



THE SHATTERED MIRROR SERIES

WHAT THE SASKATCHEWAN ROUGHRIDERS CAN TEACH CANADIAN JOURNALISM

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INTRODUCTION

A number of approaches to support local news journalism are emerging in response to persistent and sharp declines in advertising revenue—which has traditionally underpinned the news industry—and the light adoption of reader-pay models. News startups, most of them online, are being financed through a range of revenue streams, including advertising, subscriptions, crowdfunding, government grants, and project funding from philanthropic organizations to name but a few. Even the 134-year-old La Presse is working to turn itself from a for-profit to a not-for-profit on the way to its desired outcome to become a charity. Other established news brands, such as The Globe and Mail, are offering mixed models of financing their journalism beyond the simple for-profit model of the past. The Government of Canada appeared to encourage such an approach with its Budget 2018 promise to study the possibility of loosening restraints on philanthropic support for journalism, in addition to setting aside \$50 million over five years to support local journalism in underserved communities. Its exact words were:

“As more and more people get their news online, and share their interests directly through social media, many communities have been left without local newspapers to tell their stories. To ensure trusted, local perspectives as well as accountability in local communities, the Government proposes to provide \$50 million over five years, starting in 2018–19, to one or more independent non-governmental organizations that will support local journalism in underserved communities. The organizations will have full responsibility to administer the funds, respecting the independence of the press.

Further, consistent with the advice laid out in the Public Policy Forum’s report on news in the digital age, over the next year the Government will be exploring new models that enable private giving and philanthropic support for trusted, professional, non-profit journalism and local news. This could include new ways for Canadian newspapers to innovate and be recognized to receive charitable status for not-for-profit provision of journalism, reflecting the public interest that they serve.”

As the Public Policy Forum’s 2017 report [The Shattered Mirror: News, Democracy and Trust in the Digital Age](#) documented, the traditional privately owned, for-profit news media model has seen its sustainability thrown into doubt in the digital age. This is largely because the current context favours content distributors over producers, especially Facebook and Google, which together draw in roughly three-quarters of online advertising revenue and virtually all of the growth. As well, digital subscriptions, in which readers pay the freight, generally have not taken off in Canada. The 2018 version of the [Reuters Institute Digital News Report](#) showed just nine percent of Canadians pay for online news, barely changed from the previous year, and the country ranked 27th of the 37 countries surveyed.

A long list of factors offers nothing in the way of encouragement:

- high-margin advertising revenues continue to shrink for print and broadcast content producers;
- digital ad sales dominated by global players that make no investment in Canadian journalism;
- reader-pay models encounter market resistance;
- a “free” competitor in the CBC; and
- the dramas of U.S. politics prompting subscriptions to American news sources such as the digital versions of the New York Times and Washington Post, at the expense of Canadian sources.

This limits the extent to which producers of Canadian content aimed at broader Canadian audiences can finance their operations through traditional revenue sources, particularly those producing civic news with a local, regional or national orientation. In the case of journalism startups, the majority have turned to a variety of revenue streams in an effort to achieve financial sustainability. Few, if any, however, are known to have achieved that sustainability yet. Thus, new sources of finance are required if journalism is to continue its contribution as a public good.

The Shattered Mirror documented in detail how this huge and growing revenue hole was sinking Canadian journalism. Newspapers across Canada were closing, leaving communities with reduced or no news coverage of civic affairs. To avoid closure, other news outlets were laying off staff, reducing their footprints or merging local newsrooms. From 2008 to 2016, 169 local media outlets closed and another 54 reduced services. Despite some limited startup activity, these downward trends continue unabated.

The Torstar and Postmedia chains, which each own many regional and local papers, arranged to swap 41 titles in late 2017. Almost immediately, 36 of them were shuttered to create regional dominance by one chain or the other. Almost 300 jobs were lost. Torstar chair John Honderich remarked that quality journalism was in crisis and that the company was “very, very close to the end.” As well, publisher Roger Holmes, who in 2016 purchased the Moose Jaw Times-Herald and Prince Albert Daily Herald in optimistic defiance of industry trends, announced in November 2017 that the 125-year-old titles were closing. Ultimately, the workers of the Prince Albert paper purchased it for \$1.

In the meantime, some digital-only publications have enriched the news ecosystem, and other experiments—such as building partnerships among news organizations, university professors and students to produce investigative journalism—have been undertaken. While of net benefit to the ecosystem as a whole, these efforts tend to lack the scope or concentration of journalistic resources of the traditional system. While it is certainly possible some, particularly the privately owned ones with entrepreneurial drive, might break through some day, for now the startups are not fully filling the news vacuum.

The relevance of these trend lines goes well beyond those directly involved in the news industry to have major implications for Canadian politics and democracy. Access to quality news and information is critical in

a democracy, as it enables citizens to know what their governments are doing, hold those governments to account, and build a culture of civic participation and debate among citizens. Access to quality local news is critical to the very creation of a sense of community. The 2009 report by [The Knight Commission on Information Needs of Communities in a Democracy](#), for example, found that “information is as vital to the healthy functioning of communities as clean air, safe streets, good schools and public health.” This decline in news about local communities threatens the transmission lines connecting information, community and democracy.

The Shattered Mirror identified the factors that lead to reduced news coverage on a national scale and, as a result, we now have a good picture of what’s going on in the news industry and why. The report also made 14 specific recommendations on what the Canadian government can do to reverse some of these trends and promote civic-minded journalism in Canada.

