QUEBECOR AND CONVERGENCE, A CASE STUDY

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Abstract

In the late 1990s and early 2000s, the magic word in the media industry was “convergence.” Most of Canada’s major media companies moved to spread their influence over a variety of media as quickly as possible. In some ways, however, none acted quite so dramatically as Quebecor. In 1999 and 2000, the company—a secondary media power in Quebec and an international printing giant—rapidly became the proprietor of Canada’s second-largest newspaper chain and Quebec’s largest private broadcaster. Then, it seemed to stall. Almost as dramatic as the company’s emergence were its travails, as Quebecor went through an extraordinarily painful transition, under the stewardship of new CEO Pierre Karl Péladeau, from printing company with media interests to media giant. After 5½ years, Quebecor appears to be emerging as something of a model for successful business management—and for the evils of convergence as it relates to the free press.

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Introduction

In the fall of 1998, Quebecor Inc. was recognized as a printing giant on four continents and, through its majority stake in Donohue Inc., as a large newsprint producer. In the media, however, outside Quebec, the company was almost unknown. Its major holdings were *Le Journal de Montréal*, the largest francophone newspaper in Canada and the third largest daily in the country after the *Toronto Star* and the *Globe and Mail*, *Le Journal de Québec*, the tiny *Winnipeg Sun*, and a number of community newspapers in Quebec. It also owned book publishing, recording and television interests in Quebec.

By year's end, Quebecor had emerged as a large, vertically and horizontally integrated media company, with a strong inclination toward the development of the new media, but with the bulk of its profits coming from the old: printing and its new stable of Sun Media newspapers. Quebecor's move into English Canada was sudden. In October of 1998, Torstar, owners of the largest circulation newspaper in Canada, the *Toronto Star*, crosstown rival of the *Sun*, launched a \$748 million hostile-takeover bid for Sun Media, which resisted and began courting "white knights." Within two months, at the invitation of Sun Media executives, Quebecor had countered with a bid that amounted to almost \$1 billion and, in one transaction, became proprietor of the second largest newspaper chain in Canada. In buying Sun Media, the company acquired the *Toronto Sun*, the *Edmonton Sun*, the *Calgary Sun*, the *London Free Press*, the *Ottawa Sun*, the *Brockville Recorder and Times*, the *Penny Saver* publications, and the community newspaper chain Bowes Publishers. At the time,

some observers were saying that its most important acquisition was ownership of the Sun Media Web site Canadian Online Explorer, Canoe.

In the following year, Quebecor continued to grow as a printing company, while it moved to expand its new-media interests. By the end of 1999, Quebecor had: bought out the other shareholders in Canoe; established a francophone counterpart of the Web site; set up a partnership with Sun Media to launch new city Web sites, which included classified advertising; launched archambault.ca, an e-commerce spinoff of its music, video and book distributor, and dedicated mainly to marketing Quebecor products. It also went into partnership with Informission to “create a leading publicly traded e-commerce solution company,” In announcing the last, Quebecor CEO Pierre Karl Péladeau outlined his company’s strategy:

Our position as the world’s largest printer and the second largest newspaper group in Canada gives us tremendous opportunity to leverage our assets through new media. Our recent investments in this area reflect an organized strategy to provide value-added e-commerce solutions and Internet traffic to the benefit of our companies and their customers.¹

The trend toward new media continued into 2000, as the company moved to acquire a means of delivery for its Web sites and to expand its television broadcasting interests. With the backing—and at the invitation—of the huge investment wing of the provincial pension plan, le Caisse de dépôt et placement de Québec, the company engaged in a bidding war with Rogers Cable to buy Groupe Vidéotron, the largest cable provider in Quebec. It ended up paying \$5.4 billion for the company, which includes TVA, Quebec’s largest private television network.²

¹¹ “Quebecor’s growth continues—Strategic investments in new media,” Quebecor news release issued via Canadian Corporate News, Oct. 26, 1999.

² Bertrand Marotte and Keith Damsell, “Péladeau newest media king,” *Globe and Mail*. Sept. 14, 2000.

While it was acquiring and growing its media assets, Quebecor was also making acquisitions in the printing industry. When it purchased World Colour Press Inc. of Greenwich, Conn., in the fall of 1999, Quebecor became the world's largest printing company, producing books for Harlequin, Reader's Digest and Simon and Schuster, advertising circulars for Walgreen's, Wal-Mart, J. C. Penny and Victoria's Secret, directories for several U.S. phone companies, and more than 500 magazines, including *Time*, *Newsweek*, *National Geographic*, *Forbes* and *Paris Match*.

As Péladeau said in his statement above, Quebecor had a powerful base in old technology upon which to build a new-media empire. The company owned the second largest newspaper chain in Canada, the printing companies that printed its papers and, until 2003, exerted considerable control over a mill that made the newsprint. It also had other important interests in the Internet, e-commerce, broadcasting (As well as TVA, it had an interest, through Sun Media, in CablePulse 24, the Toronto all-day news channel, which it used to parlay a \$46 million deal to buy the Toronto 1 TV station from CHUM³), books and recording companies, and a seven percent interest in SkyDome. Quebecor World printing operates in Canada, the U.S., Europe, South America and Asia.

Yet, until recently, the company has largely been overlooked outside Quebec. In 1997, Edward S. Herman and Robert W. McChesney listed Hollinger and Rogers (with annual revenues of around \$2 billion each) as the only Canadian companies among their "second tier" of transnational media firms, and made no mention of

³ Nancy Carr, "Sun Media, TVA Group to buy Toronto 1 from CHUM Ltd. For \$46M," *Ottawa Citizen*, Aug. 21, 2004.

Quebecor,⁴ which, in 1998, reported revenues of around \$6 billion.⁵ In 1999, that had grown to \$8.4 billion.⁶ In 2000, that grew again, to \$10.9 billion, with a profit of \$1.08 billion.⁷ On Dec. 9, 1998, Quebecor employed 39,000 workers.⁸ By the end of 1999, that had jumped to 60,000.⁹

Like most media conglomerates, Quebecor is in a position to record music, print books, and promote and sell them through its Internet sites, broadcasting outlets and newspapers. CEO Pierre Karl Péladeau has not been reticent about his desire to use his holdings for cross promotion—and that has put him in conflict with some of his Quebec journalists. In 2003, staff at *Le Journal de Montréal* filed a union grievance about the amount of coverage their paper had given to the TVA reality series *Star Académie*.

There's no question that the company's transition has not been smooth from the stewardship of Péladeau elder to that of his son. There have been continual rumblings that Quebecor was faltering under Pierre Karl Péladeau, and that his management style may have much to do with it. In 2000, a number of high profile executives left the company, among them Sun Media president and CEO Paul Godfrey, John Paton, CEO of Canoe, chief financial officer François Roy and new-media executive vice-president Philippe Marinier. After the resignations of Roy and Marinier, the *Globe and Mail* quoted "one industry insider" as saying: "Pierre Karl runs a one-man show." It also cited his habit of "chasing dozens of deals, but

⁴ Edward S. Herman and Robert W. McChesney, *Global Media: The New Missionaries of Corporate Capitalism* (Cassell, 1997), p. 95.

⁵ "Highlights," *Quebecor Annual Report*, (Quebecor Inc., 2000).

⁶ Ibid.

⁷ Guy Dixon, "Quebecor profit jumps in 2000," *Globe and Mail*. Feb. 8, 2001.

⁸ "Highlights," *Quebecor Annual Report* (Quebecor Inc., 1998).

⁹ "Quebecor's growth continues —strategic investments in new media."

consummating few.” The *Globe* piece went on to say: “Mr. Péladeau, who now heads the company his father founded, is widely described as being ambitious and controlling.”¹⁰

Also, revenue has suffered under Péladeau. In 2003, he admitted that share value had dropped by some 32 percent since he took over,¹¹ and Quebecor revenues for 2003 were \$11.2 billion, a drop from the \$12 billion reported in 2002. In 2003, the company also showed a loss of \$66.4 million, its third straight loss, compared to profits in the \$1 billion range in 2000. The staffing level of the company has dropped dramatically as well—from 60,000 in 1999 to 49,000 today.¹² Some of that reduction can be accounted for by the fact that the company sold off its Donohue paper company. Much of it, however, is the result of perpetual layoffs that took place over the past five years through its Sun Media, Vidéotron and Quebecor World divisions, and its various Internet enterprises.

Nevertheless, Quebecor has been one of Canada’s fastest growing media companies, and it has accumulated about \$8.4 million in debt through its acquisitions of Sun Media and Groupe Vidéotron. At first, it set out to reduce this by selling off “non-core assets,” such as the barely profitable TQS (which it had to divest because of its ownership of Quebec’s other private broadcaster TVA, part of Groupe Vidéotron) and Vidéotron’s telecom assets (which it decided not to sell after having the company on the block for more than a year). Rather, the company has been struggling along on a policy of belt tightening and persistence. Péladeau’s new media

¹⁰ Susanne Craig, “Two Quebecor executives resign,” *Globe and Mail*, March 14, 2000.

¹¹ Frederic Tomesco, “Péladeaus hold all the cards,” Bloomberg News, Feb. 25, 2003.

¹² “Highlights,” *Quebecor Annual Report* (Quebecor Inc., 2003).

dreams have failed to pay off in any significant way. Waves of layoffs, cutbacks and streamlining have left its new media division little more than a conduit for “shovelware” from its newspapers and wire services. The company, however, has managed to create success through cross-promotion, using its newspapers, magazines and Web presence to promote reality TV shows such as the very successful *Star Académie*.¹³

By contrast, under the guidance of its founder, Pierre Péladeau, Quebecor established itself as an important worldwide printing company, but was very cautious in its media ventures, and in its fiscal policies in general. Under the control of the elder Péladeau, Quebecor’s forays into the anglophone publishing world consisted of the failure of the *Philadelphia Journal* in 1980, the purchase of the *Winnipeg Sun* in the mid 1980s, the failure of the *Montreal Daily News* in 1988, and an ill-fated attempt to buy the Sun chain in 1996. In the last case, Pierre Péladeau backed off because the asking price was \$411 million, which Sun management paid for the chain—about a third of what his son ended up paying two years later.¹⁴ That acquisition, and the purchase of Vidéotron have given the younger Péladeau the reputation of being an impulsive and opportunistic proprietor, who tends to overpay for properties.

At first under Pierre Karl Péladeau, Quebecor made media—and new media in particular—its focus. The idea was that Quebecor’s giant printing interests would provide the cash to fuel expansion. The company also was positioning itself to use its

¹⁴ “Shareholders okay Toronto Sun buyout,” Reuters, Sept. 24, 1996.

newspaper holdings as launch pads for new media, and to use newspapers, magazines and its TV holdings as content providers.

Sun Media already had been very aggressive about establishing itself on the Internet. Canoe was markedly different in character from its tabloid daily newspapers—something established by Canoe managers under Sun Media and continued under Quebecor's stewardship. Although the Web site had its own writers—in some cases, some of the best plucked from the chain—much of the content of Canoe came from Sun Media papers. Yet, the presentation bore more resemblance to a large broadsheet daily than to the *Sun* newspapers—no SUNShine Girls or SUNShine Boys, more in-depth coverage of national and international news, better use made of wire services, particularly photos, and a wider range of arts and cultural coverage. This indicated a desire to be a respected Canadian Web-based news medium.

Quebecor also established a number of individual city-based Web sites, called FYI, which could have become major venues for classified advertising, something that is particularly well suited to the Internet. Find-and-sort functions make Internet classifieds more attractive to time-pressed readers, and consequently more efficient for advertisers, than print media. Within a year of their establishment, however, Quebecor shut them down in one of its post-Vidéotron cost-cutting drives.

The questions the following chapters will address are:

- What set of conditions made possible Quebecor's sudden ascent in 1998-2000?
- Can it continue to grow simply through acquisition?

- What is its financial and strategic standing?
- What are its vision and strategy for the future?
- What, if any, are the political or ideological aims of the company?
- How does it differ, as a member of Québec Inc., from its English-Canadian counterparts?
- Where does it fit in the national media framework? In the international?
- What are its philosophies of the media? Does it have any? Or is it blundering in any direction its “one-man show” CEO is leading it on any given day?

Looking at the company’s affection for down-market tabloid newspapers, cross-marketing (using its papers and online presence to sell publishing and recording product) and electronic media, one might be led to assume that Quebecor’s interests lie in entertainment and quasi-information, as opposed to the more traditional role of the media as a carrier of vital information. When it took over Sun Media, it looked as if Quebecor was set to significantly alter the nature of the media in Canada. Instead, it came to dominate the media and pop culture in Quebec and more or less eviscerated one organization that might have offered Canadians outside Toronto an alternative to Canwest newspapers. At the time of writing, it has signed a deal to buy one Toronto TV station from CHUM Ltd., and a faltering one in an extremely competitive market. In some ways, it could be used as something of a model for the failure of convergence and the danger posed to a free press by large diversified media companies.

Chapter 1 is a history of Quebecor until the death of Pierre Péladeau in December 1997, from the company’s beginning in 1950, when the elder Péladeau bought a suburban Montreal weekly with \$1,500 borrowed from his mother, to 1964,

when *Le Journal de Montréal* was founded during a strike by printers at *La Presse*, and through the next 30 years, when Péladeau quietly built a worldwide printing company and founded *Le Journal de Québec*, acquired the *Winnipeg Sun* and *Sherbrooke Record*, and repeatedly failed in other anglophone publishing endeavours.

Chapter 2 looks at the history of Sun Media from its founding in 1971 as a little, shoestring alternative voice to a large media company whose value was inflated beyond all reason as it was flipped from one owner to another. This chapter looks at parallels and contrasts between Quebecor and Sun Media, and lays out the history of one of the most successful publishing start-ups of the 20th century.

Chapter 3 looks at the state of the newspaper business as reflected in the writings of media and newspaper critics—such as Ben Bagdikian, John Miller, Doug Underwood and Conrad Fink, to name a few. There is no shortage of alarmists in these ranks. As management by objective, chain ownership, shareholder-driven profit expectations, reader apathy and shrinking circulation figures shake the business, there is a widespread sentiment that the modern daily newspaper has lost its way. This chapter looks at the diagnoses of the problems, the prognoses for the future and some of the prescribed cures.

