Media and Internet Concentration in Canada, 1984 – 2015

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5 Ideas/Themes

1. Wholly new media have been added to the media universe: e.g. mobile phones, broadband internet access, pay TV, OTT, online gaming, social media, search engines, etc.

2. Media universe becoming ever more internet- and mobile wireless-centric, hence the “network media economy” -- carriage is king, not content

3. The network media economy quadrupled in size from $19 billion in 1984 to $75 in 2015

4. Subscriber $ outstrips advertising $ by a 5:1 ratio. Advertising is declining base of media

5. Media concentration is “high” round the world, including Canada -- some exceptions (internet news); vertical & diagonal integration are “sky high”.
   - Telcos own all major TV services in Canada except CBC – very unusual.
   - Broadband & Mobile Wireless prices are very high, data limits low = drag on adoption, use and business.

On Method #1: Defining the Network Media Ecology

Focus: 1. growth of media economy and 2. trends in media concentration from 1984 → 2015. Network Media Economy/Ecology:

1. mobile wireless (cellphones)
2. wired telecom services
3. internet service providers
4. cable, satellite & IPTV distribution
5. broadcast TV
6. specialty and pay TV
7. radio
8. newspapers
9. magazines
10. music
11. search engines
12. social media sites
13. online news sources
14. operating systems
15. browsers

On Method #2: The Scaffolding Approach – Sectors, Money, Time, #s and Comparisons

1. Do sector by sector and firm-by-firm analysis over period of time, i.e. 1984 to Present

2. Group together into 3 categories

    - platform media (wireline, wireless, ISPs, cable/satellite/IPTV)
    - media content (specialty & pay TV, broadcast TV, radio, newspapers, mags)
    - Internet media (search engines, social media, internet news sources, browsers, O/S)

3. Scaffold upwards by combining all sectors to give a portrait of the network media industries

4. Compare relative to historical, international and two commonly used empirical measures: CR & HHI

Network mediascape in Canada has grown enormously and become more complex.

Quadrupled in size from $19b in 1984 to $78b in 2015.

1. Development and *fast growth* of some media: pay TV + mobile wireless in 1980s; Internet access + Internet adv. late 1990s. Revenue ($) up sharply for 'pay-per' & 'network' media: mobile phones; internet access, IPTV, internet adv, pay & specialty TV and 'Total TV'

2. Others media $ + attention *steady*: radio & cable TV

3. Some media $ + attention in *decline*: newspapers, broadcast TV

4. Some media $ + attention in *recovery*: music, books, post office

5. Some *new forms* of journalism, public commentary & propaganda emerging – where's the $? Unwillingness to play and "dark $"?

Economics of the Internet- and Mobile Wireless Centric Media Universe

"Content may be King", but "Connectivity/Bandwidth is Emperor"

Advertising $ has held steady in absolute terms, but it is in *decline* in relative to size of the media economy and on a per capita basis

Most $ are in bandwidth and pay-per media. Pay-per media (e.g. subscriptions & direct purchase) outstrip advertising based media 5:1

Growth for network media economy stagnated between 2008 and 2009 due to economic downturn caused by the global financial crisis, but has been rising again since 2010.

An Age of Information Abundance, Not Scarcity

- 695 TV services and 1,107 radio stations licensed for service in Canada in 2015
- ninety-two paid daily newspapers
- expert blogs abound; pro-am journalists and whistle-blowers can set the news agenda
- most Canadians have a smartphone, but 1-in-5 have no mobile phone or internet access at all
- One hundred hours of video are uploaded to YouTube every minute
- about 4 million Netflix subscribers in Canada in 2015
- 20 million Canadians had a Facebook account in 2015
- Canadians use 'traditional' and internet-based media extensively by global standards
- Most growth in media use has been in connectivity and devices, not content

What could possibly be wrong?