At the beginning of 2018, PPF decided to take a more empirical look into the state of local and community news media over a 10-year period. Working with our research associate, Nordicity, and with the support of our partners the Atkinson Foundation, Community Foundations of Canada, CWA Canada, McConnell Foundation, Unifor and Vancouver Foundation, we set out to measure the gaps that have opened up in 20 communities across Canada. If, as The Shattered Mirror demonstrated, journalistic outlets were shrinking, merging or closing, what was the effect on the volume and depth of coverage?

To date, as with the paucity of Canadian media research generally, there has been no known work of this kind done in Canada beyond [a crowd-sourced map](#) of media closures and startups. And it is difficult to undertake content counts because of limits to the breadth and depth of databases of news stories. As a result, we do not have a good picture of which communities are more or less likely to suffer from inadequate coverage, whether this extends beyond places where outlets have gone out of business, or what specific areas of coverage have been hit the hardest. As the federal government prepares its plans to distribute funds to support journalism in communities across Canada, and as other groups look at ways they might also assist local journalism, highlighting evidence of where gaps have opened and what new models have emerged can help inform decision-making.

In addition to examining the news coverage of local communities, we felt it imperative to take an initial look at the online media ecosystem, too. More detailed research and analysis will be required to answer the question of whether the online news media ecosystem, including news relayed via social media platforms, are adequately plugging the gap.

We are publishing two companion reports: this one looks at the emergence of alternative ownership and financing models hoping to plot a path to a more sustainable and broadly based civic journalism in Canada. While wide-ranging, the list is by no means exhaustive. The second report, [Mind the Gaps](#), examines to what extent print news coverage is being rolled back in Canada.

NEW MODELS TO FINANCE JOURNALISM

Many different approaches to support journalism, locally and beyond, have emerged in recent years in the wake of the sharp decline of traditional industry players. While there have always been exceptions, the main ownership models for news have been private companies (often organized into chains with multiple titles), the public broadcaster, and the long-time co-operative responsible for The Canadian Press until 2010.

Necessity is the mother of invention. So are the low barriers to entry for new media players, who neither require the capital for a printing press or a government broadcast licence. Experimentation is highly welcome. At the same time, journalism is an iterative process that works best and can be most ambitious with the support of news organizations—ones where career development and internal learning can occur and where legal support and insurance for contentious stories can be provided. The vast majority of civic reporting, particularly that aimed at broad audiences of Canadians, still originates in traditional news organizations, despite their financial woes. We see in the companion report, *Mind the Gaps*, that the sum total of journalism appears to be falling significantly.

While it is impossible to know whether new models will produce journalism in quantity and quality, experimentation is vital at any time, and particularly in this moment of decline. The following section outlines some of the new approaches popping up in Canada and elsewhere, both by startups and by established providers of news. We have organized them into five separate sections (though many would not look out of place in another section). Furthermore, the examples provided here are far from exhaustive; rather they are offered to inform further discussion about the future of the news media system in Canada.

Together, they provide indications of how the sector may be developing:

- more startups;
- more non-profits;
- more involvement by foundations and philanthropy;
- more community-based; and
- more public support, such as the \$50 million currently on offer from the federal government and a \$36 million program to support print journalism already in place in Quebec.

Finally, we propose bringing many of these approaches together in what we call the Canadian Football League's Saskatchewan Roughriders model: a mixed form of ownership deeply embedded in individual communities. We believe that the economies of scale that have made chains the dominant ownership form over many decades have had the unintended consequence, in a long period of financial pressure, of creating

distance between news outlets and the communities in which they reside. This thesis is validated both anecdotally (the regionally rooted Winnipeg Free Press is arguably the most innovative and journalistically committed paper in Western Canada) and supported by the research in *Mind the Gaps*. In the near term at least, the tension between the search for cost savings and the centralization of content, with its concomitant reduction of community connection, will be increasingly resolved in favour of community orientations. This will be especially so when public and philanthropic money is involved. We will describe the Saskatchewan Roughriders model further below. Suffice to say it is not only an ownership form, but even more so a descriptor for the kinds of mixed models we expect to emerge. That said—and this is a key point—we think governments should proceed very cautiously if they are thinking of discriminating in favour or against different ownership models. By and large, the public interest lies in ensuring two things above all: that original journalism is being produced and that the inevitable transition to digital proceeds apace.

DISTRIBUTED NETWORKS

The British Broadcasting Corporation (BBC) began the [BBC Local News Partnership](#) in 2016 as an effort to ensure journalistic coverage for local communities. Through this program, the BBC hires “Local Democracy Reporters” who cover municipal councils, public services and local issues in underserved areas on behalf of the BBC and other local news organizations. As of early 2018, 145 reporters have been hired under this program and have been posted in 59 community newspapers across England, Scotland and Wales. Five additional reporters will be assigned to local papers in Northern Ireland by the end of the year.

In addition, the Local News Partnership has created a News Hub and a Shared Data Unit. The News Hub allows media organizations outside the BBC to access BBC video and audio content and use that material online. The Shared Data Unit contains data journalism content from both BBC reports and the Local Democracy Reporters. This data is accessible to news organizations across the U.K., allowing them to use it in their own journalistic work.