Chapter 4 looks at the development of the newspaper chain, the evolution of labor relations, and the way media proprietors have come to look at their newspaper and broadcast properties as “content providers,” expected to act as springboards to, and sources of, material for the new media. This chapter attempts to trace the evolution of the newspaper from single-owner to chain, to component of the large media company, from the fragmented partisan press of the 19th century, to the almost

anti-mass medium that is emerging today, as newspapers chase affluent readers—either by targeting their circulation to specific demographic groups, or by moving their operations online, to cater to the financially well heeled and the technologically literate.

Chapter 5 is a history of the Sun Media takeover. In 1998, newspaper owners seemed to suddenly feel they were in a battle to the death. Conrad Black launched the *National Post*, because Thomson wouldn't sell him the *Globe and Mail*, and he wanted to be proprietor of a nationally influential daily newspaper, and needed a publication in Toronto to complete Hollinger's national advertising profile. A week after the launch of the *Post*, Torstar, the sleeping giant of the newspaper industry, reacted to the fact that it was hemmed in on all sides and under attack by Southam, the *Globe and Mail* and several Sun-owned papers by launching a hostile-takeover bid for Sun Media. Between July and December: the *Financial Post* changed hands, from Sun Media to Southam, and formed the core of the new national paper; as part of that deal, the *Hamilton Spectator*, the *Kitchener-Waterloo Record*, the *Cambridge Reporter* and the *Guelph Mercury* were handed over to Sun Media; Torstar launched its bid for Sun Media; Quebecor countered and succeeded in buying the chain; the *Hamilton Spectator*, *Kitchener-Waterloo Record*, *Cambridge Reporter* and *Guelph Mercury* were sold again, this time by Quebecor to Torstar. It could be argued that this was the moment the current craze for media consolidation began in Canada. It certainly marked Quebecor's coming out as a diversified media company. It also marked the beginning of the end for Hollinger's imposing presence on the Canadian

media landscape, as losses at the *National Post* certainly played a large role in the company's decision, two years later, to sell off all but its core newspaper assets.

Chapter 6 examines Quebecor since the Sun Media takeover. It tells the recent history of the company through the acquisition of Groupe Vidéotron, through the subsequent fallout from that venture, and its struggle with debt, layoffs and mass resignations of top executives, to its agreement to buy Toronto 1 from CHUM Inc. This brings us to the current, apparently calm, period, in which the company appears to be cautiously emerging again from its power base in Quebec and seeking new business opportunities in the rest of Canada.

The Conclusions ponder the future of the company, where Quebecor is going and how it can get there. This chapter outlines the competition Quebecor faces, from players in the television, cable and telecommunications industries; what its long-range strategy may be; how it can build or fail on the basis of the strengths, weaknesses and positioning outlined in the previous chapter.

Quebecor never did live up to its promise to become a major national media player, and its mission statement about "value-added e-commerce solutions" seems as quaint and ridiculous as a quote from a 19th century romantic novel. It did, however, stumble into the role of Quebec publishing and broadcasting goliath. And it has maintained its position as the world's leading printing company.

When I started this thesis four years ago, it looked as if Quebecor would offer an interesting example of the powers of convergence, as well as a dramatic story of how a Quebec media company bridged the linguistic divide to build the country's first truly national media company.

Now, the story is one of attack and retreat, of how formidable that divide is. Some six years after Quebecor acquired Sun Media, it stands as the only company that has managed to straddle the Quebec and Canadian medias. However, its English-Canadian holdings are, for the most part, static, while its Quebec properties are dynamic, if somewhat troubled.

Quebecor is also a handy microcosmic case study of the folly of the whole new media frenzy of the late-1990s and early-2000s. No one is talking about “e-commerce solutions” any more, least of all Quebecor—except as the answer to the question of how to move more merchandise.

Chapter 1: An obsession with vertical integration

This chapter tells the story of the remarkable evolution of Quebecor from 1950, when it consisted of one small community weekly in the Montreal suburb of Rosemont, to the multinational printing company and Quebec media giant that stood ready, at the beginning of 1998, to emerge as one of Canada's largest national media companies.

In some ways, the origins of Quebecor are remarkably similar to those of the Sun chain, which Quebecor absorbed in the fall of 1998. As we will see in this chapter and Chapter 2, both companies were built on the success of daily newspapers that concentrated on crime, entertainment and sports (although the Sun chain's strident, conservative political content has no counterpart in Quebecor's French-language products). Both *Le Journal de Montréal* and the *Toronto Sun* were maverick publications founded to fill a niche in their markets that no one else seems to have known existed. Also, both were founded opportunistically. It's likely neither paper would have been created were it not for a disruption in the local newspaper market: in the case of *Le Journal*, a seven-month strike in 1964 at the major French-language Montreal daily, *La Presse*; in the *Sun*'s, the closing of the *Toronto Telegram* in 1971.

The evolution of the two companies, however, is just as remarkably dissimilar. Where the Sun organization expanded by founding franchise publications in other Canadian cities, Quebecor's success came from diversification—specifically its worldwide printing operations. Although its papers in Quebec flourished, forays into the English market were failures (*Montreal Sunday Express*, *Philadelphia*

Journal, *Montreal Daily News*, two early attempts to purchase the Sun chain) or marginal (*Winnipeg Sun*). While Sun management followed the old-fashioned strategy of focusing on one, core business, Quebecor's managers early on saw the advantages of integration and cross promotion.

Throughout the history of Quebecor, one objective—almost an obsession—drove the development plans of its management: vertical integration. The sphere in which Quebecor operated was communications, and businesses that gravitated around it or were likely to promote the influence of the company became essential. The bottom line was—and is—to have the freedom to develop and, with the benefit of total control of the product at the end of the line, to offer the client economies of scale. To the monthly, *Québec-Press*, Pierre Péladeau confided, “In the end, it’s elementary: You have to control the final product, to know where it’s going.”¹

Quebecor was born 21 years before the Sun organization, in 1950, when Pierre Péladeau borrowed \$1,500 from his mother and bought a failing community weekly, *Le Journal de Rosemont*. The new publisher was 25 years old, with a master’s degree in philosophy from l’Université de Montréal and a law degree from McGill University. The publication was an instant success, thanks to the blend of showmanship and salesmanship the new owner brought to it.

From the start, Péladeau’s paper was controversial. His first initiative as publisher was to hold a Miss Rosemont pageant, complete with a swimsuit contest. The event became the talk of the town and brought the paper much needed publicity, especially when pageant winner Dorothee Moreau went on to become Miss Canada. Péladeau defied the strict morals of the 1950s, and filled the pages of *Le Journal de Rosemont* with titillating Hollywood gossip, sports, and crime stories. The formula was a hit ...²

Péladeau did so well that, a year later, he was able to buy another community weekly, *L’est montréalais*, and found three more, *Le Guide de l’est*, *Le Guide Saint*

¹ *Quebecor: A Living History*, (Quebecor Inc. 2000), pp 69-70.

² Joe Baglione, “Péladeau’s Quebecor legacy,” *Toronto Star*, Dec. 10, 1998.

Michel and *Le Guide de Saint-Laurent*, which he consolidated in 1953 into the publishing company Les Publications indépendentes.³

In 1954, when his contract printer founded a competing weekly, Péladeau was forced onto the path that would lead to his greatest successes. When he was forced to look for a new printing company, Péladeau discovered that there were only three printers in Montreal that could handle his work, and the one he hired had a completely anglophone staff, which was unable to exercise any kind of quality control over a French product. So, he bought the old presses from the defunct newspaper *Le Canada* and founded his first printing company, l'imprimerie Hebdo.⁴ A year later, he founded the “arts” weekly *Nouvelles et Pontins* (News and Gossip), a muckraking tabloid that managed to annoy most of the Montreal establishment—while entertaining and titillating its blue-collar audience. Among the groups and people the paper antagonized were the Royal Bank, the city administration and the head of the Montreal police morality squad. As a result, the company was constantly fighting criminal and libel charges.⁵ In 1958, the paper became *Nouvelle Illustrées*. The same year, Péladeau made his first million.⁶ Between 1958 and 1963, he sold off his five local newspapers, purchased the tabloid weeklies *Journal des vedettes*, *Radiomonde*, *La Revue Populaire* and *Le Samedi*, and founded two other tabloid weeklies, *Photo-Vedettes* and *Le Grand Journal illustré*. He also created the printing company Montreal Offset.⁷

³ *Quebecor: A Living History*, p. 18.

⁴ Colette Chabot, *Péladeau*, (Éditions Libre Expression, 1986), p. 54.

⁵ *Ibid*, p 58.

⁶ *Quebecor: A Living History*, p. 19.

⁷ *Ibid*.

At the time, the newspaper scene in Quebec reflected the English dominance of the province's largest city. The largest-circulation daily in Montreal was the English-language evening paper, the *Star*, founded in 1869. *La Presse*, founded in 1910, was No.2, and the largest French-language daily in North America.⁸ When the pressmen at *La Presse* went on strike in 1964, Péladeau—with his tabloid publishing experience, stable of writers, editors and assorted support staff, and offset-printing company—was in a unique position to exploit the situation. Strangely, the newspaper that was best positioned to take advantage of *La Presse*'s absence was owned by *La Presse*. However, the tabloid *Montréal-Matin* backed away from the opportunity to protect its sister paper's market share, with the explanation that it lacked the technology to print larger papers or more copies.⁹ At the same time, another small Montreal publisher, the Brillant group, announced that it would launch a morning newspaper, to be called *Métro-Express* (which lasted until 1966).¹⁰ Péladeau had long held the ambition to move into Montreal's publishing major leagues—in 1950, he had tried to buy the Liberal Party paper, *Le Canada*—and he decided quickly that he wasn't going to let his second chance at a daily go by. On Friday afternoon, June 12, he announced that the following Monday, he'd launch *Le Journal de Montréal*. The decision was a shock even to some of the publisher's closest associates. André LeCompte—a writer and editor who was in charge of all the company's weeklies at the time—had the following Friday-afternoon conversation with Péladeau:

“Qu'est-ce que tu fais en fin de semaine?”
 “Rien de particulier; je me repose en famille.”

⁸ François-Xavier Simard et Jean Coté, *Pierre Péladeau: Biographie*, (Les Éditions Quebecor 1986), p. 88.

⁹ *Quebecor: A Living History*, p. 19.

¹⁰ *Ibid*, p. 40.

“On va travailler. On lance un quotidien, *Journal de Montreal*.
“Trouve-moi du monde.”¹¹

With the instruction to “find me the people,” Péladeau gave Lecompte the job of editor-in-chief of the new paper, and charged him with the task of hiring a newspaper staff over the course of a weekend.¹² On the afternoon of Monday, June 15, the first edition of *Le Journal de Montréal* hit the newsstands.¹³ The front-page headlines were of a crime story, complete with photo of rifle-toting Montreal police, a human-interest item, and the secret wedding of singer Ginette Ravel to TV host Pierre Marcotte, with a picture of the happy couple.

News, in its rawest form, had to be at the heart of any editorial content, to the complete exclusion of editorializing. Péladeau had “a loathing for people who thought themselves capable of telling others what to do.” Moreover, according to journalist Robert Guy Scully, Péladeau believed the subject of an article should never be beyond the comprehension of the reader; otherwise, the subject of the article was above the comprehension of the journalist who wrote it. A good example of this thinking, according to economist Robert Johnson, is the business section of *Le Journal de Montréal*. To Johnson, Péladeau explained that the best way to do business journalism was to “talk about everyday people who forge ahead and succeed.” As André Gingras summed up, “You don’t create a newspaper for yourselves (the journalists), but for ordinary people.” An abundance of illustrations, both cartoons and photographs, also contributed to the appealing originality of *Le Journal de Montréal*—as shown by the popularity of the daily photo page for which Gingras was responsible.¹⁴

The Montreal journalism community was less than enthusiastic. *Le Devoir* columnist Gérard Filion predicted the new newspaper would “last as long as the

¹¹ Chabot, *Péladeau*, pp 73-74.

¹² Another interesting parallel with the *Toronto Sun*, which also was founded over a weekend (see Chapter 2).

¹³ *Le Journal* started as an afternoon paper, because the idea was to offer a replacement for *La Presse*. Later, it switched to morning delivery, to go head-to-head with its main competitor, the tabloid *Montréal Matin*.

¹⁴ *Quebecor: A Living History*, pp 49-50.

roses.”¹⁵ The paper made it long past the first frost, though, and in seven months it was selling 80,000 copies a day. However, when *La Presse* came back in January 1965, *Le Journal*’s circulation dropped to 10,000—a major blow, when you consider that the paper’s break-even sales were 25,000.¹⁶ The distributor, Éclair, balked at delivering such a small run. So, Péladeau hired 50 independent distributors and founded another company, Messageries Dynamiques, and pulled his magazines, papers and *vedettes* out of Éclair.¹⁷

Years later, founding journalist Gérard Cellier recalled that “Montreal Offset made it all possible.”¹⁸ *Le Journal* was the first newspaper in Canada to use the faster and cheaper offset technology. As well as being able to take advantage of an in-house—and profitable—printing company, The *Journal de Montréal* set up shop at the Montreal Offset offices, at Rue Port Royal in the city’s East End. True to the skinflint reputation he was to acquire through his career, Péladeau kept his startup investment to the bare minimum: \$100,000.¹⁹ When it started, the paper had “five or six reporters for news and the same again for sports ... three photographers.” Cellier recalls. Péladeau stuck with the project, though, and, in seven years, the paper began to turn a profit.²⁰ As *Le Journal* became more profitable, the purse strings loosened. “When I left in 1982,” Cellier says, “there were 80 journalists and about 18 photographers.”²¹ Because it couldn’t afford to subscribe to the wire services, the new paper had to rely on stringers at local radio stations to supply national and

¹⁵ Chabot, *Péladeau*, p. 75.

¹⁶ *Quebecor: A Living History*, p. 43.

¹⁷ Simard et Côté, *Pierre Péladeau: Biographie*, pp 80-81.

¹⁸ *Quebecor: A Living History*, p. 44.

¹⁹ Simard et Côté, *Pierre Péladeau: Biographie*, p. 71.

²⁰ Chabot, *Péladeau*, p. 75.

²¹ Translated from *Péladeau*, p. 78.

foreign news. The staff of the paper was a hotbed of outsiders, *felquists* and independentists, and the paper merrily avoided any pretense at serious journalism. When Elvis Presley died, *Le Journal* gave him 16 pages of coverage. Gilles Villeneuve's death merited eight pages. As Cellier said: "On l'a traité en héros. Et les Québécois, ils aiment leurs héros."²² Montreal's journalistic establishment, however, had another opinion of the upstart paper, as *Maclean's* reported.