1. Internet, Mobile Phones & other media Access Inequality: 1 in 5 no mobile phone or internet access. Lowest income quintile, 1 in 3 no mobile phone + nearly 1/2 without home internet. Income + access tightly coupled

2. Advertising dependent media, notably broadcast TV, newspapers and magazines, in economic trouble. Woes compounded by economic downturn. Since 2008: 9 paid dailies & 13 free dailies closed; 16 scaled back publishing schedule and 4 TV stations closed: Red Deer, Midwest ON, Brandon + Sun News Toronto

3. Facebook ARPU in US/Canada = $30 in 2015; Globe and Mail = $504/year in subscriber fees. Bottom line: internet advertising = poor source of revenue.

4. General news service is a public good. Financial traders, merchants & spies willing to pay full price of news to gain info advantages, not general public. Rest subsidized by: advertisers, governments or rich patrons

5. Concentration levels very high in many (not all) media segments and across media relative to historical, international and conventional economic measures (CR4 + HHI). Media concentration around the world remains “astonishingly high” (Noam, 2013)

Media Concentration: More or Less Over Time? What the Evidence Says

Tendency is higher levels of concentration within sectors and across the media as a whole but some key areas where this is not the case: e.g. internet news sources.

LOW CONCENTRATION		MODERATELY CONCENTRATED		HIGHLY CONCENTRATED	
Magazines	101	All TV	2128	Broadcast TV	2723
				Social Network Sites	2762
Internet News	286	Cable/Satellite/IPTV	1869	Mobile Web Browser	2783
				Internet Advertising	2787
Radio	1041	Newspapers	1571	Wireline	2904
				Mobile Wireless	2791
Internet Access	1152	Pay & Specialty TV	2105	Desktop Operating System	3612
				Mobile Operating System	4286
				Search	5890
				Desktop Web Browser	8357

1. **Concentration in newspapers was in low-moderate range for long time, even declined after 2008, but rose sharply after Postmedia bought Sun papers in 2015**

- Newspapers no longer part of giant media conglomerates

- Some Newspaper Ownership Groups selling off holdings: Quebecor, Transcontinental, Power Corporation

- Rise of Tier 2 Newspaper Groups: Groupe Capitales Médias, Glacier Media, Black Media, Halifax Herald, etc.

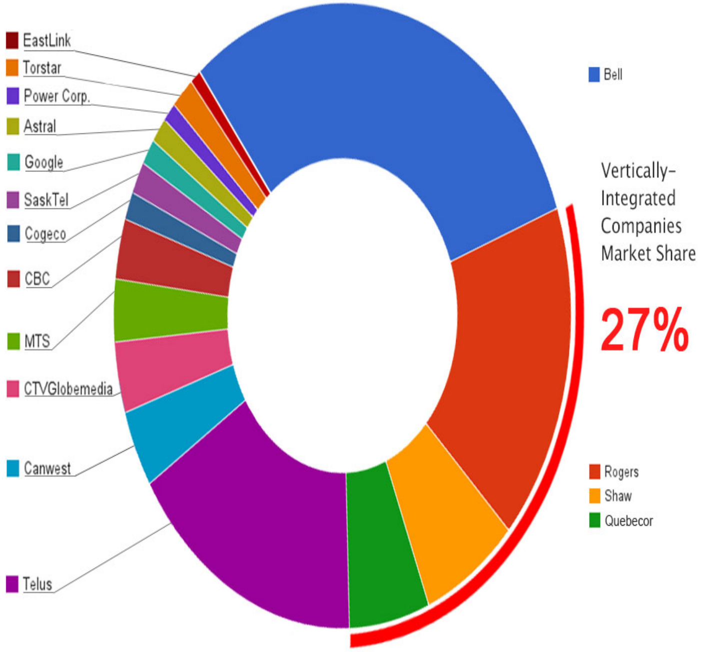
2. Steep rise in concentration in TV since the turn-of-the-century, esp. since 2010 -- four deals:

- Shaw's acquisition of Global TV (2010)
- Bell's re-acquisition of CTV (2011)
- Bell and Rogers' joint controlling ownership stakes in Maple Leaf Sports Entertainment (2012)
- Bell's acquisition of largest independent television company, Astral Media, in 2013
- Small TV operators (e.g. Channel Zero, APN, Blue Ant) market share (e.g. 6.6%) < Astral when taken-over by Bell (7.6%)

3. Bell, Shaw (Corus), CBC, Rogers + Quebecor – the Big 5" TV groups – collectively own 217 TV services with 86% of total TV market revenue in 2015 -- up from 3/4 in 2008.

