Further, without the framework of the Australia model to govern the flow of revenue from the digital portals to the news companies, these deals have been struck entirely at the discretion of the portals and, judging from history, could be rescinded capriciously. Any company capable of threatening to punish a country by shutting off its services because it did not like something that country's legitimately elected government was thinking of doing, is a company for which the caveat emptor principle is merited.

The shadows of the danger of these giant platforms potentially influencing newsrooms and distorting news coverage are already visible in Canada.

Facebook has married sponsorships to the organizing and curation of events that present its viewpoints and showcase its executives. Newspapers with early deals with Meta have been criticized for a lack of disclosure of this fact when publishing op-eds by Meta representatives.

Having committed to legislation inspired by the Australian Mandatory Code, it is imperative the Government of Canada learn from the Australian example and use its second-mover advantage to create an improved version made for Canada.

Recommendation 1: Implement a made-in-Canada Australian Model that prioritizes transparency and acts to avoid potential distortions in the marketplace.

An Australian Model adapted for Canada needs to incorporate four core tenets:

- **Insist on Transparency:** Canadians should know how much money is flowing from Meta and Google into news organizations meant to hold such businesses accountable. The existing framework of governance by non-disclosure agreements runs contrary to the public interest and journalistic practice.
- **Avoid Platform Discretion:** Meta and Google should not be able to pick winners and losers by choosing with whom to negotiate, what benefits they will receive, or what journalism they reward or punish. Who qualifies for benefits under the Australia model should be determined completely independently of the negotiating parties. This is not, as often portrayed, a simple private sector transaction. It is enabled by public policy. Fortunately, Canada enjoys the advantage over Australia of already having a mechanism in place. The Government of Canada introduced a system of qualifying criteria and independent decision-making as part of its 2019 package of journalism supports. Despite suffering birthing pains, the Qualified Canadian Journalism Organization (QCJO) designation flows from generally accepted principles of good journalistic practice. Meta and Google should be mandated to negotiate with all QCJOs for fair compensation.
- **Maintain the Collective:** The concept of the Australia model is built upon a waiver of competition law to allow news organizations to even the negotiating playing field somewhat by acting as a collective. United they stand, divided they are picked apart. Negotiations with platform companies should be conducted only via collective bargaining and not one-on-one. Therefore, all QCJOs would qualify and benefit equally; there would be no leeway for either platforms or news associations to determine who is in or out.
- **Direct Funding to Journalism:** Money transferred from Meta and Google under the Australia model must go to journalism, specifically public service journalism, and not into dividends and debt payments. Evidence must be seen of increased editorial spending in the public interest. The existing policy of tax credits for editorial or labour costs should remain.

Together, these measures would prohibit the type of unaccountable one-on-one deals becoming commonplace in Australia outside the strictures of the legislation, and having their preview in Canada. Given that some Canadian news organizations have already come to bilateral agreements with Google and Meta, policymakers will have to determine whether to grandfather these deals or whether the rules of a Canadian Mandatory Bargaining Code should supersede them.

Should the Australia model be successfully imported into Canada, providing significant support to established publishers, fresh thought should be given to whether the Local Journalism Initiative should be more tightly focused on smaller operators situated in news deserts and turned from an episodic program into one

dedicated to building journalistic capacity and, hopefully, finding ways to make it sustainable. Many national news organizations already admit privately they should not be eligible for the LJI, but they have applied because they need the money. With the Australian model being added to a suite of solutions, the moment will be ripe for a LJI relaunch, not because it's a bad program but because it's a good one. The LJI should complement the application of a Bargaining Code and focus on the pressing problem of news poverty in underserved communities, whether these be geographic or communities of interest.

As the news companies sit down to bargain with Google and Meta, the LJI should be a builder of local news capacity that cuts across the breadth of the country and across the range of companies that run local news outlets, from the highly independent Low Down to Hull and Back (of Wakefield, Que.) to the Elliot Lake Standard in Ontario, owned by Postmedia. No matter how it is delivered, or by which companies, the very idea of local news needs its own place at the table in the next round of policy-making.