Le Journal was filled with big pictures and over-inflated local items, and showed little interest in the nationalist hair-splitting that obsesses many of French Canada's older newspapers. Most damning of all, *Le Journal* was published by Pierre Péladeau; and Péladeau, whose six weekly tabloids have helped make Montreal the splashiest newspaper town in North America, is regarded by Montreal's journalistic establishment as a figure of disrepute. Péladeau himself couldn't care less about his status among the pundits of St. James Street.²³ ... "What these pseudo-intellectuals don't like are my big photographs and tabloid format," he says. "But we're producing the most entertaining paper of them all—a customer oriented paper."²⁴

A year later, Péladeau founded Quebecor, as a holding company for his enterprises. Years later, Montreal television host Michel Jasmin asked him where the name came from, and he replied with a line he had used on U.S. investors when the company went public in the early 1970s: "It's gold from Quebec."²⁵ Wilbrod Gauthier, one of Péladeau's earliest and closest business associates, says he came up with the name when he went to register the new company: "To incorporate, you

²² Chabot, *Péladeau*, p. 79.

²³ Montreal's newspaper establishment was centred on Craig St./Rue St-Antoine. It was the financial establishment that lay on St. Jacques, a block north.

²⁴ "Pierre Péladeau: brash new challenge to Quebec's newspaper establishment," *Maclean's*, Sept. 19, 1964.

²⁵ *Quebecor: A Living History*, p. 67.

needed a name, not a number. I told him his company's name on the telephone and it seems to have been agreeable to him since he never asked me to change it later."²⁶

Despite carrying *Le Journal de Montréal*, which was still operating at a loss, the organization continued on an ambitious course of expansion. In 1967, Quebecor founded *Le Journal de Québec*, essentially a carbon copy of its sister paper in Montreal.²⁷ For four years, the circulation of *Le Journal de Québec* hovered around the 15,000 mark and it took until 1976 for it to reach 75,000.²⁸ At the same time, Quebecor acquired *Le Grand Journal*. In 1969, the company bought the weekly celebrity tabloid *Echo Vedettes*, and a second printing company, l'imprimerie Dumont, which printed the highbrow daily, *Le Devoir*.²⁹ In 1971, as *Le Journal de Montréal* was becoming profitable, Quebecor printing took two major steps. First, it founded Montréal-Magog Printing in Quebec's Eastern Townships. The idea was, with its location close to the Vermont border, it would eventually be used to serve the U.S. market. Second, the company bought the Graphic Web printing company in Toronto, its first acquisition outside Quebec.

By 1970, *Le Journal de Montréal* had earned a grudging respect—albeit not respectability—from the Montreal journalism community for its success. Although it had no institutional editorial policy, it had evolved into a fairly lively forum for political thought. At one time, the paper carried columns by Liberal leader Robert Bourassa and Créditiste chief Camil Samson. As founding editor-in-chief André

²⁶ *Quebecor: A Living History*, p. 67.

²⁷ Another parallel with the Sun chain, which followed the formula of franchise operations 11 years later with the *Edmonton Sun*.

²⁸ Chabot, *Péladeau*, pp 80-81.

²⁹ Péladeau was not without *noblesse oblige*. As well as being a benefactor of the arts and several charities, after 1985, when he bailed the small-circulation intellectual daily out of a \$1.8 million debt, he propped up *Le Devoir* by subsidizing its printing costs.

LeCompte said: “Pierre Péladeau recruited his personnel without regard to their political, religious or sexual orientations.”³⁰ Nevertheless, it was a major coup when he was able to hire his political hero, René Lévesque, as a columnist for the paper in April 1970. Péladeau once referred to Lévesque as “the greatest politician we’ve ever had in Quebec.”³¹ Apparently, the admiration was mutual. In his first column, Lévesque wrote:

“Without a doubt, only the two dailies belonging to the Péladeau group are open enough to new ideas and to the evolution of our society to create ... a forum. These papers, which are neither directly nor secretly attached to any political party whatsoever, have succeeded in reaching a popular audience better than anyone else.”³²

The turning point for *Le Journal de Montréal*, however, was the October crisis of 1970, when the FLQ kidnapped British trade commissioner James Cross and Quebec labour and immigration minister Pierre Laporte. Eight weeks before the crisis, the newspaper had reached 80,000 circulation, largely propelled by its excellent sports coverage. Two weeks into the crisis, circulation reached 100,000³³—a 25 percent increase in a little more than two months. Because Laporte was abducted on a Saturday, *Le Journal*, like the other Quebec papers—save the little *Dimanche-Matin*—was 24 hours late reporting the story. A week later, Saturday, Oct. 17, when Laporte’s body was discovered in the trunk of a car near St. Hubert airport, *Le Journal* was ready. Sunday, the 18th, a special edition of *Le Journal de Montréal* hit the streets. Its front page consisted of the headline, “LE CADAVRE DE PIERRE LAPORTE RETROUVÉ” superimposed on a line drawing of the dead cabinet

³⁰ *Quebecor: A Living History*, p. 54.

³¹ *Ibid.*

³² *Ibid.*

³³ *Ibid.*, p. 47.

minister. It sold 233,500 copies,³⁴ which led Péladeau to put the paper on a permanent seven-day-a-week publishing schedule, the first Canadian daily to do so. *Le Journal*'s Sunday success played a large role in eliminating its competitor, *Montréal-Matin*, which (like the *Montreal Star*) ceased publishing after a long strike in 1979, as well as the little tabloid *Dimanche-Matin*, which folded in 1985.

One interesting aspect of the *Journal de Montréal* story is its success in creating newspaper readers, something that may be unique in the recent history of Canadian dailies. Unlike with the *Toronto Sun*—whose audience consisted mainly of readers from the old *Toronto Telegram*, Torontonians alienated by the liberal bias of the *Star* or the establishment tone of the *Globe and Mail*, and people who read more than one paper—50 percent of *Le Journal de Montréal*'s readers had never bought a daily before.³⁵ Today, *Le Journal de Montréal* is the second-largest circulation newspaper in Canada, after the *Toronto Star*, with a Sunday-Friday average of 267,000, and 350,000 on Saturdays. *Le Journal de Québec* sells around 98,000 copies on weekdays, 126,000 on Saturdays and 100,000 on Sundays.³⁶

In 1972, Péladeau took Quebecor public, listing its stock on the Montreal and New York exchanges, at \$7 per share.³⁷ The same year, the company posted revenues of \$30 million. By 1974, that jumped to \$55 million.³⁸

The company continued to grow by acquisition through most of the 1970s. In 1971, all its publications were grouped as Publications Quebecor, which bought

³⁴ *Quebecor: A Living History*, p. 47.

³⁵ *Ibid.*, p. 50.

³⁶ Current circulation figures are from the Canadian Newspaper Association Web site: www.cna-acj.ca/client/cna/ult.nsf/ccsearch.

³⁷ Chabot, *Péladeau*, P. 86.

³⁸ *Ibid.*

Montreal's little English tabloid weekly the *Sunday Express*³⁹ and its first magazine, *Vivre*, in 1974. A year later, Quebecor picked up several Quebec regional newspapers and the publishing house Les Presses de la Cité. At the same time, the printing arm of the company was growing with the takeover in 1974 of Wilson Publishing in Ontario, which was merged with Graphic Web a year later.

The company also branched out into music distribution with the purchase of Service de Musique Trans-Canada in 1976. In 1986, that was merged with Le Groupe de Musical Experts, to form le Groupe de Musique Trans-Canada. In what could be interpreted as an early example of cross-platform promotion, *Le Journal de Montréal* called the creation of le Groupe de Musique Trans-Canada "one of the most important events to have taken place in the cultural industry in the past 15 years, breathing new life into this industry."⁴⁰ In the early 1990s, the company acquired the Ed Archambault Co. and merged it into existing operations as Trans-Canada Archambault. In 1997, it was renamed Groupe Archambault, or Archambault Musique, which became "French Canada's largest virtual department store."⁴¹

Then, in 1977, Péladeau decided to move into the English-language daily newspaper market. (As we see in Chapter 2, this was something that had been on his mind for some time; in 1972, he had tried to buy the *Toronto Sun*.) In November, he announced he would launch a *Journal de Montréal* clone in Philadelphia. The paper would be called the *Philadelphia Journal*, Péladeau told the *Globe and Mail*. It would

³⁹ The paper had become the *Daily Express* briefly in the early 1970s, before reverting to Sunday publication, the first of several attempts to launch a daily tabloid in the city.

⁴⁰ *Quebecor: A Living History*, p 87.

⁴¹ *Ibid*, p. 138.

be a “sports-heavy tabloid ... with an initial press run of 200,000.”⁴² The paper, he said, would be almost identical in style to *Le Journal de Montreal*: sports, local news and entertainment, no editorials and no in-depth news features. Péladeau was confident of success, despite the fact that Quebecor was entering a foreign market already served by three dailies—the morning broadsheet *Inquirer*, and the evening papers, the broadsheet *Bulletin* and tabloid *Daily News*. He had launched *Le Journal de Montréal* into an even more crowded market in a smaller city and had succeeded. Montreal already had five dailies when *Le Journal* was launched: the French-Language *La Presse*, *Le Devoir* and *Montreal-Matin* and the English *Star* and *Gazette*. After the almost simultaneous launch of *Le Journal de Montréal* and *Métro-Express*, the city had seven dailies—until *Métro-Express* folded in 1966. Again, from 1974-78, when the Parti Quebecois paper, *Le Jour*, was publishing, there were seven dailies competing for Montreal readers.⁴³ *Le Journal de Montréal* had grown steadily in such a crowded market. So, it’s understandable that Péladeau wasn’t daunted by the competition in Philadelphia. He also had convinced himself that the City of Brotherly Love was the U.S. equivalent of Montreal—to the mystification of English Montrealers, most of whom had strong ties with Boston and New York but would have been hard pressed to find Philadelphia on a map. At one point, he told a news conference that the people of the two cities were alike, in that they liked sports, short stories and pretty girls, had two solitudes, and rode a subway on which it was easier to read a tabloid.

⁴² “Quebecor starts daily on Dec. 5,” *Globe and Mail*, Nov. 9, 1977.

⁴³ “The daily newspapers of Montreal: The four that are left and the ones that disappeared,” *Gazette*, Sept. 19, 2002.

J'ai fait moi-même l'étude de marché. Elle consista ceci: les gens de Philadelphie ressemblent à ceux de Montréal, ils aiment les sports, l'information brève et les jolies filles! Ils ont un conflit Noirs-Blancs alors que nous avons un conflit Anglais-Français. Ils ont un métro, comme à Montréal, et les usages du métro préfèrent lire un quotidien du format tabloïd.⁴⁴

Péladeau could have used most of those arguments to compare Montreal to Moscow or Madrid.⁴⁵ Yet, he was so sure of success that he was already thinking of expansion before the *Journal* was launched: "Je lance un quotidien à Philadelphie. Possiblement un autre à Boston, l'an prochaine," he said when he announced the founding of the *Journal*.⁴⁶ A little more than two years later, he was still promising—or threatening—to open a Boston paper. When his delivery drivers, members of the Teamsters, went on strike in January 1980, he vowed to shut the *Journal*, and move to Boston.⁴⁷ The Teamsters put up their picket lines on a Sunday night. The next morning, Péladeau closed the *Journal*'s bank account and fired the staff. Three days later, the union accepted Péladeau's "final offer" and the paper returned to the streets.⁴⁸ It wasn't the first time he had taken a tough line with the unions. In 1962, when employees at his monthly, *Le Samedi*, were negotiating a new contract, Péladeau shut the paper and launched another, a non-union monthly called *Le Nouvelle Samedi*. Yet, when his publications were profitable, he was surprisingly willing to share the wealth—especially if the employees in question worked for a division that was close to his heart, as was *Le Journal de Montréal*. When employees at that paper unionized in 1970, they were the highest paid journalists in North

⁴⁴ Chabot, *Péladeau*, p. 92.

⁴⁵ Years later, he admitted that he had suffered from manic-depression for years, and had founded the *Journal* in the euphoria of a manic period.

⁴⁶ Simard et Côté, *Pierre Péladeau Biographie*, p. 94.

⁴⁷ "Philadelphia paper to close after strike," *Globe and Mail*, Jan. 22, 1980.

⁴⁸ Robert Gibbens, "Journal back on the street in Philadelphia," *Globe and Mail*, Jan. 25, 1980.

America.⁴⁹ Still, he seems always to have had a strong aversion to negotiating terms with employees. When he hired Brian Mulroney—then a young lawyer for Ogilvy Renault—to negotiate the first contract with the unions at *Le Journal de Montréal*, Péladeau's instructions were: "J'veux pas de grève et j'veux pas payer. Arrange-moi ça."⁵⁰

A month after the short strike in Philadelphia, Péladeau was announcing plans to start two new dailies: a *Newark Sun* in New Jersey, and an English-language daily tabloid in Montreal, to be called the *Herald*—after the English tabloid that was bought out and closed by the *Montreal Star* in 1957.⁵¹ In Montreal, he told the *Globe and Mail*, the only obstacle was a country-wide newsprint shortage. Still, he was planning to launch the *Herald* in March or April 1980, with a target circulation of 100,000 copies a day. In Newark, he expected to be able to launch on April 1, 1980, and have the *Sun* up to 100,000 circulation in a year:

"I can wait for the *Montreal Herald*," he said, "and I'm in no hurry. We know there is a market there and so do the advertisers. In Newark, it's just a walk-in. The advertisers have come to me and I have two printing plants available. They have no newsprint problems at all."⁵²

Despite Péladeau's vision of the *Philadelphia Journal* as a springboard to a pan-continental and bilingual newspaper empire, the paper was just struggling past the 100,000 circulation mark and had failed to attract advertisers. The plans to found papers in Montreal and Newark were quietly abandoned and, Dec. 16, 1981, Péladeau announced he had closed the *Philadelphia Journal*, after unions representing delivery

⁴⁹ Chabot, *Péladeau*, p. 93.

⁵⁰ Ibid.

⁵¹ "The daily newspapers of Montreal."

⁵² Robert Gibbens, "Péladeau in no hurry for Herald," *Globe and Mail*, Feb. 28, 1980.

drivers and journalists rejected his request that they take a pay cut to keep the paper afloat.