This initiative, and the BBC’s other reporting, is supported by policy and legislation by the U.K. government, principally through an annual licence fee (£150.50 at the time of writing) applied to households with TVs or internet-connected devices used for consuming BBC materials.

This model offers the potential for the development of a distributed network unique to Canada. In *The Shattered Mirror*, we recommended establishing a local mandate for The Canadian Press—a Canadian version that would reflect similarities to the BBC’s Local Democracy Reporters. This service, which we refer to as “CP2”, would be distinct from that of the 100-year-old Canadian Press, which has not tended to focus on distinctly local news. *The Shattered Mirror* suggested that for \$8 million per year, CP2 could hire 80 to 100 reporters and editors (more recent calculations suggest a greater number) to cover local democratic institutions in communities that need original or supplemental coverage. This service may also be used to cover gaps in court coverage or of provincial legislatures.

CP2 would not compete with, or seek to undermine, existing local coverage. Unlike the existing wire service, it could offer its journalistic content on an open-source basis to all takers, thus promoting local innovation while providing CP's well-respected professional standards and the physical infrastructure in handling text, images, audio and video. Under this model, CP2 could serve communities and cover institutions that have been neglected due to cutbacks in local news coverage, and so avoid running the risk of undermining existing news outlets and coverage.

Finally, The Shattered Mirror explored the potential for CP2 to leverage government investment and attract other financial contributions, including from local community organizations, foundations, or municipal government. In all cases, policies and governance measures would be required to ensure journalistic independence.

JOURNALISM STARTUPS

[Village Media](#), based in Sault Ste. Marie, Ont., is an entrepreneurial startup news operation that runs local news sites in eight communities across Ontario, and has further partnerships with another six outlets in communities across Canada. The news organization offers hyperlocal content, generated by full-time reporters and editors at each location who cover local issues.

Village Media focuses on operating in communities where there are few other local advertising opportunities, and targets merchants who prefer to be associated with local content by offering premium advertising. This creates revenue while also generating web traffic. Village Media does not have a paywall, but has seen some favourable results from requests to its users for donations in support of local journalism.

The organization has successfully made headway in communities where traditional papers have either declined or shut down altogether. In some places, it has recruited most of the editorial and advertising teams that have been let go by news media closures. For example, after the closure of the Guelph Mercury and the Orillia Packet & Times, Village Media has experienced positive early outcomes in both communities with its digital-only offering. Although it is not yet at a break-even point, its owner feels he has identified a sweet spot in smaller and mid-sized communities without much competition for advertising dollars or presence of local content. In larger centres with greater competition, such as Ottawa and Halifax, Village Media has been experimenting through partnerships with local radio news stations owned by Rogers.

It is unclear to what extent Village Media heralds a new model blending community news, digital advertising savvy and entrepreneurial drive.

Founded in 2015, [National Observer](#) provides a very different example of an entrepreneurial journalism startup. The B.C.-based online publication has a stated mission to publish “tough investigative reporting, in-depth analysis and daily news coverage.” It focuses on stories that can “be used to protect public health,

rights, [and] the environment and hold governments to account on addressing and mitigating the threat of climate change.”

National Observer was initially supported through several Kickstarter campaigns, investments and loans, and is now owned by Observer Media Group, a privately held company. Linda Solomon Wood, founder and editor-in-chief of National Observer, is the majority shareholder, with the other shareholders being National Observer’s two most senior staff. In July 2016, National Observer launched a paywall and has a goal of being 100-percent reader-funded in the coming years.

The site offers a blend of journalism and activism. As per its mission statement, it is journalistic in its pursuit of truth, yet also committed to a world view that goes beyond the findings of individual stories. It uses its activist journalism accomplishments and the anxieties of its audience about environmental and climate degradation to issue fundraising appeals for specific reporting initiatives. Much of National Observer’s coverage is supported by these appeals or by project-specific funding largely from philanthropic organizations. Annual revenue also comes from individual subscriptions, advertising, and “enterprise subscribers” (businesses, foundations and universities).

[The Tyee](#) is a local news organization that has covered news and issues in B.C. since 2003. Like National Observer, it has a mixed business model, with revenue from two core investors, ticket sales and advertising, event sponsorship, donations, desk rentals, and other miscellaneous revenue. The British Columbia trade union movement is its largest owner and funder. Despite winning awards and plaudits for the quality of its journalistic efforts, growth has been slow over its 15-year existence and it is still widely considered a startup. The Tyee attracted about one million page views a month in 2017. It is not profitable.

Another Vancouver-based startup is [Discourse Media](#), which aims to “engage communities underserved by other media in journalism, public dialogue and civic life.” It sees the disrupted media landscape as an opportunity to redirect journalism to the service of “community impact” while creating a profitable business model that can be replicated. It generally eschews daily reporting to dig more deeply into issues such as climate change, reconciliation and sexual assault. In 2017, arguing that this kind of work could not be financed through crowdfunding campaigns alone, Discourse launched a [FrontFundr campaign](#) to raise \$1 million of investment, with the promise of returns down the road in the form of dividends. As of April 2018, it reported it had achieved 95 percent of its goal through 300 investors contributing \$950,000, including—according to founder Erin Millar—judges, students, Indigenous leaders, tech startup founders, environmentalist David Suzuki and media innovators. The proceeds are intended to fund a national expansion to 20 investigative reporters concentrating on specific areas of coverage.