- Bell is largest communications & media conglomerate in Canada -- 28% of all revenues
- Bell and Shaw (Corus) have 148 TV and more than ½ all TV revenue in 2015
- CBC share of of all TV $ (including Parliamentary $) in 1984 was 45%; 2015 < ½ that amount: 19%

4. Vertical Integration doubled from 2008 to 2015 as Bell, Rogers, Shaw (Corus) & QMI expanded stakes in mobile wireless, internet access, TV and Radio



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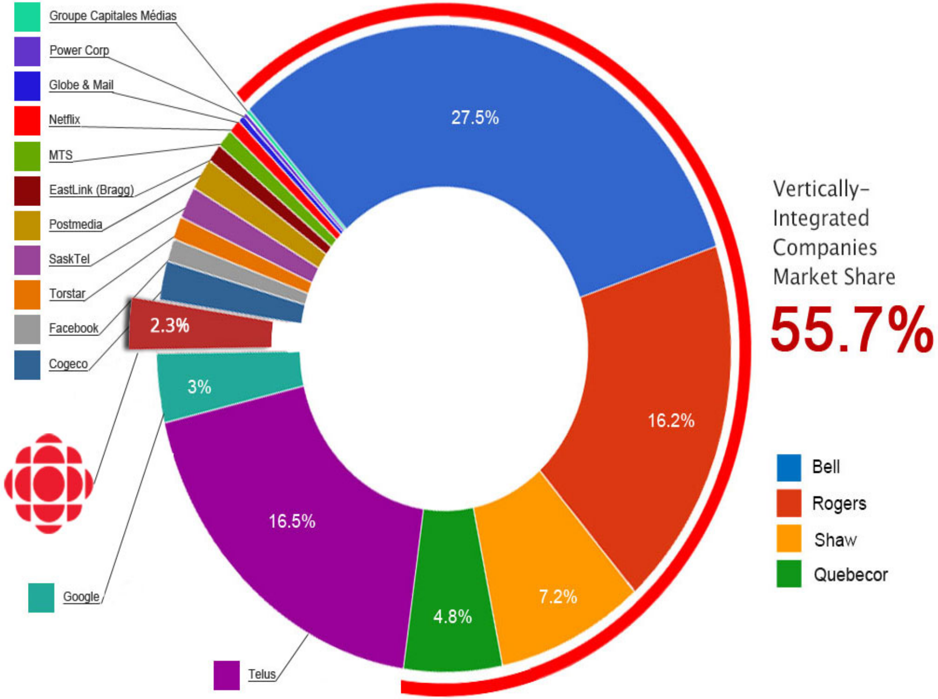

2015

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5. Canada's Unique Situation With Respect to Vertical Integration

- Vertical Integration in Canada very high by historical standards, relative to US and by international standards

- Canada stands unique amongst countries insofar that telecoms operators own *all* the main television services, except the CBC

- Content media are tiny pieces of far bigger telco-ISP corporate edifice; telcos mainly use content/culture to sell mobile phone & internet subscriptions; they know little about content & culture; all this denigrates quality of content/culture+drives away audiences

6. *Diagonal Integration is* also ‘sky high’ + unique by historical & int’l standards:

- *Diagonal integration* = main distribution networks (mobile wireless, wireline, ISPs and cable companies/IPTV (BDUs)) are owned by one and the same player -- extensive in Canada

- Eliminates network diversity and restricts competition between network owners

- Last stand-alone mobile wireless firm – Wind Mobile – acquired by Shaw in 2016 vs many countries where there are stand-alone mobile network operators (MNOs), such as T-Mobile or Sprint in the US, or 3 in the UK

7. *Vertical* and *diagonal integration* crucial because:

- Mobile wireless and broadband internet subscription costs higher, data caps lower & zero-rating more widespread & overage charges steep

