



Alberta Magazine
Publishers Association

Supporting the Canadian Magazine Publishing Sector: A Pillar of Canada's Democracy

**Magazines Canada's Submission to the Federal Pre-Budget
Consultations in Advance of the 2022 Budget**

August 6, 2021

For more information, please contact:

Melanie Rutledge

Executive Director

Magazines Canada

mrutledge@magazinescanada.ca

613-816-0823

List of Recommendations

Recommendation 1: That the Government of Canada permanently broaden the eligibility for the Aid to Publishers component of the Canada Periodical Fund (Canadian Heritage) to include magazines that were eligible to receive support through the Special Measures for Journalism component of the Canada Periodical Fund in 2020-21 and the Recovery Fund for Arts, Culture, Heritage and Sport Sectors, also delivered via the Canada Periodical Fund, in 2021-22. Budget: \$31.5 million

Recommendation 2: That the Government of Canada include Canadian magazine publishers in its forthcoming legislation to compensate Canadian media companies for the use of their online news content by Google, Facebook and other platforms.

The Canadian Magazine Publishing Sector: A Pillar of Canada's Democracy

Magazines Canada is the national association representing Canadian-owned, Canadian-content consumer, cultural, specialty, professional and business magazines. Our French, English, Indigenous and ethnocultural member titles cover a wide range of interests, trades and communities across the country and across multiple platforms.

Magazines Canada presents this submission jointly with our colleagues at L'Association québécoise des éditeurs de magazines (AQEM), the Alberta Magazine Publishers Association (AMPA), and the Magazine Association of BC (MagsBC).

A healthy, sustainable Canadian media sector is a pillar of Canada's democracy. All of us want to preserve our media sector and ensure it reflects Canadian society, publishes diverse voices, and resonates at the national and local levels in communities across Canada of all sizes.

As Canadians work to rebuild after the pandemic, it is imperative that the federal government renew and deepen its commitment to supporting the 2,368¹ weekly and monthly magazines published in this country, the Canadian content they publish, and the 15,000 Canadians the sector employs.

Unlike some other sectors of the economy, which will recover as Canada emerges from the COVID-19 pandemic, Canadian media and journalism were in a state of crisis before the pandemic in 2020, and will remain so after the pandemic. Permanently broadening eligibility for the Aid to Publishers component of the Canada Periodical Fund and including Canadian magazine publishers in the forthcoming legislation to compensate Canadian media organizations for the use of their online news content by Google, Facebook and other platforms, are two concrete actions the federal government can take now in support of this embattled sector.

Recommendation 1: That the Government of Canada permanently broaden the eligibility for the Aid to Publishers component of the Canada Periodical Fund (Canadian Heritage) to include magazines that were eligible to receive support through the Special Measures for Journalism component of the Canada Periodical Fund in 2020-21 and the Recovery Fund for Arts, Culture, Heritage and Sport Sectors, also delivered via the Canada Periodical Fund, in 2021-22. Budget: \$31.5 million

Background – Canada Periodical Fund, Aid to Publishers component: The Aid to Publishers component of the Canada Periodical Fund provides annual financial assistance to publishers of Canadian print magazines, non-daily newspapers and digital periodicals to support their publishing operations. The Canada Periodical Fund is the federal government's permanent support program for the Canadian magazine publishing sector.

¹ *Magazines Canada Industry Data Project 2014-2019 (2020)* p. 4.

The Canada Periodical Fund's annual budget of \$75 million is allocated as follows:

- Canadian print magazines and digital periodicals: \$55 million
- Canadian non-daily newspapers: \$20 million

Publishers who distribute their magazines via paid subscriptions, sales at retail stores, or request circulation (where a person directly requests a magazine from a publisher), are eligible for support from the Canada Periodical Fund. Publishers who distribute their magazines at no charge to readers,² publishers of some digital periodicals, and publishers of magazines with very modest sales, are currently ineligible for support from the Aid to Publishers component of the Canada Periodical Fund.

Decisive federal government action during COVID-19: The federal government acted decisively at the onset of the pandemic in 2020, granting a 25% top-up to 2020-21 Aid to Publishers contribution amounts. The government also introduced the Special Measures for Journalism component of the Canada Periodical Fund as part of its emergency pandemic response package for the arts, culture, heritage and sport sectors. This component granted financial support to free, digital and small-circulation magazines who are currently ineligible for support through the Aid to Publishers component.

- Aid to Publishers 25% top-up budget in 2020-21: \$15 million
- Special Measures for Journalism budget in 2020-21: \$45 million

In 2021, the federal government renewed its additional support for the Canadian magazine publishing sector as part of the Recovery Fund for Arts, Culture, Heritage and Sport Sectors, reinstating the Canada Periodical Fund Aid to Publishers top-up, as well as support for free, digital and small-circulation magazines who are currently ineligible for Aid to Publishers support:

- Stream 1: Reinforcing Recovery Foundations. Support for magazines who are ineligible for Aid to Publishers funding. 2021-2022 budget: \$21.5 million
- Stream 2: Investing in the Recovery. Aid to Publishers: 13% top-up to ATP recipients. 2021-2022 budget: \$10 million

Rationale to broaden eligibility for the Canada Periodical Fund, Aid to Publishers

component: The federal government has created a timely and responsive policy tool with their \$21.5 million investment (2021-22) in magazines that are ineligible for support from the Aid to Publishers component of the Canada Periodical Fund, the permanent program. This mechanism extends the reach of the Canada Periodical Fund, enabling it to recognize and support magazines with distribution models other than paid models.

It extends the reach of the federal government, too, to better support the breadth of magazine publishing activity across the country.