“I can’t throw in any more capital,” he said. “We’ve already accumulated losses of about \$15 million over the four years and the prospective loss for 1982 would be between \$4 million and \$5 million. ... This time we were asking the Teamsters and the drivers, and the journalists negotiating with them, to accept a 12 percent pay cut. This is what was needed to keep the paper alive and give it a chance to grow. However, the union told the drivers to refuse and the journalists will follow. ... We’ve closed the doors today, and that’s the end of it—it’s no bluff.”⁵³

When dust began to settle on the Philadelphia adventure, Quebecor had lost between \$14 million and \$17 million.⁵⁴ Still, despite the losses at the *Journal* and at the company’s Etco Photo, 1981 proved to be a good year for Quebecor. At the end of its fiscal year, Sept. 30, the company showed profit of \$2.6 million on revenue of \$203 million⁵⁵—almost seven times what it earned a decade earlier, when it was first listed on the Montreal and New York exchanges. Péladeau once described the experience as “the most expensive MBA” ever earned in the United States.⁵⁶ As he put it: “Ça n’a coûté \$17 million pour mon dur apprentissage dans le *melting pot* américain.”⁵⁷

As bleak as the American experience had been for Quebecor, things had been going extremely well at home. At a shareholders meeting at the end of 1981, just after the closure of the *Philadelphia Journal*, Péladeau announced that the company was

⁵³ Robert Gibbens, “Quebecor president decides to close Philadelphia Journal,” *Globe and Mail*, Dec. 17, 1981.

⁵⁴ *Quebecor: A Living History*, p. 84 (\$14 million).

Matthew Fraser, *Quebec Inc.*, (Key Porter, 1987), p. 229 (\$15 million).

Pierre Péladeau: *Biographie*, p. 95 (\$17 million).

⁵⁵ “Péladeau has optimistic view,” *Globe and Mail*, Jan. 20, 1982.

⁵⁶ “Pierre Péladeau, builder of a newspaper empire dies at 72,” *Quebec Update: A newsletter for Americans about Quebec*, Vol. XX1, No. 1, February 1998.

⁵⁷ Simard et Côté, *Pierre Péladeau: Biographie*, pp 95-96.

retrenching and planned to invest \$3.6 million in its printing operation and another \$2.1 million in the papers in Montreal and Quebec, the average daily circulations of which were 329,443 and 105,642 respectively. *Le Journal de Montréal* had become the largest French-language paper in Canada and the second largest over all.⁵⁸

Through most of the 1980s, Quebecor's expansion took the form of rapid, though cautious, acquisition, with very few launches of new ventures. The acquisition began slowly, with Quebecor picking up the printer St. Romuald Offset in 1982. A year later, it bought the *Winnipeg Sun*, a tabloid that had been founded by local businessmen and journalists as a thrice-weekly publication after Southam folded the *Winnipeg Tribune* in 1980. It had moved to six-day-a-week publication soon after.⁵⁹ In 1983, the company also founded a small decorating magazine, called *Les idées de ma maison*.

Then the pace picked up considerably. In 1984, Péladeau told *Le Devoir* that Quebecor would grow by one acquisition per month in 1985.⁶⁰ The prediction proved to be a bit modest. In 18 months in 1984-85, the company made 19 acquisitions. It bought seven small Quebec papers, six printing plants and three publishing houses in Montreal, as well as three photo-processing companies in Quebec. Among the printers were Web Press Graphics in Vancouver, and Pendell printing in Michigan and Somerset in New Jersey, its first acquisitions outside Canada.⁶¹ At the same time, in 1985, Quebecor shut the money-losing *Sunday Express* in Montreal, which it had carried for 11 years. Meanwhile, *Le Journal de Montréal* had become a cash cow.

⁵⁸ Chabot, Péladeau, p. 124.

⁵⁹ It had never been profitable, its circulation had never climbed above 35,000, and its outlook was so negative that the Sun chain had turned down a chance to pick it up virtually for free a year earlier.

⁶⁰ *Quebecor: A Living History*, p. 87.

⁶¹ Chabot, Péladeau, p. 124.

About Quebecor's 1981 shareholder convention, *Le Devoir* reported, "Péladeau's Quebec newspapers turn \$12 million profit"—largely because of a 34 percent jump in advertising revenues.⁶²

Quebecor started 1987 with an acquisition binge, and two recurring dreams. At the company's annual meeting in January, Péladeau announced that Quebecor would spend \$25 million to acquire a large Montreal printing company and buy two weekly newspaper chains, one a group of nine in Western Canada and the other a group of seven in the east.⁶³ At the same time, he confirmed that the company had put in a bid for 56 percent of Donohue Inc., one of Quebec's largest newsprint producers.⁶⁴ The company had been seeking to buy its own newsprint producer since the early 1980s, when newsprint shortages had threatened production of *Le Journal de Montréal* and helped scuttle a plan to launch an English-language Montreal daily tabloid. In 1981, he had told the Royal Commission on Newspapers that, because he was operating a daily in the United States at the time, he had discovered that Canadian paper companies were sending U.S. publishers all the product they wanted, at a higher price than the paper would have fetched in Canada. The Canadian newsprint shortage, he said, was a "created crisis."⁶⁵ Regardless of whether this was true or provable, Péladeau clearly believed it. Thus securing a guaranteed source of paper had become a major preoccupation for him during the 1980s. The company already had newspapers and delivery services, and was a major international printer. So, when the opportunity to buy Donohue came up, it gave Quebecor the chance to

⁶² *Quebecor: A Living History*, p. 84.

⁶³ The company never did acquire the chains and their identity remains unknown.

⁶⁴ "Péladeau starts '87 on a takeover binge," *Globe and Mail*, Jan. 21, 1987.

⁶⁵ "Newsprint suppliers criticized by owner of tabloids," *Globe and Mail*, April 17, 1981.

achieve almost complete vertical integration—to control its products from the tree to the newsstand.

Between 1967 and 1985, the Quebec government had acquired a 56 percent stake in the pulp-and-paper company, Donohue. Then, in 1987, the Liberals under Robert Bourassa defeated the Parti Québécois and became the government of Quebec. Bourassa immediately named a minister responsible for privatization, who was charged with the then-fashionable task of reducing the size of government. One of the things that was put on the block was the province's controlling share of Donohue—under the condition that control of the company stay in Quebec.⁶⁶ Donohue was valued at \$350 million. At the time, Quebecor was worth about \$500 million.⁶⁷ To swallow a company almost as big as itself, Quebecor needed a partner, and found one in the British press magnate Robert Maxwell, owner of the mass circulation tabloid the *Daily Mirror*, the Sunday papers the *Sunday Mirror*, *Sunday People*, all of which claimed circulation of 3 million, and the *Daily* and *Sunday Record* in Scotland, with circulation of 800,000.⁶⁸ He also had founded the broadsheet weekly, *The European*, and owned several printing plants in the United States. Like Péladeau, Maxwell was shopping for a guaranteed supply of newsprint for his papers, particularly the *Mirror* group, which were using some 200,000 tons per year.⁶⁹ Maxwell and Péladeau had much in common. Both were Establishment outsiders—Péladeau by virtue of his business style and humble beginnings, Maxwell because he was an Eastern European Jew, born Jan Ludvik Hoch in 1923 in Czechoslovakia—both were self-made

⁶⁶ *Quebecor: A Living History*, pp-92-93.

⁶⁷ *Ibid*, p 93.

⁶⁸ Harvey Enchin, "British publisher to join forces with Peladeau in new paper," *Globe and Mail*, Jan. 20, 1988.

⁶⁹ *Quebecor: A Living History*, p 93.

millionaires, and both were aggressive, acquisitive entrepreneurs. Like Péladeau, Maxwell was on a constant buying spree. While he was forming his partnership with Péladeau, Maxwell also was busy acquiring printing and publishing companies in the United States, and had even discussed launching a national daily paper in France with the Hachette company. The two men formed Mircor, with 51 percent of the stock going to Quebecor and the other 49 to the Maxwell group, and tendered a bid of \$356 million for the Quebec government's shares of Donohue. Although there were competing bids from several paper companies, Power Corp., which controlled *La Presse*, and a Donohue employees group, the Liberals elected to accept Mircor's offer.

In a press release, Quebec Treasury Board president Daniel Johnson justified the sale of Donohue to Quebecor, "a Quebec business success story," because the deal had met all the government's criteria and "the continuing vertical integration of activities in Quebecor and the arrival in Quebec of a British business partner susceptible to opening new markets ... are basic elements that can improve the performance of Donohue even more."⁷⁰

The acquisition came with a price, however. Right after the Quebec government agreed to sell Donohue to Mircor, the government and the company announced they had signed an agreement to build a \$420 million paper mill in Matane, in the impoverished Gaspé region.⁷¹ The mill was something for which the city of Matane had been lobbying since Liberal Jean Lesage had promised one during his 1960 election campaign.⁷² Almost 30 years later, the Liberal government of Robert Bourassa was going to keep that promise. Donohue, under its new owners,

⁷⁰ *Quebecor: A Living History*, p. 94.

⁷¹ Harvey Enchin, "New mill for Gaspé area hinges on aid," *Globe and Mail*, March 30, 1987.

⁷² Barrie McKenna, "Revving up a 'projet moteur,'" *Globe and Mail*, July 24, 1990.

was to build the mill in partnership with Rexfor, a provincial government forestry agency. At a press conference announcing the plan, Quebec resources minister John Caccia said that the mill would employ 500, create another 700 jobs indirectly and would be profitable within four years. He also said the federal government was expected to be involved in funding the project—but no one from Ottawa was at the news conference, and federal representatives later said they had never been consulted.⁷³ In the end, the mill was built for \$290 million, financed by \$35 million from Rexfor and Donohue, a \$35 million Donohue share issue and \$145 million in bank debt. The balance—\$75 million—came from a federal tax credit. The mill ended up employing 125, not the 500 the Quebec Liberals had promised. And it produced pulp, not paper.⁷⁴ A year later, Donohue announced the first loss in its history—partly because a strong, 87-cent Canadian dollar was hurting exports, and partly because of losses at the Matane plant. The *Globe and Mail* reported that chairman and chief executive officer Charles-Albert Poissant said the mill was “saddled” with 30 million in fixed costs, was operating at 50 percent capacity and was expected to lose as much as \$20 million in 1991. He also said the company had approached the Quebec government for assistance.⁷⁵ In 1999, the now-three partners—Donohue, Rexfor and Investissement Québec—sold Donohue Matane for \$48.5 million in cash and assumed debt to the Montreal pulp producer Tembec.⁷⁶

Meanwhile, with his supply of newsprint secure, Péladeau once again began to talk of fulfilling his dream to launch a sister paper for *Le Journal de Montreal*, an

⁷³ Enchin, “New Mill for Gaspé area hinges on aid.”

⁷⁴ McKenna, “Revving up a ‘projet moteur.’ ”

⁷⁵ Barrie McKenna, “Donohue outlook not so Super,” *Globe and Mail*, April 17, 1991.

⁷⁶ “Forest Products,” *Globe and Mail*, Nov. 11, 1999.

English-language daily tabloid. At the beginning of 1987, it looked like Montreal was about to have six daily newspapers. A new French-language newspaper, *Le Matin*, a French-Language morning tabloid to be published with assistance from the English-language *Gazette*, was scheduled to hit the streets in February. And, in January, Péladeau again announced that he was going to produce an English tabloid, named *The Herald*.⁷⁷ There was speculation at the time that Péladeau wanted to retaliate against the *Gazette*'s incursion into his territory, and it's likely there was at least an element of that. It's also likely that Péladeau's interest had been re-awakened by the *Toronto Sun*'s near-entry into the market. In 1986, the Sun company had come within an inch of launching, with local partners, a *Montreal Sun*, but had backed off at the last minute (see Chapter 2). Through the year, the publisher tantalized the media with announcements that a decision to go ahead with the *Herald* was imminent. At times, it seemed as if he just enjoyed talking to reporters. In January, Péladeau told a press conference that he was considering propositions from two financiers and had received about 90 applications from hopeful job hunters, including some from the *Globe and Mail*, for editorial positions.⁷⁸ He dismissed the Sun company's assessment that the Montreal market couldn't support another English paper with, "I know the market better than they do."⁷⁹

Péladeau's serial statements about his new paper didn't completely distract him from business. After the huge Donohue deal, Quebecor went on to buy two more

⁷⁷ Oakland Ross, "Two papers nearing publication in crowded Montreal market," *Globe and Mail*, Jan. 15, 1987.

⁷⁸ Harvey Enchin, "Decision expected on new Montreal paper," *Globe and Mail*, Jan. 21, 1987.

⁷⁹ Ibid.

U.S. printing houses. Then, in October, he bought the *Sherbrooke Record*, the only English daily in Quebec other than *The Gazette*.

The paper, which had a circulation of just 6,300 was an important institution in Quebec. It had, at one time, belonged to Conrad Black, who had just purchased Unimedia, publisher of the Quebec City journal of record, *Le Soleil*. At the time, it belonged to Sherbrooke lawyer George MacLaren, who had bought it 10 years earlier. Along with the *Record*, Quebecor acquired Communications des Cantons Inc., which included the *Record*'s commercial printing company. After the sale of his company, MacLaren told the press that he would remain president of Communications Canton, and Publisher of the *Record*, and would take on other duties in Quebecor.⁸⁰

It soon became clear what those "other duties" would be, when Quebecor announced that it finally would launch its English-language, Montreal daily tabloid. In January, talking to reporters after the Quebecor annual meeting, Péladeau announced that, with a "major minority interest" from Robert Maxwell, Quebecor would launch its English tabloid. Péladeau also reported that his company's profit in 1987 had been \$23 million, and expected 1988 to be even better.⁸¹ The final announcement that the paper would be launched in March was hardly a surprise. Péladeau had already named a publisher, McLaren—the lawyer from Sherbrooke whose only previous newspaper experience was running the tiny *Record*—and a managing editor, former police reporter and radio announcer James Duff. And it was well known in the industry that they had begun to hire staff late in 1987. Finally,

⁸⁰ Harvey Enchin, "Sherbrooke Record is bought by Péladeau," *Globe and Mail*, Oct. 7, 1987.

⁸¹ Enchin, "British publisher to join forces with Péladeau in new paper."

however, the paper had a name, the *Montreal Daily News*, and a launch date, early March.