- Widespread use of data caps + zero-rating changes mobile phone companies & ISPs from “carriers” into ”editor/publishers” (gatekeepers). i.e. changes the ‘model’ of internet- and mobile wireless-centric universe + limit development of traditional and OTT TV services + other internet and media services

8. Core Elements of the Internet

- 89% of ***residential retail*** **internet access** market controlled by incumbent telco and cable companies: Bell, Rogers, Shaw, Telus, Videotron, Cogeco, Eastlink, SaskTel and MTS. Local duopolies

- 17% of households get TV service from telco -- Telus, Sasktel, MTS or Bell. TV distribution market grown more competitive because of telcos' IPTV services; now 'moderately concentrated' + OTT. Netflix = 6% of Total TV $

- CR4 scores in the **search engine** market sky-high since 2004. Google's share in 2015 was 75.8%, with Microsoft (10.4%), Yahoo! (5.7%), and Ask.com (2.1%) trailing far behind. HHI = 5891

- Similar conditions for social media

- Trends are even more pronounced for desktop and mobile web browsers as well as desktop and smart phone operating systems

- core elements of network media – wireless (Rogers, BCE, Telus), search engines, Internet access, social media and access devices (Apple, Google, Samsung) – may be *more* prone to concentration because digitization seems to magnifu economies of scale and network effects while lowering barriers to entry in some areas

- 2-teir digital media system emerging: small niche players revolving around a few giant "integrator firms" at the centre.

9. Internet advertising markets also highly concentrated

Google and Facebook account for ~65% of revenue, trailed far behind by Torstar, Postmedia, QMI, Power Corp, Globe & Mail and Rogers.

	2014		2015	
	Revenue $Millions	Market Share	Revenue $Millions	Market Share
Google	1896.5	50	2302	50
Facebook	535	14.1	757.5	16.5
Torstar	126	3.3	125.9	2.7
Postmedia	8	2.3	97.7	2.1
Quebecor	82.7	2.2	88.7	1.9
Power Corp	32.6	0.9	16.2	0.4
CBC			25.0	0.5
Globe & Mail	24.7	0.7	19.9	0.4
Rogers	20.1	0.5	16.7	0.4
Groupe Capitales			12.7	0.3
Total $ (Mills)	3793		4604	
CR4	69.7		71.3	
HHI	2721.6		2786.9	

- Internet advertising is highly concentrated and become moreso over time. In 2009, top ten internet companies took 77% of all internet and mobile advertising revenue; by 2015, 86%.

- Google and Facebook account for ~2/3 of all internet advertising $.

- Facebook's estimated revenue in Canada is more than two-and-a-half times those of the entire newspaper industry's online and mobile advertising revenue.

- Google, Facebook and Netflix ranked as the 6^{th}, 14^{th} and 15^{th} largest media firms in Canada, respectively, in 2015.

10. Bright Lights on the Horizon?

Wide plurality of **internet news sources:** old (CBC, Postmedia, Globe & Mail, Toronto Star, CTV) + new (Huffington Post, Buzzfeed); Canadian & foreign (BBC, Yahoo!-ABC, *Guardian*, *New York Times*).

Internet News Sources, 2015

		Avg Monthly Unique Visitors	Market Share
1	**CBC- Radio Canada**	**13888**	**6.1**
2	Pelmorex (Weather Network)	11925	5.2
3	Postmedia	10998	4.8
4	Huffington Post	11015	4.8
5	Yahoo-ABC News	10142	4.4
6	Torstar	9071	4
7	Quebecor/Canoe	8844	3.9
8	CTV	8179	3.6
9	Buzzfeed	7944	3.5
10	CNN	7046	3.1
11	About	7031	3.1
12	Daily Mail	6746	2.9
13	Globe and Mail	6216	2.7
14	Gannett	5900	2.6
15	Global TV	5262	2.3
16	BBC	5262	2.3
17	USA Today	4909	2.1
18	Vice Media*	4600	2
19	MSN News	4287	1.9
20	The Guardian	4371	1.9
21	NBC	4088	1.8
22	Weather Company	3990	1.7
23	New York Times	3964	1.7
24	LaPresse	3156	1.4
25	AccuWeather Sites	3121	1.4
26	Rogers	3065	1.3
27	Transcontinental	2884	1.3
28	Time	2763	1.2
29	Telegraph	2744	1.2
30	CBS	2731	1.2
31	Washington Post	2555	1.1
	Total Avg Monthly Viewers	**229215**	
	CR4	**20.9**	
	HHI	**285.7**	

Don’t diverse internet news sources and new forms of journalism diminish concerns with media concentration and enhance democracy?