Discourse Media reports that it has tested more than a dozen revenue models and sees the strongest growth in “direct audience revenue (subscription, membership or donations)” but notes that this approach has not been tested to a great degree in Canadian local news markets. Discourse believes Canadians will pay for

journalism if they value the product, but also observed that in community consultations it held in seven underserved markets, citizens were dissatisfied with the type of journalism they had access to. Among the issues they reported: A desire for solutions rather than reporting on only conflicts or problems; coverage of their communities from elsewhere that reinforced stereotypes; and a desire for more depth in coverage.

These wide-ranging startups, and a number of others, reflect efforts being made across the media industry to identify new pathways to financial sustainability and profit. It is worth noting that with the exception of Village Media, all of these organizations received some kind of startup funding that was not seeking the ordinary return of a financial investor, in some cases from either government or philanthropic organizations.

In terms of foundation and philanthropic support, it is unclear how much money is available to support such undertakings. What is clear is that funding could only be unlocked at scale if journalism organizations can be identified as charities, either as qualified donees or through their ability to issue charitable receipts.

Assuming the organizations mentioned above would be open to operating under a charitable model rather than aspiring to profitability, the participation of philanthropy might help spark further new ventures. Of course, charitable status entails an indirect public subsidy—beyond that of non-profits—that would involve significant tax law reform by the Government of Canada. This could come in the form of a special designation of journalism for charitable purposes, a not-unprecedented approach, or a more general and widespread overhaul of Canada’s approach to charities, which is rooted in a late 19th-century framework.

Of the examples discussed above, only Village Media has a specific commitment to local coverage, something the website extolls as a value: “We are proud members of the cities where we operate. We support local events, charitable causes, and recognize our neighbours’ achievements. We’re more than just news: Village Media is all about community.” Just as Village Media calls on community-first values of its readers and marketers in Ontario, National Observer and The Tyee focus on specific issues such as the environment and social justice. When considering the future of local media in Canada, the values demonstrated by Village Media offer a possible model: How can media organizations and policy makers tap into local pride and community values to create a sense of connection with local news media?

NON-PROFITS OR CHARITIES

While there are a host of not-for-profit media organizations scattered around the globe, this model has had less traction in Canada, at least in part due to a regulatory regime that does not consider journalism-related activities charitable, thus posing an obstacle to funding from foundations and donors motivated by charitable tax treatment. One investigative journalism site, [ProPublica](#)—which was initially financed through annual donations of \$10 million by California’s Sandler family, plus foundation money—was imbued with professional journalistic standards by its first editor, Paul Steiger, who previously ran the Wall Street Journal newsroom. It enjoyed journalistic critical mass from the outset, with an initial staffing of 28 journalists. Regional variations on this model exist in Texas, Minnesota and other states.

In contrast, Canadian non-for-profits operate on a shoestring. One example in Canada is Ottawa's [Apt613](#), and its Gatineau sister organization, [Sous-sol 819](#), which cover community news in the Ottawa-Gatineau region on an exclusively digital platform. Content is produced by volunteers, often journalism students, retired journalists, public servants and other interested community members. The organization also has in-kind partnerships with local community groups whose staff write content for the website.

It is funded by partnerships, advertisements and donations, and runs fundraising campaigns for specific projects, as with a recent campaign to fund a citizen journalism training program. Apt613 has three part-time staff. The majority of Apt613's content is on arts, culture and events in Ottawa. It does cover some civic issues and features a "news and ideas" section on its website, but this engagement is limited because of the reliance on volunteers who do not have time to cover ongoing stories. It freely admits that it is dependent on the reporting of more traditional news organizations for its feedstock.

At the other end of the spectrum is [La Presse](#), founded in 1884 and one of the most well-established and journalistically accomplished news brands in Canada. With paper, printing and distribution—not journalism—representing the lion's share of costs in the newspaper industry, La Presse led the way in ceasing print operations and moved to an exclusively digital offering through a website, a mobile app and a daily tablet edition called La Presse+. It succeeded in moving most of its readers and many of its advertisers to its digital platforms and held on to a greater share of its revenues and newsroom staff than comparable organizations. This transformation was enabled in part by wealthy owners, the Desmarais family, who invested \$40 million in the tablet app. While it has been highly successful in relative terms, losses never abated and the dominance of smartphones over tablets has imposed a need for further investment.

La Presse announced in May 2018 that it was changing its business model, specifically to transition to a non-profit organization with hopes of gaining charitable status. By departing the scene, the Desmarais family and La Presse management hope to make the media company attractive to private donors and government support. The move also places a cap on the financial exposure of the Desmarais family, who will relinquish ownership of La Presse with a final contribution of \$50 million to the new entity and assumption of legacy pension obligations.

La Presse has often been the most aggressive in its class at innovating. The pursuit of charitable status and the exit of the Desmarais family is the most radical response to date of the invitation in the federal government's 2018 budget to study charitable models for news media. It comes before that review has been completed or reported on. It is not, however, the only such response. The Globe and Mail has put forth a less-sweeping proposal to set up a charitable entity that would operate in parallel to its for-profit news business. The charitable arm would seek donations to finance individual stories and beats considered within the bounds of current charity law.