Southam, owner of *The Gazette*, however, had learned from its mistakes in Edmonton and Calgary, where complacent management had allowed the *Sun* papers to have Sundays to themselves for years before the *Journal* and the *Herald* finally began to publish competing editions. Feb. 28, 1988, the English broadsheet published its first Sunday edition—a pre-emptive strike against the *Daily News*, which was due to hit the streets in a couple of weeks. Southam had been preparing for two years for the eventuality that Péladeau might finally launch his paper. Through much of 1987, the paper had been locked in a pressman's strike, and had published with managers and editors running the presses. The strike issue had been management's demand that pressmen work fifth, sixth and seventh shifts at straight time, rather than time-and-a-half. The pressmen had settled after seven-months, giving in to management demands in exchange for a guarantee of no layoffs. As *Gazette* publisher Clark Davey said, "Our costs are not going to be any greater for seven days than for six. One of the good things about Sunday is that it helps us soak up part of the manpower that's been made surplus by the new manning agreements."⁸² Another interpretation would be that the strike was part of the paper's preparations for a seven-day-a-week publishing schedule. As for how he expected the Sunday paper to affect the *Daily News*, Davey explained: "We're scooping a fair amount of (advertising) money off of the table that's not going to be available to them."⁸³ Clearly, *The Gazette* didn't intend just to

⁸² Dennis Bueckert, "Gazette's Sunday edition hits the stands," *Globe and Mail*, Feb. 29, 1988.

⁸³ Ibid.

compete with the upstart paper, it was preparing for a war to protect the monopoly it had enjoyed since the *Montreal Star* folded in 1979.

Two days later, on March 1, MacLaren announced a launch date for the *Daily News*: Tuesday, March 15.⁸⁴ Startup costs, he said, were less than \$1 million, and ad rates would be set at an insanely competitive \$1.50 a line for national advertising and \$1.25 for retail. At the time, *The Gazette* was charging \$5.10 for national. He predicted the paper would be turning a profit in four years.⁸⁵ On March 15, the *Daily News* arrived on the streets, as promised. It was printed by Dumont and distributed by Messageries Dynamiques, both owned by Quebecor. It was 64 pages and—thanks to designers supplied by Maxwell’s *Mirror* group—looked completely different from any other Canadian tabloid. Unlike the *Sun* and *Le Journal*, its front page carried no screened or reverse type, or excessive typographic color. It was white, with a traditional masthead (rather than a *Sun* or *Journal* style logo), and had color photos and the requisite monosyllabic, 200-plus-point headlines. It’s main story on March 15, 1988, was, “OUT.” in gigantic capital letters, with a drop-head big enough to be the black-line on most broadsheet papers: “NO APPEAL FOR TURK REFUGEES.” Unlike the *Sun* or the early *Journal*, it had no daily cheesecake. But like those papers, its focus was entertainment, sports and local news. It also, oddly, placed a strong emphasis on business. The paper had, by tabloid standards, a huge business section right in the middle of the paper. The first day, it sold out its run of 80,000 copies, and

⁸⁴ This was almost a year after the launch of *The Gazette*’s morning French-language tabloid, *Le Matin*, which had started on March 8, 1987, and folded after a few months.

⁸⁵ Paul Koring, “Daily News makes colorful Montreal entry,” *Globe and Mail*, March 16, 1988.

MacLaren predicted it would have an average daily circulation of 50,000 by December 1988.⁸⁶

By the end of the year, the *Daily News* was selling just 20,000 copies, but it had helped create a fascinating contrast between the English and French newspaper markets. As the *Globe and Mail* reported:

Quebec's two solitudes are truly separate when it comes to drawing the bottom line at Montreal's newspapers. The English and French press can't seem to agree on the health of the local economy, whether readership is up or down and whether the advertising market is rising or falling. *The Gazette*, the largest English-language daily in Quebec, is crying poor while its daily tabloid rival, the *Montreal Daily News*, is fighting for survival. *La Presse*, on the other hand, says business is booming and *Le Journal de Montréal*, the biggest circulation paper in Quebec, expects ever higher revenues and profit.⁸⁷

Between 1987 and '88, the *Gazette's* average Monday-to-Friday paid circulation had dropped from 192,949 to 183,678, *La Presse's* had risen from 194,647 to 195,799, and *Le Journal's* had risen slightly, from 319,121 to 319,207. In the weekend markets, The *Gazette's* Saturday circulation had plunged from 268,993 to 250,315 and its new Sunday edition was selling only 173,655, well below even its daily figures. *La Presse* had a modest increase from 304,700 to 305,640 on Saturdays, but the circulation of its Sunday paper had jumped from 146,981 to 175,658. This had come at the expense of *Le Journal*, which had seen circulation slip from 345,698 to 335,596 on Saturdays, and from 337,381 to 327,954 on Sundays—about 10,000 readers per day. Nevertheless, both *La Presse* and *Le Journal* reported higher advertising revenue and profit, and the former had even raised its advertising rates to the point that it was almost a dollar per agate line more expensive than *The Gazette's*.

⁸⁶ Paul Koring, "Daily News makes colorful Montreal entry."

⁸⁷ Harvey Enchin, "Montreal dailies—language of profit," *Globe and Mail*, Nov. 22, 1988.

Meanwhile, *Gazette* publisher Clark Davey sent a memo to employees announcing that the paper was 15 percent below its target return on revenue, and would reduce staff through attrition.⁸⁸

This, to put it mildly, was not a good time to be launching a new English-language daily in Montreal. Péladeau had believed that the *Daily News* would attract a large, formerly unserved audience of “allophones”—people whose mother tongue was neither English nor French—and dissatisfied *Gazette* readers. There was little or no hope of expanding the English audience, because Montreal’s anglophone population had been shrinking since the Parti Québécois’s first election victory in 1976, and through the 1980 referendum on separation and the installation of laws that made French the official language and restricted the use of English in the province. Eight months after its launch, the *Daily News*’s constituency had failed to materialize. From the circulation figures, it appeared that readers of the French-language papers were so well served that the only circulation changes were the 10,000 or so readers who were switching from *Le Journal*’s to *La Presse*’s weekend papers. On the English side of the city, the *Gazette*’s weekday circulation had slipped by about 10,000 copies per day, and its Saturday paper by about 17,000. That, no doubt, accounted for the majority of the 20,000 people who were reading the *Daily News*. In other words, it was becoming obvious that there was no new pool of readers from which the tabloid could draw, and any growth would have to come at the expense of the larger, richer and better staffed *Gazette*. Péladeau was not about to invest the millions it would have taken for a frontal assault on the *Gazette*. Instead, the *Daily News* lived out the remaining year of its life on a starvation diet. MacLaren was fired,

⁸⁸ Enchin, “Montreal dailies—language of profit.”

and Duff was made publisher and editor. Then Duff was fired. Meanwhile, staff members who could find other jobs did so, while their co-workers suffered waves of cutbacks. In August 1989, Quebecor announced six-month profits of \$12.8 million, compared to \$16.9 million in the same period of 1988—for a share profit of 36 cents, compared to 57 cents a year earlier. The company attributed the downturn to operating losses at the *Daily News*.⁸⁹ In November, Péladeau told the *Globe and Mail* that the *Daily News* would close unless Quebecor could sell it. The *Globe* also reported that analysts were saying the paper was losing between \$2 million and \$2.5 million per month.⁹⁰ On Dec. 15, 1989, Quebecor shut the *Daily News*. The paper had lost \$13 million and had a circulation of between 12,000 and 15,000. At the time of its closing, the paper had a staff of 85—only 10 of whom were journalists.⁹¹ As *Daily News* columnist Albert Nirenberg wrote, one of the main reasons the paper had failed was that it wasn't very good.

The *News* was also plagued by editorial glitches. Readers “got a stinker,” Albert Nirenberg, the newspaper’s 22-year-old city columnist wrote in an open letter to Mr. Péladeau last month, in which he appealed for another chance for the paper. The *News* “wasn’t well written, it had a crazy, pell-mell design and the front page didn’t make sense in English, French or any other language,” Mr. Nirenberg said. ... “It was neither fish nor fowl,” added Benoit Hogue, an analyst ... “It never could decide whether it should be appealing to the English community or the allophone community.”⁹²

The *Daily News* was one of the company’s worst failures, not so much in terms of money (the *Philadelphia Journal* had lost at least \$14 million US) but in

⁸⁹ “Quebecor Inc., Montreal,” *Globe and Mail*, Aug. 16, 1989.

⁹⁰ Barrie McKenna, “Péladeau to close Daily News unless Quebecor can sell it,” *Globe and Mail*, Nov. 14, 1989.

⁹¹ Ysabelle Trujillo, “Montreal Daily News closes,” *Globe and Mail*, Dec. 16, 1989.

⁹² Ibid.

prestige. Péladeau had been talking for a decade about starting an English-language Montreal daily, often boasting that success was all but guaranteed. Then, when he finally took the plunge, he selected an inexperienced, almost amateur management that produced a paper that was, as Nirenberg said, “a stinker.” The *Daily News* varied crazily from day to day. One day, it could look like a true tabloid, with a strong emphasis on local news and pop culture; the next, it looked like it wanted to be the Sunday *New York Times* on a weekday—with its front page dominated by international news and its entertainment pages filled with features on obscure authors, art galleries or classical music. About the only thing a reader could count on was that the paper would almost always manage the rare feat of being eccentric and lifeless at the same time. More than a decade after the fact, the failure of the project is such an embarrassment to Quebecor that its 144-page, magazine-size, corporate hagiography, *Quebecor: A Living History*, buries the 21-month life of the paper with two mentions, one erroneous. In a timeline on page 63, there is one line: “Montreal Daily News *acquired*”!⁹³ On Page 126, there is the sentence: “On the other hand, the response was less enthusiastic for the *Montreal Daily News* and *Super Hebdo*, two ventures that had short lives.”

After the *Daily News* debacle, Péladeau once again retrenched and turned his attention to Quebecor’s printing business and Quebec media empire—as he had done after the Philadelphia failure.

In 1988, Quebecor had acquired most of the printing division of Bell Canada Enterprises, and began the lucrative business of printing telephone directories. With the acquisition of BCE’s Ronalds printing and its 19 plants, Quebecor became the

⁹³ My italics.

largest commercial printer in Canada.⁹⁴ With Ronalds, came longtime BCE executive Charles Cavell, who became chief operating officer of Quebecor Printing. Working with chief executive officer Jean Neveu, he would be instrumental in building Quebecor into the world's largest printing company. He also would mentor Pierre Péladeau's son Pierre Karl—who eventually inherited control of the company from his father—and play a key role in Quebecor's acquisition of Sun Media in 1998 (see Chapters 5 and 6).

In 1989, the company made a major push into the United States with its \$510 million acquisition of the Maxwell Graphics printing plants.⁹⁵ The Caisse de dépôt et placement du Québec—the powerful investment arm of the Quebec government, which had been founded in 1965 to manage public pension funds—contributed \$115 million to the deal. Having established itself as a printing giant and newsprint producer in Canada, Quebecor was well positioned to take advantage of the opportunities for cross-border trade provided by the North American Free Trade Agreement. Between 1992 and '97, Quebecor Printing acquired: Arcata Graphics of San Jose, Calif., which owned plants in California, Tennessee and New York State; Print Northwest in Washington State; U.S. West in Colorado; Eagle Lithographing in Kansas City, Mo.; American Signature, the Petty Company and Brown Printing in Franklin, Ky. In 1997, the company established a printing facility in Nevada, the first plant it built in the United States. In 1991, Quebecor made its first acquisition in Latin America, Graphicas Monte Alban in Mexico, and in 1993 moved into Europe with

⁹⁴ *Quebecor: A Living History*, pp. 107-108.

⁹⁵ Robert Maxwell died mysteriously in 1991 at the age of 68 when he went missing from his private yacht in the Atlantic; his body was recovered off the Canary Islands. Shortly after his death, it was discovered that he had been siphoning money from pension funds to keep his companies afloat, and to inflate stock prices (news.bbc.co.uk/1/hi/business/1249739.stm).

the purchase of Fécommé in France. In 1995, it acquired two more printers in Europe and made its first acquisition in Asia, Tej printing of India.

As it was stretching itself around the globe, the company continued to establish its dominance of the Canadian printing business. In 1995, Quebecor went through another major growth spurt in Canada with the acquisition from Rogers Communication of four Maclean-Hunter printing plants.

The pattern of constant growth continued through the 1990s, with the company acquiring more printing operations in France, the United States and Canada, and moving into Scandinavia, Spain, Peru, Colombia, Chile and Argentina.

In 1999, Quebecor became the world's largest printing company, when it merged with the U.S. giant, World Colour Press (more on this in Chapter 6).⁹⁶

Outside the province, Quebecor was known mainly as a commercial printer. In Quebec, however, its public image was predominantly that of a media company—and it was one becoming more and more interested in the possibilities presented by convergence. Through the 1990s, the company continued to expand its media properties in Quebec. In 1994, under the management of Péladeau's elder son Erik, the company established Quebecor Multimedia, to explore the possibilities of Internet publishing and trade—at around the same time that the Sun chain was setting up its Web portal, Canoe. In 1997, the company moved into broadcasting, with the purchase of Quebec's small, second private TV network Télévision Quatre Saisons.

At the same time, Péladeau remained determined to expand his media holdings into English Canada. With the failures in Philadelphia and Montreal, Quebecor was left with one rather forlorn tabloid in Winnipeg, the *Sun*. So, in 1996,

⁹⁶ *Quebecor: A Living History*, p. 65.

when Rogers put the Sun chain up for sale, Péladeau made his second attempt to acquire the group of big-city tabloids and small-market community papers, but backed away, because the price was too high. During the short time that he was a contender for control of the company, however, he found himself demonized by Sun media columnists, such as Diane Francis, Peter Worthington and Alan Fotheringham, who accused him of being a separatist,⁹⁷ racist, sexist, anti-Semitic and an ex-alcoholic⁹⁸ (see Chapter 2). The assessment was based in part on comments he had made to the news magazine *Actualité* in the spring of 1990. The magazine quoted him as saying that Jews “take up too much space” in Quebec. He also accused women executives of lacking judgment and using sex to get ahead in business.⁹⁹ The publicity affected Quebecor’s financial fortunes—some companies refused to advertise in Quebecor publications, some investors were scared away from company stock. And, as Péladeau found when he tried to take over Sun Media, in English Canada, he was perceived as being erratic, eccentric, bigoted, backward and hostile to federalism.