CHAPTER 6: TOWARDS AN EXPANDED AND MORE EFFECTIVE LOCAL JOURNALISM INITIATIVE

Total revenue for community newspapers in Canada plunged by nearly 60 per cent between 2010 and 2020, felt most acutely among dailies. Some 300 Canadian newspapers have been lost to communities across the country, 76 of them in the past two years. It was in this context of the devastation of democratic informational pillars that the Government of Canada created the Local Journalism

Initiative and committed CDN\$50 million over five years to its implementation in 2018.

The mandate of the LJI “supports the creation of original civic journalism that covers the diverse needs of underserved communities across Canada.”

Although the LJI has already been of manifest benefit, there is, as with any new program, room for further improvement. As it stands, the LJI is approaching its five-year expiration date, and so the time is ripe to consider how it can be made more impactful. The likely introduction of an Australian-style transfer of funds from platform distributors of news to producers also creates an opening for reform.

In this section, we will propose that a renewed and strengthened LJI would:

- Lock in long-term funding from the Government of Canada and diversify the sources of funds into the program.
- Revisit its governance structure to ensure the care and evolution of the program is in independent hands that can focus on the cause of news day in and day out.
- Use this trusted vehicle to raise the comfort level of charitable foundations and other donors to support journalism and provide training and assistance to individual publications for their fundraising.
- Provide predictability and continuity to program recipients (both journalists and news organizations) through 2-3 year grants in place of the current episodic project financing to support longer term planning and reduce administrative burden.
- Provide training for journalists enrolled in the LJI. At a time when high journalistic standards are in greater need than ever, the on-the-job professional development familiar to generations of journalists is one of the victims of the depopulation of newsrooms.

The Public Policy Forum has organized two roundtables over the past 15 months to discuss such matters with stakeholders as to why philanthropy has not taken off in support of journalism and how support for local journalism can work better for both administrators and recipients of LJI funding. PPF has also surveyed international models of funding local journalism for comparative purposes. Our consultations and research bring us to propose a path to a renewed and improved LJI that also makes use of its infrastructure in other areas of journalism.

The Next Stage of the Local Journalism Initiative

The LJI in its current incarnation is essentially a mechanism for the distribution of government support to selected publications. It is a funding program rather than an agency devoted to the mission of making local journalism more sustainable and of greater service to communities across Canada. It lacks the capability to promote a better long-term future for local news in communities across the

country. A renewed LJI would conduct research into the problem it exists to address and would provide training for the journalists it funds. It would enjoy the mandate and latitude to seek sources of support other than the government funds it disburses. Its definition of “local” journalism would be both less porous and less restrictive. It would assist news organizations old and new to become more adept at tapping funds within their home communities on the way to becoming more sustainable and securing local journalism as an essential public good. It would leave rule-making and effectiveness to the program’s independent administrators. To realize greater ambition from the LJI, a number of recommendations follow under the rubrics of structure, function and administrative rules.

Greater Ambition in the LJI’s Structure

Recommendation 2: Redirect Local Journalism Initiative funding decisions into a mission-driven entity allowing for multiple streams of funding both collected into the pot and paid out of the pot.

An ideal program would protect integrity and its appearance by increasing the distance between granters and grantees. It would have a fully arm’s length governance structure featuring an entity offering greater separation of journalistic decisions from both government and industry associations. Think of it as LJI+.

In an effort to create arm’s length from the federal government and the administration of the LJI, the current iteration of the Local Journalism Initiative has seven industry representatives and includes a judging panel of six, all of whom may themselves qualify for LJI funding. By attempting to create arm’s length, the federal government has installed a process where the organizations who lobby government for journalistic funding are the ones deciding how such funds should be allocated and to whom. There is nothing necessarily wrong with this — decisions on how SSHRC funds are allocated are taken by judging panels composed of academics who themselves receive or have received SSHRC funds; it is their competence as researchers that qualifies them to determine who should be successful in the research grant competition. Similarly, the LJI requires reputable individuals with experience in the news media to assess applications for journalistic support. However, there are other ways to ensure LJI monies are distributed by professionally competent individuals who also are disinterested parties so as to avoid any appearance of conflict of interest.

Building on the success of the Local Journalism Initiative to provide a sounder structure that would assist in expanding its reach and impact could be pursued in

one of three ways:

- Creating a similarly structured entity to the Canada Media Fund, focused on a remit of expanding journalistic opportunity in under-served areas of journalism rather than film and television production.
- Situating the LJI within an existing organization with charitable status and fundraising capability, similar to Report for America.
- Launching a new granting entity, likely a non-profit corporation, charity or charitable trust.