The [Prince Albert Daily Herald](#) provides a recent and still untested example of employee ownership. In December 2017, a group of employees led by publisher Donna Pfeil reached an agreement with Star News Publishing to buy out the paper, which was slated to be closed, and return it to an independent, locally owned and operated news outlet. According to reports, the paper currently has 10 full-time staff. Commenting at the time of the deal, Pfeil said the employees were committed to continuing to print the paper as a daily. The Herald also has a website. An important factor to keep in mind from a policy point of view is that the owner announced his intentions to close the Herald and was willing to engage in conversation with the employees. In many instances, papers are shuttered with no notice to support consolidation efforts. The community has no chance to respond. The Shattered Mirror discussed that a notice period be considered so efforts to keep the news outlet alive could be plausibly mounted.

In response to earlier cutbacks to the Herald under then-owner Transcontinental, a Prince Albert online news portal, [paNOW.com](#), was created in 2012. The site was launched off the base of three local radio stations owned by the same media company. It pulls content from the stations as well as producing its own and has been financed through ad sales. In 2015, Vancouver-based Jim Pattison Broadcast Group purchased the stations and paNOW.com from Rawlco Radio Ltd. and is expanding the model to communities in Saskatchewan. The Pattison Group believes this model can work only in small communities with an established media presence and limited competition.

From the outside, Prince Albert appears a rare community of news innovation and competition. Yet it remains to be seen whether employee ownership, deeply rooted in the community, will succeed where corporate or entrepreneurial ownership has not.

[The Conversation](#) is an independent, not-for-profit media organization that connects the public with content sourced from the academic and research community. The editors work with authors, typically university researchers, who have proven expertise on specific subject matter and who commit to community standards that emphasize the importance of expertise and transparency. As part of its commitment to an informed public and the free flow of information, The Conversation is a free resource, both free to read and free to share or re-publish under Creative Commons licensing. Launched in 2011 in Melbourne, Australia, it has since expanded to Africa, France, the United Kingdom, the United States, and most recently opened an office in Canada in June 2017.

Canadians can access news content on a range of topics on [The Conversation Canada](#) website; content is also distributed by universities and through more traditional news platforms such as Maclean's and CBC, thanks to the website's partnership with The Canadian Press. The content of The Conversation is not news per se, but rather analysis and commentary on news. By virtue of its stable of academic writers, its commentary tends to be better informed than much of what can be found on the internet.

In terms of the business model, The Conversation Canada taps into Canada's strong network of post-secondary institutions: it is primarily financed by 25 member universities in nine provinces. In return for support, the universities can connect their researchers with a platform for sharing their expertise, and they receive data analytics about Canadians' engagement with published articles (number of views, shares, etc.). The Conversation Canada has research funding from the Social Sciences and Humanities Research Council (SSHRC) and receives financial support from strategic partners, including several foundations and Universities Canada.

Headquartered in Boston, Mass., [The GroundTruth Project](#) is a non-profit media organization that offers reporting fellowships and workshops to journalists and distributes their work through editorial partners including PBS NewsHour, The Atlantic, ABC News, and the Huffington Post. GroundTruth specifically supports emerging millennial journalists working on issues that have been identified as priorities for that generation, including climate change, income inequality, youth unemployment and the experiences of refugees.

The GroundTruth Project does not accept government support; rather it is funded through individual donors as well as foundations. As of spring 2018, GroundTruth had offered more than 100 reporting fellowships and workshops to emerging journalists around the world and had distributed their work through editorial partners in the United States and abroad.

Another example of support for local news is the announcement in early July 2018 that the state of New Jersey is planning to dedicate \$5 million (U.S.) to support the establishment of a new Civic Information Consortium, a non-profit with a mission to revive local media in the state. According to reports, the consortium will collaborate directly with five of the state's universities (The College of New Jersey, Montclair State University, The New Jersey Institute of Technology, Rowan University and Rutgers University) and be governed by a board of 15 selected by the state's governor, legislature and the five universities. The board will be responsible for approving grant proposals against a series of criteria with the aim of benefiting both established and startup news outlets. The consortium aims to seek additional donations and grants to continue to grow.

The Institute of Investigative Journalism at Concordia University was unveiled in June 2018 after a pilot project in 2017. The goal of the IJJ is to bring together Canadian universities with local and national media companies to address the problem of news deserts. The IJJ's national network currently includes eight Canadian universities and five media companies that brought together some 50 student journalists and editors in publishing more than 70 articles and news broadcasts for the 2017 series "The Price of Oil."

As discussed, the non-profit media model has had limited activation in Canada, in part because the existing regulatory regime prevents non-profit journalism organizations from accessing charitable status. A number of startups that have sought to forge close relations with their readers and listeners, including voluntary

monthly contributions—The Tyee, National Observer, and Discourse Media for example—are structured as businesses rather than non-profits. In many cases, profits have not materialized. Reforming the regulatory regime to include journalism-related activities as a charitable activity could unlock at the very least new incremental resources from philanthropic sources that give some of these news organizations a shot at sustainability and growth, as described later in the report.

The Conversation, The GroundTruth Project and the IJ highlight the opportunity to tap into post-secondary institutions and recent graduates as part of strengthening the media system. These institutions already receive public contributions from government and they also already enjoy status as qualified donees and charities. A number of foundations have expressed a higher comfort level with such arrangements given their long experience and existing mandates supporting the post-secondary sector.