In Quebec, however, he was a folk hero: a little guy who played by his own rules and won. So, after he suffered a stroke on Dec. 2, 1997, the province took a collective breath and prayed for him to recover—broadcast of a Canadiens hockey game was interrupted for a bulletin on his condition. In English Canada, his situation was relegated to the business sections of the newspapers, and even there he was treated as a bit of a curiosity. Typical of the coverage he received in English papers

⁹⁷ He admitted to voting yes in the 1980 referendum.

⁹⁸ He had quit drinking in 1974.

⁹⁹ Barrie McKenna, “Péladeau’s gaffes cast shadow over Quebecor meeting,” *Globe and Mail*, April 24, 1990.

was a feature article in the *Globe and Mail*'s "Report on Business" section of Dec. 6 that read like a pre-obituary. In it, he was described thus:

In a province where home-grown business legends are a still rare phenomenon, the Quebecor chief has earned adulation by surmounting alcoholism, manic-depression and ostracism from the business establishment. In the rest of Canada, Mr. Péladeau is largely known for his incendiary comments about Jews, women and the feasibility of Quebec separation. But on both sides of the two solitudes there is no disputing his business acumen.¹⁰⁰

Pierre Péladeau died on Christmas Eve 1997. From an initial investment of \$1,500, he had built a company—now a holding company called Quebecor World—with an estimated \$6 billion in annual revenues, which employed 36,000 and spanned four continents.¹⁰¹ In 1996, Quebecor Communications, the division that owned the daily papers, television network and multimedia ventures, had generated revenues of \$439.4 million. Quebecor printing had earned \$4.2 billion. And Donohue Inc. had revenues of \$1.6 billion. Among its holdings were four daily newspapers, 57 weeklies, two television stations (TQS), 115 printing plants, four newsprint mills and 12 sawmills. Quebecor was the second largest printing company in the world and one of Canada's largest newsprint producers.¹⁰² With its forestry holdings, printing and publishing concerns, the company had achieved vertical integration. By expanding into television, multimedia and online marketing, it was moving toward horizontal integration.

In 47 years, Péladeau had fulfilled all the ambitions he possibly could have dreamed of, save one. When he died, Quebecor was the second largest media company in Canada—but, aside from the anemic *Winnipeg Sun*, it had no English-

¹⁰⁰ Konrad Yakabuski, "The paradoxical Monsieur Péladeau," *Globe and Mail*, Dec. 17, 1997.

¹⁰¹ Tu Thanh Ha, "Separatist media baron dies," *Globe and Mail*, Dec. 26, 1997.

¹⁰² Baglole, "Péladeau's Quebecor legacy."

language holdings. Four times, Péladeau had tried to establish Quebecor media in the English-speaking world—twice attempting to acquire the Sun Chain, and twice founding English dailies—and had failed. Though its printing division was a world power, as it moved into its second generation of ownership, Quebecor remained just a regional media player.

The next chapter looks at the evolution of Sun Media from one upstart newspaper in Toronto to a chain of metropolitan dailies and community papers that became the target of a failed takeover bid by Torstar, the parent company of the *Toronto Star*, which led to the company's absorption into Quebecor's growing multi-media empire.

Chapter 2: The little paper that grew into a commodity

This chapter tells the story of the evolution of Sun Media from the founding of the *Toronto Sun* in 1971 to the time of the \$411 million acquisition of the Sun Media chain of newspapers and associated properties by a Sun management-led consortium of investors in the fall of 1996. This was the outcome of a series of events that began 1982, when Maclean Hunter purchased 50 percent of *Sun* shares, and gained control of the company for \$55 million. In this chapter, I will look at how the *Sun* chain evolved from a “feisty”¹ Toronto tabloid, started in 1971 by a group of unemployed journalists, to a chain of small newspapers, to a media property whose value jumped from \$55 million to \$983 million² in a decade and a half.

The idea of newspapers as properties to be traded around—increasing in value with each exchange—is hardly new. The *Sun* chain, however, *is* new. Therefore, relative to other Canadian chains that have mutated through many owners and affiliations over a century or so of life, the history of the *Sun* papers is clean, direct and uncluttered. It offers an object lesson in how a newspaper, or group of newspapers, can be turned into profit centres for diversified companies that have little, if any, interest in journalism—and how the mechanism of acquisition can create financial conditions that affect a publication’s ability to do business.

¹ To use an adjective so dear to the hearts of Sun management that the papers are rarely mentioned without it.

² The amount paid by Quebecor in 1998.

The *Toronto Sun* was founded by a group of journalists, support staff and managers from the *Toronto Telegram*, with backing of around \$600,000³ from a group of Toronto businessmen. The first edition of the *Sun* hit the streets on Monday, Nov. 1, 1971, just two days after the *Telegram* published its last edition. The *Sun* was the offshoot of a concept dreamed up by a group of *Telegram* managers in the mid-1960s—to put on the Toronto market a British style tabloid, a paper that would be light, entertaining, breezy, opinionated and irreverent. The *Sun*'s tabloid format would make it easy to handle on Toronto's subways and streetcars. It would be a quick read for commuters, and available on newsstands only, with no home delivery (save for the Sunday edition, which was launched a few years later). Its founders saw it as an antidote to a style that dominated Canadian journalism at the time: solemn, humourless, visually staid and balanced to a fault.

It also would be similar in style and tone to the successful *Journal de Montréal*, founded by Pierre Péladeau in 1964 during a pressman's strike at the dominant daily, *La Presse*. Like its Montreal counterpart, the *Sun* would be strong on sports, entertainment, crime and city news, and filled with personality columnists. There would, however, be one major difference: whereas *Le Journal* had no editorial page and took no positions on political issues, save for those held by individual columnists, the *Sun* would be staunchly conservative and aggressive—some might say strident—in voicing its opinions.

The paper was an almost instant success. The *Sun*'s first press run was 75,000 copies⁴, which sold out. On its second day, the press run was increased to 125,000,

³ Telephone Interview with J. Douglas Creighton, co-founder of the *Toronto Sun*, Feb. 2, 2002.

⁴ Jean Sonmor, *The Little Paper that Grew* (Toronto Sun Publishing Corporation, 1993), p. 43.

and 124,600 copies were sold.⁵ By the end of 1971, the *Sun*'s daily circulation had levelled out, but it "never dipped below 66,000"⁶ in the following year. In 1972, Péladeau made his first bid for the *Sun*—an offer to swap stock in Quebecor for control of the Toronto paper.

[Péladeau's] idea was to trade shares in Quebecor for the *Sun*, which he believed he could make more profitable by using his own tabloid concept. The formula had already been turned down once in Toronto. When the [*Telegram*] was folding, [*Telegram* editors] Bob MacDonald and Max Crittenden ... tried to interest Péladeau in starting a tabloid in Toronto. The project foundered as the Quebecor chief, sitting on his chair on the raised dais where his desk was perched, ranted on about how a newspaper didn't need an editorial stance. In fact it didn't need editorials. The formula of sports, celebrities, entertainment and the raciest bits of local news was the way to rekindle the public's fading interest in the newspapers. MacDonald and Crittenden didn't quite see it that way. Fourteen months later [*Sun* General Manager] Don Hunt had virtually the same reaction. ... "I'll get the *Sun*," was Péladeau's ominous comment at the time. "If not now, then later."⁷

The *Toronto Sun* launched its first Sunday edition Sept. 12, 1972, becoming the first newspaper in Canada to publish its "fat" edition—with comics, TV guide and special sections—on Sunday, rather than Saturday. It was not until 1976 that another Toronto paper, the *Star*, began publishing on Sunday, which gave the *Sun* four years to consolidate its position as the leader in the Sunday market. That pattern was repeated in Edmonton and Calgary, where respectively the *Journal* and the *Herald* were as slow to take the competition seriously and launch Sunday papers. The pattern was broken in 1988: Sept. 4, the *Ottawa Sun* was launched as a Sunday-only paper; Sept. 25, the *Ottawa Citizen* launched a Sunday edition. It wasn't the first Southam paper to strike early against competition, however. In February 1988, faced with the

⁵ Sonmor, *The Little Paper that Grew*, p.43.

⁶ Ibid.

⁷ Ibid.

arrival of the *Montreal Daily News*, *Montreal Gazette* publisher Clark Davey had responded with a pre-emptive launch of a Sunday edition. Clearly, Southam was no longer taking its tabloid competitors lightly.

It's probably not coincidental that the Ottawa paper has been the least successful in the chain in terms of circulation growth. Current Monday-Friday circulation at the four newspapers founded by the Sun chain⁸ are: Toronto, 219,469; Edmonton, 73,114; Calgary, 67,866; Ottawa 50,883. Sunday circulation is: Toronto, 360,299; Edmonton, 101,790; Calgary, 99,149; Ottawa, 54,642.⁹ Only in Ottawa are the Sunday numbers virtually the same as weekday sales; all three other papers have substantially larger circulation on Sundays. Sun chain co-founder J. Douglas Creighton is of the opinion that it was Sunday circulation that made the success of the *Toronto Sun* and, by extension, the Calgary and Edmonton papers:

If the *Star* had switched from Saturday to Sunday, they would have wiped us off the map with our Sunday paper—if they had spent the money. They spent it a year later, but it was a year too late. [Then-*Star* publisher Beland] Honderich told me that he thought we were going to make it. And I said, “Well you lead me to the big question, Why did you let us have a day to ourselves, free of competition?” He didn't answer.¹⁰

In 1975, the Sun became the No. 2 paper in Toronto, according to six-day average circulation, and the *Sunday Sun* was outselling the *Saturday Globe and Mail* by 31,000 copies.¹¹ Three years later, the *Sun* became a chain, when it launched a second daily in Edmonton, April 2, 1978. In September of that year, the *Toronto*

⁸ As opposed to those acquired—i.e. the *Winnipeg Sun* and *London Free Press*.

⁹ All current circulation figures are from the Canadian Newspaper Association Web site: <http://www.cna-acj.ca/client/cna/ult.nsf/ccrecords?OpenView&Start=1&count=500>.

¹⁰ Interview with J. Douglas Creighton.

¹¹ Sonmor, *The Little Paper that Grew*, p. 112.

Sun's average daily circulation reached 200,000.¹² It was at around that time that the *Star* finally began to acknowledge that the *Sun* was a genuine threat to its market dominance.

In March 1979, Sunday circulation topped the 350,000 mark. ... April's year-end news had been very good, despite Edmonton's continuing losses. Headlines in the *Globe and Mail*'s business section announced [advertising] lineage at the *Toronto Sun* had doubled in the five years since 1974, mostly at the expense of the *Toronto Star*. In the same period, the *Star*'s market share had dropped from 66 to 52 percent. Analysts were recommending *Sun* stock as a hot commodity.¹³

A year later, the *Sun* launched its third daily. In July 1980, the company bought the *Albertan*, from Thomson Newspapers, which had acquired the paper as one of the assets of the old F.P. Publications chain of papers. June 5, Creighton announced the purchase of the *Albertan*, and that the paper would publish its last edition July 31 and be reborn as the *Calgary Sun* on the following Sunday, Aug. 3.¹⁴

One odd phenomenon relating to the *Sun* chain is the way it inspires a bizarre combination of disdain for the papers and admiration for their founding publisher. For example, the following statement by Ryerson Journalism professor John Miller:

Doug Creighton led a rag-tag group of editorial employees across the street after the *Toronto Telegram* was bought out by the *Star*¹⁵ in 1971 and built the *Toronto Sun* into a media empire that is truly one of the amazing stories of modern Canadian journalism. The Brash *Sun* tabloids, heavy on sports, entertainment, photos, opinion and cheek, created a whole generation of newspaper readers.¹⁶

¹² Sonmor, *The Little Paper that Grew*, p. 185.

¹³ Ibid. p. 192.

¹⁴ Ibid. p. 201.

¹⁵ Unusual choice of words from a former *Star* senior editor. What the *Star* purchased was the *Telegram* subscription list, effectively paying the paper to fold. The *Telegram* ceased publishing, and its title never was incorporated into the *Star*'s masthead, as is the custom when papers merge.

¹⁶ John Miller, *Yesterday's News: Why Canada's Daily Newspapers Are Failing Us* (Fernwood, 1998), p. 15.

In his book, *Power & Betrayal in the Canadian Media*, David Taras quotes Watergate reporter Carl Bernstein about how an “idiot culture,” is being created by the “Tabloidization” of the news. He does not, however, as many have, dismiss the *Suns* as being simply sports, entertainment, photos, opinion and cheek.

I take the *Sun* seriously, because they know their audience. They never forget who their audience is. And in the celebrity news and in the crime news and all of that, there are real messages about society. I think we’re making a big mistake if we just say, “Oh they’re giving us Britney Spears and the Ottawa Senators.” There are real messages about women, about class, about crime, about politics. I think it’s powerful. I don’t diminish it at all. The critique, of course, is that this is the last bastion of male working-class values, writ large. But this is a paper that has a formula, and it never forgets who its readers are. I think it is very powerful, sometimes politically. ... [I]f you really want to get a feel for the city, a hot-line feel for the city, pick up the *Sun* and you get a good feel right away.¹⁷

As hyperbolic as Miller’s comments may be—particularly in the cases of the *Suns* in Calgary, Edmonton and Ottawa, where circulation always has run a poor second to the established Southam (now CanWest) broadsheets—there’s little question that Creighton and company (the other founding fathers were Don Hunt and editorial page editor Peter Worthington, respectively the business brains and ideologue of the outfit) injected energy into a fading industry, and created competition and jobs for journalists in four of Canada’s largest cities. There was an entrepreneurial spirit that was unique to the *Suns* and a sense of adventure that penetrated the staff at all levels. There also was a feeling that employees mattered and their skills were valued. As Taras points out, the *Sun* management always took its product seriously. Whatever one’s opinion of the papers, one has to admit that

¹⁷ Telephone interview with David Taras, professor of General Studies, University of Calgary, Aug. 8, 2002.

something very special happened in Toronto, Edmonton and Calgary between 1971 and 1980. And Creighton embodied all of that. As he says:

There's something magical about starting a new newspaper from the death of an old one. If you can't play that up to employees as a great adventure, then you might as well join Walt Disney or something. It worked and everybody felt part of it. When the night cleaner, Don Nixon, retired with his profit sharing, he bought his first home ever. That's just a great little story. I cry much more easily now than I did before I left. And I go to these reunions—as few as them as possible; I duck them—and you get a standing ovation as you walk in the goddamned door. It's not easy but the organization has changed. The people at Quebecor, I'm sure, don't want to make that a haven for happy people. They've got other uses for the money.¹⁸

Creighton's comments express a management philosophy that mostly has disappeared from newspapers, and from the media in general: that the product and the people who manufacture it are important, and that employees deserve to be rewarded for their talents and efforts.