Yes: Internet news & commentary sites (iPolitics, HuffPo, Tyee, Rabble.ca, Canadaland, Policy Options, Vice, AllNovaScotia) created by former journalists – high quality, diverse news.

Internet and especially mobile devices = new ways to obtain news.

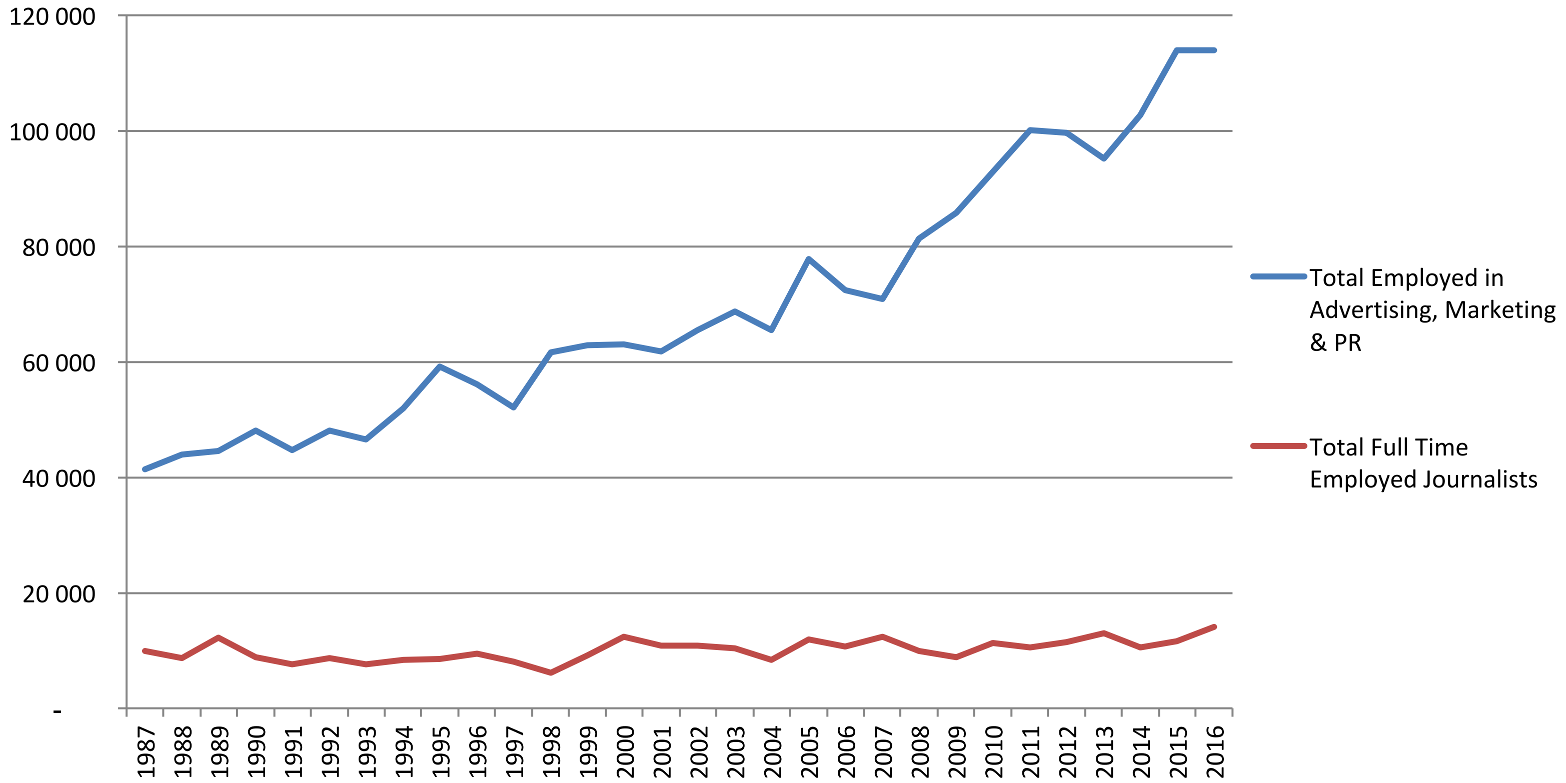
Internet news sources break stories and set the news agenda.