PHILANTHROPY

Philanthropic support of local journalism has been a core source of funding for media in the United States, where non-profit organizations focused on journalism can be conferred charitable (501(c)3) status. An example is the [Knight Foundation](#), which has been a leader in philanthropic support of community journalism. The foundation has supported a range of journalism-related initiatives, including funding for projects that work to improve diversity within newsrooms and those that support community organizations to empower and train “citizen journalists”.

In promoting journalistic innovation, Knight has championed a “design thinking” approach. Community organizations begin by holding engagement and consultation processes within their communities to identify gaps in local coverage and to encourage community members’ ideas and solutions. The community group then uses these perspectives to create a journalism initiative, test and pilot the idea, and make adjustments—an iterative process that responds to the preferences and needs of community members (as opposed to an external, imposed approach to journalism). To date, the Knight Foundation has funded four community groups in four cities across the United States to undertake these projects.

To encourage other funders to grow their support for local journalism, the Knight Foundation led the Knight Community Information Challenge, an initiative that offered matching dollars to American community foundations when they supported local media projects that worked to create more informed and engaged communities. Between 2008 and 2013, the foundation made more than \$24 million available for community foundations to match, resulting in support for more than 100 community-led media projects. This initiative saw American community foundations play a key role in supporting information and knowledge in communities across the United States.

Philanthropic support for journalism-related initiatives exists in Canada, but funders have so far focused largely on project-specific funding or the convening of stakeholders in the media system, as the current regulations governing charities in Canada do not permit broad-scale support for journalistic activities.

The [Vancouver Foundation](#) has recently undertaken a pilot project that demonstrates the role community philanthropy can play in encouraging behavioural and business model change. While the foundation recognizes that local journalism is a community need and has invested in reporting aligned to its strategic priorities, requests for funding have begun to exceed dollars allocated to this cause. The Vancouver Foundation is mindful that its mandate and focus is on supporting registered charities through a competitive call for grant applications.

As an alternative to contracting directly with individual news organizations, in May 2018 the Vancouver Foundation began a pilot to encourage collaboration between local media organizations on an issue of community interest. Through direct communication with media partners, the foundation has offered one grant of up to \$10,000 in support of a project proposal that brings together local entities and journalists from multiple outlets for a collaborative media project rooted in community engagement.

The amount to be invested would be determined by the proposal itself but could be up to \$100,000 on top of the initial \$10,000, depending on project duration and deliverables. If the foundation went ahead in support of the proposal, it would not hold editorial control; rather, the project would be guided by its community engagement and by a coordinator from a media outlet or a collaboration between a media organization and another community organization.

Between 2012 and 2017, [The Winnipeg Foundation](#) ran Community News Commons (CNC), an initiative that demonstrated how a community foundation can lead a local community journalism program. CNC offered training to citizen journalists and provided an online hub for them to share their stories. It encouraged the use of diverse forms of journalism, including traditional reporting, editorials, audio content and photojournalism. It also aimed to cover the broad spectrum of community news: coverage of city hall; relevant political and policy issues; arts and culture; community events; and profiles of individual community members. The website had specific subsections and stories on different neighbourhoods within Winnipeg, allowing community members to find detailed, hyperlocal information that might not have existed otherwise.

This initiative was made possible through grants and partnerships, including a three-year, \$200,000 grant from the Knight Foundation, which meant that CNC never ran any revenue-generating ads on its website. Once the grant funding from the Knight Foundation ended, The Winnipeg Foundation continued to fund

CNC directly until the program was paused at the end of 2017. The foundation is currently considering next steps for the project.

A more ambitious undertaking can be found at the [Atkinson Foundation](#). Given Atkinson's focus on social and economic justice, it is concerned with the impact of news media industry cutbacks and closures on lower-income communities.

On the eve of a major Ontario government review of employment standards, Atkinson became aware that none of Canada's largest daily newspapers had a full-time labour beat. In response to this coverage deficit, the foundation partnered with the Toronto Star to create a "work and wealth" beat and to increase reporting on issues related to inequality. The Star has complete editorial independence and provides the beat reporter with the editorial, legal and other supports required to produce high quality, accessible public interest journalism. The contract that enables this partnership has been renewed twice.

This is an example of philanthropic and private resources working together to patch a hole in the country's newsgathering system. In this instance, the role of philanthropy is two-fold: (1) to protect the interests of those most adversely affected by 'news deserts' and coverage deficits; and (2) to support the role of the news media in the public policy development process. This partnership does not presume or anticipate an ongoing role for philanthropy as a core source of funding for public interest journalism. It does, however, bolster coverage relevant to underserved communities during the transition to future business models.

The [McConnell Foundation](#) has brought together media leaders and other stakeholders to discuss the future of journalism. Beyond that, McConnell has been exploring ways in which it might provide direct support. Its interest particularly lies in so-called solutions journalism, a movement that focuses on how individuals, communities and organizations are responding to the problems they are encountering rather than the more common journalistic practice of revealing only the problems themselves.

Were Canada's regulatory regime to change and include journalism as a charitable activity, the resources and relationships held by foundations could open new opportunities for local news organizations and beyond. Community foundations have the distinct mandate to serve their local, geographic communities, and would be well-positioned to support local news coverage. It is as yet unclear to what extent community foundations could and are willing to finance journalism.