² These magazines are often referred to as “free,” “controlled-circulation” or “keystand magazines.” They are made available for pick-up for free in community hubs including restaurants, arenas and retail stores. These magazines’ distribution model relies on advertising, often from local businesses.

There is an astonishing amount of magazine publishing activity in Canada. Magazines Canada's research conducted with support from the Department of Canadian Heritage reveals that in 2019, 2,368 Canadian magazines were actively publishing³. In 2021-22, the Aid to Publishers component of the Canada Periodical Fund supported 385 Canadian print magazines and 65 digital magazines. In 2020-21, the Special Measures for Journalism component of the Canada Periodical Fund supported 792 magazines who had not been receiving funding from Aid to Publishers, many of them ineligible. We are confident that there will be even more magazines supported through the Stream 1 funding in 2021-22.

These magazines publish high-quality Canadian content and employ many Canadian contributors. Non-subscription-based distribution is a well-established, long-standing and prevalent model for magazine delivery used by 83% of magazines in Western Canada – many of which can demonstrate a longevity that can be attributed to a dedicated audience. Viewed through the policy lens of the modernized Canada Periodical Fund, which rightly emphasizes a magazine publisher's role in publishing Canadian content over the type of distribution model they use, it makes sense to broaden the eligibility of the Aid to Publishers component to include magazines that were eligible to receive support through the Special Measures for Journalism component in 2020-21 and Phase 1 of the Recovery Fund for Arts, Culture, Heritage and Sport Sectors in 2021-22.

An investment to ensure equity in Canadian magazine funding would cost \$31.5 million per year, the same amount the federal government is investing in the Aid to Publishers top-up and the support for non-Aid-to-Publishers-eligible magazines in 2021-22.

Diversity, equity and inclusion: A portion of the Canada Periodical Fund, Aid to Publishers' budget should be designated to encourage Canadian magazine publishers to hire more individuals from under-represented and equity-seeking groups. These individuals' viewpoints and experiences would contribute to more diverse and inclusive magazines. Part of this funding could also be used for a program to assist those publications supporting under-represented and equity-seeking groups to apply for funding, as many have never done so before and find the process difficult.

Recommendation 2: That the Government of Canada include Canadian magazine publishers in its forthcoming legislation to compensate Canadian media companies for the use of their online news content by Google, Facebook and other platforms.

With its forthcoming legislation to compensate Canadian media companies for the use of their online news content by Facebook, Google and other sharing platforms, the Government of Canada has an opportunity to correct unjust practices that have been ongoing for years. We believe Canadian magazines should be included in the legislation's scope, as Australia has done in its own recently approved legislation on this topic.

³ *Magazines Canada Industry Data Project 2014-2019 (2020)* p. 4.

Rationale for including Canadian magazines in the legislation: Magazines are part of the Canadian media sector, and, more precisely, the Canadian news and journalism ecosystem.

But does a magazine publish “news?” The answer is, “Yes!”

Magazines produce original content, both “news” in the newspaper sense, as well as news and views that appeal to both broad-based and niche audiences. There is more than one way to cover the news. There is the “news of the day” or “breaking news” of the newspaper world, and then there is the in-depth analysis and investigative “long read” of the magazine world. Both are important, and both play a role in supplying Canadians with news they trust.

All Canadian magazines publish news content online. Google, Facebook, and other platforms benefit financially from sharing their content, garnering clicks and selling advertisements around it. Because of this, Canadian magazines should be included in the legislation to compensate Canadian media companies for the sharing of online news content by Facebook, Google and other platforms.

Canadian magazines are standing by, watching as their original online news content is shared without remuneration by Google, Facebook and other platforms. Research⁴ conducted by Magazines Canada with support from the Department of Canadian Heritage shows that advertising revenues for Canadian magazines fell precipitously from \$212 million in 2016 to \$64 million in 2019 (pre-pandemic). This is a 70% decrease in advertising revenue, 90% of which has gone to Facebook and Google.

The consequences are stark and undeniable. In 2016, there were 2,652 magazines in Canada. By 2019, 284 of these magazines had ceased publishing, pulling the number of magazines down to 2,368, an 11% drop. Equally concerning is the loss of jobs. On average, every \$75,000 in lost revenue at a Canadian magazine publisher will cost a job.

Program delivery: We recommend that the federal government opt for direct financial compensation of Canadian magazine publishers through a fund model rather than an arbitration model to ensure equitable treatment of all publishers. This would ensure that Canada’s legislation fairly compensates all Canadian magazine publishers serving all Canadian communities, including ethnocultural, linguistic, geographic, large urban communities, and smaller local communities.

One need only look to France for a recent example of the failure of the arbitration model. In July 2021, France fined Google \$593 million for failing to reach a fair deal with publishers to use their news content on its platform. What would happen to Canadian magazine publishers, who are nearly all small- and medium-size enterprises, if Google were given the leeway to negotiate with them on its own? Google would cherry-pick who it would and would not do business with, and we fear Canadian magazine publishers would be left out in the cold. Make no mistake, the

⁴ *Magazines Canada Industry Data Project 2016-18: Trends in the Canadian Magazine Industry, 2014-2018* (2018) pp. 31-2; *Magazines Canada Industry Data Project 2014-2019* (2020) p. 44.

sharing platforms are scraping content from all Canadian magazine publishers' websites and using it on their own platforms, without compensating our publishers.

An elegant and flexible vehicle, the Aid to Publishers component of the Canada Periodical Fund should be used to deliver this compensation to Canadian magazine publishers. The mathematical formula used to determine a publisher's contribution amount could be adjusted to include compensation for the sharing of a publisher's online news content by Facebook, Google and other platforms.

Thank you for your time in considering our submission.