Scholar/Experts as bloggers – return of the ‘public intellectual’

Reliance on subscription $ = < pressure from economic fluctuations + advertisers.

Resurrection of partisan press is good for democracy.

No: the "Crisis" and Political Economy of Journalism



The Bad

1. Uncertain economics – general news service = public good
2. News behind pay-walls (inaccessible to many)
3. Ability-to-pay reinforces inequality and undermines right-to-know and citizenship
4. More laid of journalists going into PR and becoming spin doctors
5. Precarious work of journalism

1 → 5 = Instability + inequalities of power; add up to dangerous times for democracy

CRTC rediscovers Significant and Enduring Market Power and Use to stifle competition.

5 landmark rulings last year-and-a-half:

1. Mandated cable channel unbundling – skinny basic (2015) + ala carte (2016) (CRTC BRP 2015-96)

2. Mobile TV case (CRTC BTD 2015-26)

3. Mandated wholesale mobile wireless services framework (CRTC TRP 2015-177)

4. Mandated wholesale wireline services (access to FTTP) (CRTC TRP 2015-326)

5. Differential Pricing/Zero-Rating Decision largely prohibiting telco/ISP's from zero-rating content, apps and services (CRTC TRP 2017-104)

Lessons:

1. Existence of concentration + use of SMP to restrict competition = legal fact not left-wing conjecture -- “free market model” orthodoxy on its way out;

2. Market structure & competition that does exist = function of regulation not its absence.

3. Liberal Government is wishy-washy; incumbents fighting tooth-and-nail against CRTC by flooding courts and Cabinet with appeals to reverse Commission’s rulings:

   - Liberal Gov’t rejected appeal to Cabinet re. wholesale access to Fibre but blessed Bell take-over of MTS – a 4-to-3 merger that struck a blow to “4 carrier policy”

4. Lobbying efforts by telcos, “think tanks”, consultants & pliant academics in full swing for battle for hearts, minds and policy persuasion.

5. Bad time to re-open Broadcasting and Telecoms Act; pare, revise & harmonize but no need for new acts – problems only stacked atop 1 another in same law.

What to do?

1. Concentration is high & vertical + diagonal integration worse. Deal with it. Bolster CRTC & improve competency @ Competition Bureau. Structural solutions not behavioral or content regulation.

2. Promote all-IP and wireless-centric communications universe. Eliminate legal category for BDUs. Use non-discrimination & common carrier rules in Telecoms Act (sections 27 & 36) more and better.

3. Strengthen CBC: more $, sturdier mandate & >er autonomy from Govt. Recognize news (& culture) as public good. Create contestible public info/content fund from $800m spread across mags, film & TV, music, books, etc); no ISP levies or zero-rating Cancon; restrict distributors from triple dipping (funding, dispersing & receiving Cancon $). General tax earmarked for communication & culture.

4. Equalize funding between “content & culture” vs “connectivity/bandwidth”. Federal $ for internet access is ~$2.25 per person/year; for CBC it’s roughly $36; Sweden, UK, Finland and NZ spend $4.50 → $25 per person/year. Parity between connectivity and CBC seems fair and balanced.

5. Combine Canada Post + CBC to create Canadian Communications Corporation? Wireless Everywhere & “general intelligence” (& stuff) to every citizens’ doorstep; 4th Nat’l Wireless Co & Broadband for everyone – universal service for 21st C?