Regulatory change would also open the opportunity for media organizations to connect with the broader philanthropic community across Canada. Philanthropic Foundations Canada has 134 member foundations (a mix of family foundations of varying sizes and interests as well as public and corporate grant-makers) that hold \$23 billion in assets and which granted over \$620 million across Canada in 2016. Unlike community foundations, which primarily serve a local geographic area, these foundations tend to focus on issue-specific

areas such as education, the environment, arts and culture, health, and religion. Were regulations to change, it is possible that some of these foundations may be interested in supporting local knowledge, the news system, or journalism-related activities in connection with democracy.

MIXED APPROACHES FOR NEWS ORGANIZATIONS: THE SASKATCHEWAN ROUGHRIDERS MODEL

As *The Shattered Mirror* revealed, the traditional privately owned, for-profit news media model faces increasingly severe headwinds in a digital age that favours platform distributors—most particularly Facebook and Google, who do not invest in content—and that puts continuous downward pressure on revenues for news producers. The social question is how journalism, as a public good, will be financed in future.

As with the *La Presse* announcement and myriad other experiments and initiatives outlined in this report, moves are afoot to try different ownership or financing arrangements while continuing to search for the elusive business model that might prove sustainable in a period of extreme and continual disruptions. Many of these experiments are predicated on a belief that success will only be possible with the added participation of new funding sources, particularly philanthropic and public money.

Community-based ownership is another trend that is re-emerging as financially stressed chains have moved to centralize content over many properties and grown more distant from the communities in which their individual properties reside. We imagine a number of ownership models will emerge, with a mixture of owner/supporters and a higher degree of community participation. These attributes are in keeping with the key words of Budget 2018's references supporting journalism:

- accountability in local communities;
- underserved communities;
- independence of the press;
- new models;
- private giving and philanthropic support;
- not-for-profit;
- trusted;
- professional; and
- public interest

We refer to mixed forms of non-profit, community-based ownership as the [Saskatchewan Roughriders](#) model, in recognition of a major professional sports team operating in a small market but competing thanks

to ownership by a cross-section of the community rather than a single controlling shareholder. Whether this is superior to entrepreneurial ownership is certainly open to debate, but it may be the only way to go in some smaller or mid-sized markets. Certainly, nothing will block private capital from investing where it sees fit.

For their part, the Roughriders can be traced back to 1910. Like a newspaper, the team provides an element of the social glue that creates the experiences of shared community. After running into financial difficulties, the club transitioned from private to community ownership in 2004. The Roughriders sell equity shares in the team to community members and fans across the country, and shareholders vote for a board of directors that oversees operational management. The club is a non-profit, and all money raised from games, merchandise and the shares themselves is reinvested in the team. Shareholders do not receive a financial return; rather, their participation is motivated by a desire to support the team and see it remain in the community on a sustainable basis. The number of shares that can be owned by any individual or corporate entity is limited so that nobody can gain a controlling position. Season to season, the Roughriders' financial picture has varied, but the direction has been positive under community ownership. In 2016-17, the Roughriders essentially operated on a break-even basis, taking the total surplus for the last five seasons to roughly \$9.5 million.

A similar approach has been used by the National Football League's Green Bay Packers since 1923, which also places a limit on how many shares an individual or corporation can own to prevent the chances of a takeover. For both the Packers and the Roughriders, the model has united fans and reinforced the community's attachment and pride in their team.

We can imagine the Saskatchewan Roughriders model being applied in a number of ways in the news business, while recognizing that emotional attachment to a sports team runs higher than that for a news operation. In the case of a struggling or failing news operation, the community can support it using a variety of assets at its disposal. Although equity would be widely dispersed, it could be backstopped by an anchor investor such as a community foundation, university or college, or by other organizations rooted in the community and with a public interest mandate. The ownership group could also include individuals, local businesses, unions and employees. For press freedom reasons, any public support through government would need to be indirect and based on objective criteria to eliminate the danger of elected officials exercising discretion in supporting operators of a free press. Government officials could not sit on a board. Operating editorial decisions would rest with the newsroom leadership.

That said, public support of some sort would probably be necessary, whether through the tax system or via other means. The two most obvious areas for support in the news business are the capital required to innovate and some form of labour-market subsidy to ensure the continued presence of journalists reporting on their communities. Whether these are ongoing or transitional is difficult to determine at this point in the evolution of the industry. Either way, the innovation piece is a necessity, and the continued employment of

journalists goes to the heart of the public good that policy is intended to save. Precedents certainly exist in other programs for the so-called cultural industries. The Canadian Periodical Fund contains a small innovation stream, and payments from the Canada Media Fund are based in part on the employment of Canadian content producers. PPF has worked previously with industry players on bringing this all together in a Canadian Journalism Fund, which was proposed in mid-2017.

With modifications, the Roughriders' approach to ownership could provide a basis for returning chain news operations to community control. As a general rule, newspapers operated by chains have grown detached from their home communities. It is certainly less expensive to publish news edited and paginated at centralized hubs into multiple publications. But doing so frays their bonds to their communities and is ultimately defeating in respect to local democratic accountability.

We can imagine community-based entities such as Canada's 191 Community Foundations, covering more than 85 percent of the population, as anchor owners—although that may require certain legal changes or assurances. Shareholdings would be capped to prevent a single owner or a group acting in concert from gaining control. Or, in time, perhaps the creation of a control position would be permitted with a concurring vote by the majority of the minority. In either case, it would be up to these reformed news organizations, most currently in freefall, to find ways to reconnect with their communities and tend to their future business models.