Although all options have merit, speed and the minimization of administrative burden favour the first two. In addition to better insulating all players from any possible future charges of favouritism, one of the prime benefits of this independent governance structure would be its ability to solicit and receive philanthropic money, whether from foundations or individual contributors. As noted earlier, the BBC program is entirely publicly funded while Report for America is entirely funded through private donations. A made-in-Canada version would combine both streams of funds, making for a richer and more diverse funding portfolio. A third funding stream could come from community leaders or even municipal governments determined to ensure local citizens are well served by the community building inherent in the shared information systems of journalism, without the effort being tainted by any perception of buying influence.

It is commonly understood that, with a few notable exceptions, philanthropic support for journalism has been a disappointment so far in Canada. Only five organizations have completed the process introduced in the 2018 budget for acquiring the designation as Registered Journalism Organizations, thereby rendering them eligible to receive philanthropic funding and issue tax receipts. PPF's consultations suggest a number of reasons for this, some of them having to do with administrative obstacles but others with cultural barriers. It will take some time for donors to become accustomed to journalism as a target for their funds, and perhaps adjust their purposes to enable this new area of charitable activity.

That there would be a learning curve is not surprising. Some foundations are intimidated by the imperative of the news media to get in the middle of fast-moving and controversial matters. These organizations would prefer the shelter of an intermediary organization in line with the recommendation in this report. We have also heard from both sides of the divide that foundations don't know how to approach and speak with journalistic organizations and vice versa. Among the objectives of Report for America we would like to see taken aboard by a reformed LJI is education in fundraising for small and new media organizations and providing a bridge into journalism for foundations.

Greater Ambition in the LJI's Functions

Recommendation 3: Both deepen and broaden the Local Journalism Initiative. Deepen it to focus on the rapidly increasing dysfunction of news deserts in once-thriving communities. Broaden it by leveraging its infrastructure to support other types of under-served communities, such as Black, Indigenous and People of Colour reporters and communities of people with disabilities, while also lending support to those planting green shoots that hold our promise for a richer and more sustainable media ecosystem in future.

An LJI+ entity could create the conditions to support even more targeted communities experiencing additional barriers to either accessing or reporting relevant civic purpose journalism. For example, the federal government has a commitment to creating CDN\$50 million Changing Narratives Fund to support Black, Indigenous and People of Colour communities — this could easily find a home in an LJI+ entity. These decisions would be supported by research done by the LJI+ entity to determine the best way to meet the need and realize impact. Multiple streams of funding would allow for an even greater opportunity to address news deserts that are both geographical and community or digital based.

It is also the case that there are a growing number of start-up news organizations forming to provide coverage to under-served communities. These green shoots, for profit and non-profits both, hold promise, but may be in pre-Qualified Canadian Journalism Organization stage. Supporting innovative business models and the creation of sustainable revenue streams for these news start-ups supporting underserved communities could reasonably be offered by a LJI+ to help the cause of longer-term sustainable coverage.

Program Delivery of Local Journalism Support

Recommendation 4: Amend the LJI delivery model to enhance predictably and sustainability of funding for news organizations and the journalists employed through the LJI, and to reduce administrative burdens that distract from quality journalism, especially for under-staffed small media organizations.

Interviews with news industry figures and analysis of other local journalism

models tell us that the existing structure of funding imposes an unnecessary administrative burden, especially on smaller organizations, and creates a lack of predictability that complicates planning for both the LJI journalist and the organization. It also prioritizes volume over quality and lacks critical supports for development of journalism in local communities. The program should consider the following amendments:

- To lower the administrative burden, organizations should be approved for funding for up to three years, as opposed to the current year-by-year funding approval. Predictability of when the funding will flow to organizations should be concrete. Once an organization qualifies as an LJI recipient, they should remain onboarded.
- News organizations should be supported through training and resources to enhance organizational capacity with an eye towards creating a permanent funding stream for the LJI supported reporter or beat.
- The LJI should institute mentorship, training and development opportunities for LJI journalists in addition to their formal placements, as the BBC's Local News Partnership provides.
- Clarity is needed around who qualifies and why, with an eye towards business model and platform neutrality.
- Eligibility for LJI support should be expanded to include newsroom roles beyond the traditional reporter. Currently, LJI funding only supports reporters. But there are other forms of journalistic coverage and storytelling, such as photojournalism, infographics, data mining, and increasingly multimedia interactive engagement. As well, much of the quality control of responsible journalism resides in the editing process, from deciding what stories to pursue to ensuring clarity and accuracy in exposition.
- As it stands, LJI is funded by public money from the Government of Canada, therefore it is fair that content produced by LJI journalists be made available for editorial use by others under a creative commons criterion; however, at minimum, any article using LJI-produced material should acknowledge where it's sourced. An expanded LJI entity might also consider how the requirement that any LJI-funded content be subject to a creative commons licence might actually discourage otherwise eligible news outlets from participating in the program.
- The LJI currently has an output metric — journalists are required to produce a minimum number of stories each week — presumably so as to ensure the money spent actually produces coverage. However, as well intentioned as such a measure might be, it may have the effect of diminishing the quality of the journalism produced. Output for the sake of output reduces quality; journalists often need time to research and investigate in order to produce longer, more informative pieces than quick news hits that satisfy an arbitrary quota. Alternative metrics by which to measure productivity and success should be explored.

It is possible these amendments would not all fit directly under the one stream of the Local Journalism Initiative. However, by repurposing the LJI into a mission driven entity, other streams of funding may be able to better support the needs of local journalism. For example, a training fund or program could easily be developed, or a fund to support business model innovation leading to long term sustainability. When the goal is to address the dwindling of local public interested journalism, flexibility is a virtue.

CONCLUSION

The Government of Canada is known widely outside the country as a leader in policies to perpetuate journalism and the vital role it plays in a democracy. In our discussions with counterparts in Australia and other countries in trying to come to grips with the strengths and weaknesses of the Australian model, we were often asked about the strengths and weaknesses of the Canadian journalism labour tax credit.

This is a new area of activity for a government of Canada, one that nobody would have wished for but one necessitated by the dire consequences of technological change and its disproportionate allocation of rewards to those with maximum scale (customer base) and minimum journalistic presence (payroll).

Unsurprisingly, it has been fraught with controversy given the high value Canadians place on media independence and the role they accord to their news organizations to hold the politically and economically to account. While trust in media is often described as low, as with other institutions, the closer you get to your local newspaper, the more than familiarity breeds respect, not contempt. Local news is foundational to a healthy democracy. Even those who accuse it of bias tend to lean on it for information. Never is this moreso than during a crisis, as the COVID-19 pandemic has reminded us.

Canada has introduced four measures in the past four years to assist journalism, with a fifth to come through a (hopefully modified) Australia model. Of the four already in place, two can be judged successes: the journalistic tax credit and the Local Journalism Initiative. The other two require attention: charitable status has not worked out well partly because of the stringency of the rules but partly because the animal spirits of entrepreneurialism mean that many established and aspiring journalistic organizations choose against embracing non-profit status, and therefore rule themselves out as qualified donees. There are ways to ameliorate this blockage, but they are not the focus of this paper.

Similarly, the 15 per cent digital subscription tax credit appears to have landed in the marketplace with a whimper not a bang. Its upper limits will have to be raised if appreciable numbers of Canadians are to take advantage of it. The solution to the financing crisis in contemporary journalism is multi-dimensional, not singular. It requires a toolkit to support the launch of a new media system and a content-rich bridge to the future. We remain hopeful that bold executives and creative entrepreneurs will, given a decent chance, figure out how to make news pay again. We can't be certain of that, but we want to give them a fighting chance, just as we don't want to put at risk the community sinew that is news — national, regional and especially local. And the vertical organization of news that the

Internet does so well in its enhanced ability to organize markets.

We chose to focus in this report on a) the Australian model because it has been promised and could be improved in relocating to Canada; and b) the Local Journalism influence because it addresses one of the most critical journalistic deficits from a position of relative strength. Five years ago in *The Shattered Mirror* we said, “We at the Public Policy Forum hope our analysis and recommendations will stimulate a necessary debate and some carefully calibrated action to preserve a foundational social good.” We are saddened to see the marketplace continue to move away from financial support for news, yet we are encouraged to see heightened innovation in policy solutions and in the imaginations of a new generation of news entrepreneurs. We urge the government to continue to backstop the vital role of news as business operators thrash around for a solution that ultimately does not lean on public policy.

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