In the early 1980s, a deep recession and bank-interest rates in the 20-percent range combined to change the *Sun*'s expansionary ways. It also created a threat to the management structure of the chain, and paved the road for the *Sun*'s journey from newspaper business to newspapers owned by a business.

The original investors who now had tidy fortunes invested in Sun stock were mostly real estate investors and having a tough time in the marketplace. ... Obviously some of them might have been interested in selling Sun stock and taking a profit. Creighton worried that with so many small investors, the company was vulnerable to an unfriendly takeover. ... There weren't massive selloffs; there was no urgency but the impetus to find a major shareholder was certainly there when Creighton talked to Don Campbell, chairman of the communications giant Maclean Hunter.¹⁹

¹⁸ Interview with J. Douglas Creighton.

¹⁹ Sonmor, *The Little Paper that Grew*, pp 219-220.

Creighton had proposed a 50-50 partnership with Maclean Hunter to co-found the *Edmonton Sun* in 1976, but the board had vetoed the proposal and the Sun corporation went ahead alone on the project. In 1981, Creighton again proposed a partnership with Maclean Hunter, and again the board turned him down. Finally, in 1982, Maclean Hunter purchased 50 percent of Sun shares, and gained control of the company, for \$55 million.²⁰ There were people at the company at the time—notably Worthington and *Calgary Sun* publisher Hartley Steward—who saw this as the beginning of the end for the chain, as an independent voice and as a company whose main concern was the practice of journalism. At the time, Creighton believed he could maintain an arm's-length relationship with Maclean Hunter. Though Maclean Hunter did prove to be a hands-off majority owner, and the Sun chain continued to grow through the next decade, the change in structure probably helped pave the way for Creighton's ouster from his post as chief executive officer in 1992, and it definitely led to the chain's purchase by Rogers Communications two years after that. In retrospect, Creighton says, he tends to agree with those who were pessimistic about the Maclean Hunter arrangement.

We took a decision to go ahead, and we really did think it was going to work. Hunt and Worthington and I are not kindred souls, but we sure could fight the same war with the same people on the same side. And it worked. I think that the *Toronto Sun* and the Sun organization would have continued making money, and making good money. We weren't having any difficulty meeting our payroll or costs, despite the economy at that time. We were in good shape. We had realized the dream. I just think, if we had known enough time ahead, we would have been able to beat back Maclean Hunter. It was something we'd created and it was as good as we thought it would be, or even better. And, all of a sudden, the corporate structure changed. It was a pretty blah ending.²¹

²⁰ Sonmor, *The Little Paper that Grew*, pp 220-225.

²¹ Interview with J. Douglas Creighton.

Through the 1980s, the *Sun* chain continued to grow. In 1983, the company bought the *Houston Post* for \$100 million (US).²² The *Post* was a money loser and the second newspaper in the Houston market. The Sun corporation sold the paper in 1987 for \$150 million (US): \$100 million plus a payment to be made in 1993 and based on revenue growth. (There was no revenue growth and so no payment.) In 1984, former Metro Toronto chairman Paul Godfrey became the publisher of the *Toronto Sun*, and, a year later, “The Toronto Sun Corp. posted the highest annual growth rate of 279 communication companies ... and also the highest pretax profit.”²³ In April 1986, *Toronto Sun* circulation topped 300,000.²⁴ The same year, the company flirted with the idea of launching a *Montreal Sun*, in partnership with a group of Montreal businessmen led by Hamish Macaulay of the investment firm, Hodgson Robertson Laing and Co.²⁵ One of the brokers of the partnership was Ray Heard, who had been managing editor of the *Montreal Star* when it folded in 1979. Management had been selected for the new paper²⁶ and the Sun was on the verge of announcing a launch date, when the tabloid-publishing company—which had all along had concerns about its prospective partners—got cold feet and pulled out. As Sun company president Douglas Creighton told the *Globe and Mail*, “Somebody had to decide, and rightly or

²² Sun management had been considering buying the *Chicago Sun-Times* when they were sidetracked by an invitation from the *Post*’s owner to take a look at the Texas property. One can only imagine the effect owning a Pulitzer Prize-winning, quality U.S. tabloid might have had on the evolution of the *Sun* chain.

²³ Sonmor, *The Little Paper that Grew*, p. 263.

²⁴ Ibid, p. 277.

²⁵ “Toronto Sun holding talks on plan for Montreal Paper,” *Globe and Mail*, Sept. 5, 1986.

²⁶ In October 1986, I was communicating about a job at the paper with my old *Edmonton Sun* boss, editor-in-chief David Bailey, who was pegged to be the *Montreal Sun*’s editor-in-chief. He told me that the paper was definitely going, that it would soon be announced, and that the first year would be “hell,” as Sun management shook out its unwanted partners—particularly the editorial ones.

wrongly, I looked at all our areas, including our *first partnership*²⁷, the circulation which might be possible and the recommendations our people made.”²⁸

It wasn't long, though, before the Sun chain was back in growth mode. Two years later, the corporation, in partnership with the *Financial Times* and Conrad Black, purchased the *Financial Post*, turned it into a tabloid and took it daily. It also bought Bowes Publishers, a group of 14 weeklies and small dailies and started its fourth metropolitan daily tabloid: the *Ottawa Sun*. The public reaction of *Ottawa Citizen* publisher Russell Mills was typical of the derision the papers had met in other cities—although spiced with a dash of civic xenophobia that implies Ottawa's intellectual superiority to Toronto, Edmonton and Calgary: “The *Sun*, I think, is a newspaper geared for an adolescent mind, and they may find Ottawa is a more grown-up town than they think.”²⁹ His confidence, however, didn't stop him from taking immediate steps to deal with the competition.

Aug. 4, 1988, the Toronto Sun Corporation took over ownership of the tiny Ottawa weekly tabloid, the *Sunday Herald*. A month later, Sept. 4, the paper was relaunched as the *Ottawa Sunday Sun*. “(T)he idea was to publish the *Ottawa Sunday Sun* as a weekly until they built their circulation to 50,000”³⁰ then take it daily. But the Sun corporation soon discovered that Southam had learned from its mistakes in Edmonton and Calgary.

In Edmonton, Southam had waited four years to launch a Sunday paper. In Calgary, three years. In Ottawa, they waited three weeks. On Sept. 27 when the first *Sunday Citizen* appeared, the *Ottawa Sunday Sun* took a direct hit. Circulation dropped by half and

²⁷ My italics, see above footnote.

²⁸ “Sun cancels its plans for a Montreal tabloid.” *Globe and Mail*, Oct. 25, 1986.

²⁹ Sonmor, *The Little Paper that Grew*, p. 331.

³⁰ *Ibid*, pp 330-332.

[publisher] Hartley [Steward] started to worry about their plan to wait until spring to go daily. ... On Oct. 10, they announced their first daily paper would be Nov. 7.³¹

In 1988 and 1989, the Sun corporation posted record profits, of \$22.2 million and \$21.5 million respectively. In 1990, however, the company lost \$21.6 million. This was the result of: a \$24.2 million write-down on the \$50 million note from the *Houston Post*; the recession of the early 1990s; the money losing start-ups of the *Financial Post* and *Ottawa Sun*; an increase in the cost of newsprint. Share price dropped from a high of \$27.25 in 1989 to \$12.87 in 1990.³² Like all other newspapers in North America, advertising lineage began to tumble, and circulation stalled or began to shrink.³³

For 20 years, the *Sun* had flown in the face of conventional wisdom about a shrinking stock of newspaper readers. Every time the company started a newspaper they increased the total number of newspapers sold—turning on non-newspaper readers to the daily habit. Now their papers seemed to have peaked in circulation. At the *Toronto Sun*, the daily average Monday to Friday in 1987 had been 300,017. After three price increases that took the paper from 25 to 50 cents, circulation had slipped by 1992 to the 255,000 range. The same problem was dogging the *Toronto Star*. When their month-long strike was over July 9 [1992], ... circulation had dropped by 20,000. Months later it hadn't come back completely and neither the *Globe [and Mail]* nor the *Sun* had picked up the loss.³⁴

In 1991, Wayne Parrish, a *Toronto Star* sports writer turned *Sun* sports editor, was recruited by Creighton to be the *Toronto Sun*'s general manager. In 1993, he stepped into the role of editor-in-chief of the *Toronto Sun*, and started a campaign to take the paper up town. He moved the daily three-quarter-page photo of a sexy model, the SUNshine girl, off page three and back into the paper (and made no secret of his intention to eliminate it eventually), toned down the screaming headlines and flashy layout, instituted stronger quality controls and shifted the news focus toward more hard news. To Parrish's mind, he says now, he was only trying to bring the paper closer to its audience.

One of the well kept secrets, as it were, about the *Toronto Sun*, which quite stunned me when I moved into management in 1991, was how upscale the readership was. At one point in those years, the proportion of our readers who were white collar was higher than the *Toronto Star*'s. And so, given the nature of the city and so

³¹ Sonmor, *The Little Paper that Grew*, p. 335.

³² Ibid, p. 345.

³³ This is discussed in detail in Chapter 3.

³⁴ Sonmor, *The Little Paper that Grew*, p. 359

on, I felt—we felt—that there was a real opportunity to make the newspaper better journalistically, brighter in terms of design and so on. And just smarter, in just a smart, snappy, very much a tabloid kind of way. That was misinterpreted by a number of people in the newsroom, because of my background at the *Star* and because of some other reasons, was misinterpreted at the time as an attempt to make it a *Toronto Star*, or a pale facsimile thereof. Nothing could have been farther from the truth. I had felt for many years, then and continue to feel today, that the *Star* was and has become less and less relevant as time goes on. And certainly in those years, the early '90s, I felt, despite it attaining record readership numbers, that it was quite vulnerable to a rejuvenated Sun.³⁵

Though he didn't choose the term, Parrish agrees that it would not be inappropriate to characterize the prevailing attitude of the newsroom as hidebound.

I always worried that there were people in the newsroom who hid behind the banner of tabloid journalism, when what they were really hiding was the preservation of a certain level of mediocrity. And, if you look at such basic things as the quality of the writing. A great writer—and there are people like Christie [Blatchford, then at the *Sun*, and currently with the *Globe and Mail*] who have proved this over and over again—who can be a great writer on a broadsheet and then go to a tab and be a great writer on a tab. In my view, there was not a lot of great writing at the *Toronto Sun* in those years, and I'm talking about '92, '93, '94. ... We needed to significantly enhance the quality of the writing, the editing, of the story selection, the idea generation, and so on. That was really what we were trying to do. But it became challenged by a lot of people who may have been fearful, because of the possibility that that may have exposed some weakness on their part, or whatever. The tabloid vs. broadsheet thing was a nice little smokescreen to be able to throw up there.³⁶

Parrish's experiment lasted a little less than a year and a half. By September 1994, he was back in the executive suite, and the editor-in-chief's job was in the hands of an old-school *Sun* editor

³⁵ Telephone interview with Wayne Parrish, former *Toronto Sun* General manager, *Toronto Sun* editor-in-chief, Sun Media executive and president of Canoe, July 3, 2003.

³⁶ Telephone interview with Wayne Parrish.

named Peter O'Sullivan.³⁷ In the meantime, Rogers Communications Inc. had bought Maclean-Hunter, which included the *Sun* chain.

At the time of his company's purchase of Maclean Hunter, Ted Rogers made it quite clear that his main interest was in the cable assets of the company he was acquiring—for \$3 billion.³⁸ As he told Peter C. Newman, he saw Maclean Hunter as "basically a cable company, though it is known as a publishing house." He went on to outline how he would fold the *Sun* papers into the Maclean Hunter publishing division, as a Rogers subsidiary, with its stock publicly traded and its own board of directors." Then, Rogers went on to outline his primitive vision, of convergence:

[W]e should be able to take Maclean Hunter information and if nothing else, at least provide a video promotional function on our electronic highway. But, far more than that, video on demand would include information gathered by the magazines ...³⁹

It's surprising that, in 1994, the proprietor of the largest cable firm in Canada—a company that one might think would have an abiding interest in emerging technology—would appear to have so sketchy a vision for content recycling that he would talk about print being made available through pay-per-view TV. In retrospect, his comments are even more surprising, considering that, under his ownership, the only area in which the *Sun* chain was able to expand was onto the Internet. The Canadian Online Explorer, or Canoe, Web portal, was developed through 1995 and '96. Other than that, through a period of unprecedented newspaper sale and acquisition (see Chapter 3), as dozens of newspapers across the country went up for sale and, in most cases, were bought by Conrad Black's Hollinger company, the *Sun* chain was inert. Ted Roger's information highway, for the most part, was

³⁷ If I may be forgiven for falling back on personal experience: I was features editor at the *Ottawa Sun* when Parrish was running the Toronto paper, and I witnessed a lot of the infighting that went on around his tenure as editor-in-chief there. To say Parrish was regarded as a threat to the prevailing corporate structure would be a very large understatement. At the annual *Ottawa Sun* content meeting in 1993, Lester Pyette, at the time publisher of the *Calgary Sun*—and who in 2003 stepped down from the job of *Toronto Sun* publisher—moaned about how the paper, under Parrish, had "lost its way." When Parrish was removed from the *Sun* editor's job but not from the company, a senior editor told me that the only way the company would ever be rid of Parrish is "if someone drives a stake through his heart." When I interviewed him, Parrish told me: "As brash an upstart as the *Sun* likes to see itself—it's always painted itself in that light—it also has a very conservative bent. And it has a group of older guys who have been there since the beginning, who feel that they defined it, they built it, and so on. And don't mess with it. It's difficult to overcome that."

³⁸ Michael Jenkison, "Their day in the Sun," *Alberta Report*, Aug. 19, 1996.

³⁹ Peter C. Newman, "The ties that bind: Ted Roger's (sic) past is shaping his future," *Maclean's*, Feb. 21, 1994.

a parking lot. Carrying a debt load that was estimated at around \$4.6 billion⁴⁰ Rogers was in no position to compete with Black for the dailies that were coming up for sale. In the fall of 1995, Rogers offered a \$250 million debt issue to U.S. investors, promising that the company would find a way to reduce its debt load. In the spring of 1996, it put up for sale the Sun group—which included the four *Sun* papers in Toronto, Edmonton, Calgary and Ottawa, the Bowes chain of small dailies and community weeklies, *Canoe*, a 60 percent stake in the *Financial Post*, and a seven percent share of Toronto's SkyDome.