It may well be that particular transitional assistance is required, perhaps through a major expansion of the Canadian Periodical Fund's Collective Initiatives component. When the Roughriders were converting to a community ownership model, governments assisted by forgiving past debts, offering loan guarantees, and according non-profit status.

OBSERVATIONS ON NEW APPROACHES

We have outlined a range of new approaches to achieving sustainability in civic journalism and the media system. The examples provided offer a sense of the breadth of possibility for governments, private business, civil society, and philanthropy to be involved in supporting journalism. None of the initiatives highlighted above have “solved” the issue of the decline in local journalism, nor could the adoption of one single model fix the problem and serve to foster informed communities and citizens in Canada. That said, a few themes emerge that are worth highlighting:

1. Sustainability poses a challenge to business models that rely on external non-market funding, as priorities shift among funders or dissatisfaction materializes over the relatively small audiences many new initiatives reach. Smaller centres provide particular challenges, as do niche or ideologically based programming approaches that exclude portions of the potential audience.
2. Scaling up has proven difficult for Canadian startups, even though in the digital era it offers economic opportunities through the negligible or low cost of adding marginal readers.
3. Canadian cultural products have always been hobbled by their relatively small home markets and the relatively low cost of foreign, particularly American, programming entering the country. This is exacerbated in a digital age. Policy has helped ensure the existence of Canadian voices for Canadian audiences in the past; this exigency is even more present in digital programming.
4. Many alternative models provide in-depth coverage of specific issues, and consider those issues from a specific perspective. Others, like membership-based media The GroundTruth Project, focus on “issues that matter” to their audiences, which may attract readership but does raise questions about the extent to which these publications create an “echo chamber” and entrench readers in their own values rather than broadening the public discourse. Niche publications and paywalls, while representing an important business model, have the same effect of creating enclosures around content and working against shared pools of information available to all citizens.
5. Volunteer citizen journalists often do not have the time or resources to cover civic issues on a consistent basis, or to dive deep on investigative journalism projects. This trend is consistent with the 2017 State of the News Media report by the Pew Research Center, which found that despite innovations in news media business models, the majority of original news coverage and civic journalism is still generated by traditional media organizations—those with print and broadcast roots. Conducting a similar, comprehensive survey of the state of the media in Canada would make sense and provide a further basis for informed decisions moving forward. Any policy decisions to strengthen the business models explored in this report would need to consider how they can be broadened to provide core news and civic journalism, rather than simply act as niche supplements to the legacy system.

6. Many alternative models are mindful of the current generational shift and changes in media consumption. Operations like Discourse Media and Canadaland have designed their business models with millennials as a core audience. The ongoing relevance of others will depend, in part, on their ability to work through the lens of generational shift. A 2015 report by the American Press Institute found that while previous generations were more likely to go directly to news providers to consume news during “discrete sessions”, American millennials engage with news and information in “an often continuous but mindful way ... which mixes news with social connection, problem solving, social action, and entertainment.” The report also found that millennials were more likely to engage with news that had been shared by peers or interest-based communities with which they are connected. Savvy media organizations and policy-makers will ensure their decisions are future-focused and take into account the news consumption of millennials and younger generations.
7. Editorial independence—for which reporting capacity is a prerequisite—is key to building trust and therefore sustainability. Who makes decisions around content and perspective? How do governance and policy safeguards ensure that funders or owners do not have undue influence on editorial decisions? How can certain models, like those based on membership or a shared idea of “priority areas”, ensure journalistic integrity and avoid becoming (or the perception of being) politicized? These questions hit at the core of the connection between journalism and democracy, and they merit close examination when considering *any* business model for journalism—including both new innovations and the more traditional legacy models. Canada is fortunate to still have a relatively high level of trust in its media. This needs to be preserved.
8. The local news system can benefit by strengthening the surrounding ecosystem and vice-versa. Much of the conversation about the state of local news focuses on the relationship among news producers, funders and audiences. Examples such as The Conversation highlight the roles that post-secondary institutions can play in strengthening journalism and local news. The CBC has a role to play as a wellspring for the entire media ecosystem, but it must reconceive itself as a strategic partner and hub rather than strategic competitor.

As the consolidation of advertising revenue by global platform companies continues to squeeze the quality of civic journalism across Canada, many media organizations will have to evolve their business models to survive. The rapid shifts within digital innovation—in which technological evolutions like those from desktop to tablet to smartphone demand continual responses—will make the evolution harder still. Experimentation is underway on the ownership side, which, while necessary, does not resolve business model challenges. Encouragingly, some new businesses are generating froth, but none has shown an ability to scale and provide material contributions to the body of civic journalistic content.

What is likely is that no single model will provide *the* solution. Rather, a mix of ownership models will emerge, forged by their own unique circumstances, with a greater likelihood that the chain ownership of the past 50-plus years will prove less dominant and, for at least a time, community-based models more

prevalent. Public policy will play a crucial role in shaping the rules for ownership innovation and protected space for Canadian journalism. There is nothing novel about policy being used to support media, even news media, as attested by the CBC, Section 19 of the Income Tax Act, the split-run amendments in the not-so-distant past and the Canadian Periodical Fund, whose roots date to pre-Confederation Canada. New policy thinking is unavoidable if the public good of journalism is to be sustained in a relatively small market in extremely tumultuous times.