In August, a Sun-management team bought the Sun properties for \$411 million, \$16 per share. The deal was two-thirds financed through bank debt and the remaining third was through equity funding, provided by the Ontario teacher's Union (apparently undisturbed by the *Sun* papers' consistent anti-union position) and CIBC Wood Gundy. The deal left the newly formed Sun Media with \$270 million debt.⁴¹ The only other serious bidder had been Pierre Péladeau's Quebecor, which had offered \$13 per share, and had balked at increasing its offer to \$16.50 per share to outbid the management team.⁴² Péladeau's attempt to buy the Sun chain had provoked a vitriolic attack by the chain's columnists—representing a corporate wave of revulsion remarkably similar to the one that greeted the *Toronto Star* bid for the company in 1998. *Financial Post* editor Diane Francis had written that Quebecor “may be able to buy this chain but he won't own a single soul who works here.” And chain columnist Allan Fotheringham described Péladeau as an “ex-alcoholic, closet separatist” and anti-Semite.⁴³

It wasn't long before the chain's employees were confronted with the cold reality of both the new company's debt load, and its dedication to creating shareholder value. Just three months after the management-led buyout—in November 1996—Sun Media laid off 100 employees in Toronto, Edmonton and Calgary, and at the *Financial Post*. These were the first layoffs in the company's history. Sun Media announced the layoffs, as the *Toronto Star* pointed out, only a week “after spending \$200,000 for a birthday bash” to celebrate the 25th anniversary of the founding of the *Toronto*

⁴⁰ Jennifer Wells, “Rogers in Retreat: What Comes Next After Selling the Sun?” *Maclean's*, May 20, 1996.

⁴¹ Jenkison, “Their day in the Sun.”

⁴² *Ibid.*

⁴³ *Ibid.*

Sun.⁴⁴ The reason given by chairman Paul Godfrey was that cuts would save the company \$6 million annually, which would help pay the interest on the \$250 million debt.⁴⁵ Carrying such a heavy debt load, however, didn't deter the company from spending on acquisitions. In May 1997, Sun Media bought the *London Free Press* and Netmar, an associated company that, among other things, owned the money-making *Penny Saver* classified-advertising weeklies. A month later, the newly installed *Free Press* publisher, John Paton, announced the paper would be cutting 60 to 70 members of the staff of 400. The aim, Paton said was to "find ... efficiencies so it can make profit to reinvest."⁴⁶ One of the efficiencies to which Paton was referring was the ability to "leverage Sun Media copy into the paper."⁴⁷ In December, Sun Media announced an initial public offering, in which it raised some \$300 million.⁴⁸ A month later, in January, 1998, the company announced a 30 percent increase in revenues, \$475.7 million, up from \$365.1 million in 1996, and a more than 200 percent increase in operating profit, from \$19.6 million in 1996, to \$59 million in 1997.⁴⁹ For his work in steering the company through the buyout, the layoffs, the acquisition, and the record profit, Godfrey earned approximately \$1.2 million in salary and bonuses in 1997.⁵⁰ As then-*Toronto Sun* Publisher Hartley Steward points out, it began to appear that management's focus had shifted completely away from building successful papers, and to creating paper value, which could be traded for profit.

When Ted Rogers bought Maclean-Hunter, really that was the end of management's focus on making a better paper, not that there wasn't a bunch of guys in the newsroom who continued every day to try to make a better newspaper. And there are still some of those guys still there at the *Sun*. Once Doug [Creighton] was gone, and Ted Rogers owned it, it was a little part of Maclean Hunter and it was worth some money. Or it wasn't worth some money. And could Ted leverage it as a commodity? Could Godfrey stop him from leveraging it? It became something played with and useful to those guys. But not a newspaper. I guess a commodity is as good a word as any. It became something that could make a lot of money in various ways: going public, raising it, borrowing

⁴⁴ Robert Brehl, "Sun chain lays off 100 in bid to cut debt load," *Toronto Star*, Nov. 8, 1996.

⁴⁵ Ibid.

⁴⁶ Susan Yellin, "London Free Press cutting up to 70 jobs," *National Post*, June 20, 1997.

⁴⁷ Ibid.

⁴⁸ Shelley Lawson, "Sun Media profits aided by purchase of Free Press," *London Free Press*, Jan. 28, 1998.

⁴⁹ Lawson, "Sun Media profits aided by purchase of Free Press."

⁵⁰ "Sun Media chief earned \$1.166,736 in 1997," *Toronto Sun*, March 27, 1998.

against it, which Ted wanted to do. And those guys thought of it in those terms, and fought over it in those terms until eventually we bought it from Ted. But it had nothing to do with making a great newspaper.⁵¹

The next chapter looks at how the newspaper business environment had been evolving through the 1980s, '90s and into the new century. While Sun Media and Quebecor were growing, it seemed the newspaper business was lurching from one crisis to another.

⁵¹ Telephone interview with former *Toronto Sun* publisher Hartley Steward, Nov. 11, 2002.

Chapter 3: Quebecor and the Canadian media landscape

As the dominant media company in Canada's second most populous province, Quebecor plays a large role in the continuing story of consolidation of the nation's media. As proprietor of Sun Media, a chain of daily newspapers that relies mostly on sex, celebrities, crime and sports to fill their pages, it has much relevance to the continuing debate on whether the role of journalism is to provide information or entertainment—especially since many of the so-called quality broadsheets seem to be leaning toward entertainment over information. As owner of seven of the nine Canadian major metropolitan dailies created in the past 40 years, Quebecor figures prominently in the evolution of Canadian journalism, away from true two-newspaper towns and to what the Kent Commission called “extreme product differentiation.”¹

Whereas in the past the general approach to competition had been to aim a newspaper at a broad middle-ground of readers, the new approach is to segment potential readership with certain characteristics, certain interests and certain needs capable of being served by a new paper, and at the same time of specific interest to advertisers. The word most commonly used in this new phase of newspaper competition is “demographics”... there are more markets in the larger cities than had been thought. Find one, reach and reflect it, sell it and you can build a successful newspaper in the teeth of intense competition. The new approach is about 10 years old in Toronto and older in Montreal ...²

Quebecor is an integrated media company that, at one time, appeared to be bent on staking a global claim on the new media, through its Canoe Web sites and various e-business ventures. More recently, with its acquisition of the Quebec cable

¹ Eugene Hallman, P. F. Oliphant and R. C. White, *The Newspaper as a Business* (Royal Commission on Newspapers, 1981), p. 11.

² Ibid, p. 7.

company Vidéotron and TV network TVA, the company has been more focused on establishing horizontal integration in the media in Quebec. So, Quebecor represents a conglomerate with the by now familiar media ambitions to grow as large as possible and become as diverse as possible through a variety of acquisitions and alliances. It also appears to have the by now familiar difficulty in finding and sustaining a strategy for doing so. Therefore, the trends in labour, reader relations, marketing and business practice over the past two or three decades affect it as they do every other newspaper or media company. This chapter is the first of two that look at the current concerns and trends in the media. In this chapter, I will focus mainly on the erosion of the newspaper's relationship with its readers, and survey some of the literature on the subject as it deals with the currents of doubt, fear and self-loathing that have been running through the world of the daily newspaper over the past couple of decades.

Since the early 1980s, the daily newspaper business has been subjected to waves of bad news about declining readership at the same time as the dailies have been posting record profits. This has led to a strange, contradictory situation in the business. In many ways, editorial quality has never been higher, and staffs have never been better trained or educated. Yet, there is an almost desperate soul-searching going on. On the business side, profits rise yearly, while newspaper companies—which, by and large, have begun to see themselves as general media companies or, in the jargon of the Internet age, content providers—aggressively seek new ways to expand their operations, exploit their resources and enlarge their profit bases.

The next two chapters sample writings on newspapers and the media, to provide the larger context into which Quebecor fits and draw a map of the landscape on which the company is building itself.

Chapter 3 samples writings on the state of the newspaper industry from a business and journalistic perspective. The first section looks at: the crisis of readership decline in North American newspapers since the early 1970s; the process of attrition that has left most cities with either one newspaper, or extreme product differentiation, whereby one paper takes on the role of “journal of record” and the other(s) fill specialty niches; the successive waves of studies that have tracked discouraging trends in circulation and/or offered various solutions to the problem. The second section explores several assessments by academics and journalists of what went wrong with newspapers in their drive to boost circulation. It also looks at some of the formulas—including the apparently faltering recent movement toward public journalism—being prescribed to save the editorial soul of the industry. The third section collects some of the writing that has been done on market-driven journalism, the tendency among many newspaper companies to try to appeal to readers by studying their habits and tastes in an effort to deliver a “reader-friendly,” “reader-oriented” or more relevant “package” and to harmonize the demands of editorial and advertising to produce a “total newspaper.” The fourth section reviews writing about the business philosophy of journalism, which can be conveniently summarized by a quote from the former publisher of the *Globe and Mail*, A. Roy Megarry: “(P)ublishers of mass-circulation daily newspapers will finally stop kidding themselves that they are in the newspaper business and admit they are primarily in the

business of carrying advertising messages.”³ This mentality, along with shareholder pressure to maintain large profit margins has, some critics argue, created an industry that considers its primary purpose to be the creation of a hospitable environment for advertisers.

In the late 1970s, newspapers began to realize that circulations were flatlining or declining. Readership had been falling off since early in the decade and the closures of such large and powerful dailies as the *Montreal Star* (1979), the *Ottawa Journal* and the *Winnipeg Tribune* (1980) and the *Philadelphia Bulletin* and *Washington Star* (1981), set North American newspapers to fearing for the future.

In the U.S., the \$4 million Newspaper Research Project delivered what appeared to be the answer, in the form of a 1980 report called *Changing Needs of Changing Readers*, the result of more than 70 research projects done over three years. In it, researcher Ruth Clark urged editors to revamp newspapers to respond to readers’ desires for help in coping with their lives. She said readers: crave good news, not just bad news; are busy and wanted their news in brief easy-to-digest nuggets; like a newspaper that is well organized, well designed and gives them indices; want anchored features and standard placement of articles. In other words, Clark reported, newspapers had to find out what readers wanted and deliver it.⁴

A series of trends swept through the business in the 1980s, inspired by the belief that Clark had found the solution to short attention spans bred by television. The movement gained momentum when the Gannett group married Ruth Clark to the

³ John Miller, *Yesterday’s News: Why Canada’s Daily Newspapers are Failing Us*, (Fernwood, 1998), p. 30.

⁴ Doug Underwood, *When MBAs Rule the Newsroom*, (Columbia University Press, 1995) p. 7.

marketplace and gave birth to *USA Today*. With its bite-size stories, soft-feature content, compulsively chatty, reader friendliness, obsession with weather and flashy layout, *USA Today* was “the quintessential product of modern corporate media engineering.”⁵ In effect, the game plan for the next decade and a half in North American newspapers was laid out at a Gannett editors’ meeting in April 1981:

[Executive Editor, Ron] Martin explained the newspaper sought a mobile, active, well paid, well educated audience, probably more male than female. Many would be occasional readers of newspapers—in some markets, 25 to 50 percent of adults were not regular readers of newspapers. “That could be good news for a national paper,” Martin said. “These people don’t have a strong allegiance to any one paper”⁶

Gannett’s formula proved almost immediately successful. The circulation of *USA Today* went from zero to 1.1 million in 7.3 months. Between Sept. 14, 1982 and April 24, 1983, it became the third largest daily in North America.⁷ Editors across the continent jumped on the bandwagon. The concepts of “news you can use,” “the journalism of hope” and the quick read for busy readers became the fad for the rest of the 1980s and the early ’90s. As Doug Underwood puts it:

Critics of *USA Today* complain that the only vision at the heart of the newspaper is a marketer’s vision. They condemn the newspaper for its overemphasis on packaging, graphics, brief text, factoids, flashy color, and news summaries in lieu of in-depth reporting. But editors *en masse* have followed the newspaper’s lead in appealing to busy Americans who (their research tells them) aren’t taking the time to read. In a report for APME in 1983, more than 100 newspapers reported a variety of changes in news editing, reporting and production as a result of competition from *USA Today*.⁸

⁵ Underwood, *When MBAs Rule the Newsroom*, p. 96.

⁶ Ibid. p. 112.

⁷ Ibid. p. 234.

⁸ Ibid. p. 96.

Then, in 1984, at an American Society of Newspaper Editors convention, Clark unveiled a second report, which has since come to be known as “Ruth Clark II.” Readers no longer wanted self-help and “help-me-cope” news, she revealed, but hard news, health, science, technology.⁹ Meanwhile, Leo Bogart, retired executive vice-president of the U.S. Newspaper Advertising Bureau, released the results of a 1983 survey of 1,310 newspapers. He had found that two out of three had made substantial changes to editorial content and design, and 71 percent in graphics and layout since 1979. One-third had altered significantly the ratio of hard news to features—opting two-to-one in favor of more features. The newspapers surveyed also were doing more sectionalizing, regional zoning and target marketing aimed at upscale readers.¹⁰ However, Bogart noted, the trend toward “reader-driven” newspapers hadn’t turned the tide of declining circulation. By the mid-1980s, Bogart was claiming readers were fed up with being spoon fed and wanted to know what was going on in the world. The real pressing issues, he claimed, were pricing, delivery, service and conditions over which newspaper executives have no control, such as the price of newsprint. Bogart argued that newspapers had the best chances for renewal if they concentrated on performing their traditional functions well and forgot about the graphic and marketing gimmicks. He wrote, “It’s fantasy to believe that a newspaper can be packaged like a bar of soap or a can of dog food, or even like a television news program. Its symbolic texture is too complex for that; its elements are too rich.”¹¹

In other words, *USA Today* had found a magic formula, but only for its market niche—one that had previously been unfilled. As other research was to show, and

⁹ Underwood, *When MBAs Rule the Newsroom*, p. 11.

¹⁰ Ibid. p. 10.

¹¹ Ibid, p. 11.

editors were finding out, innovations that proved successful in one market or medium did not necessarily spell success in another. Or, to put it more bluntly, marketing research was no substitute for editorial imagination, taste and vision.

By February 1989, Steve Star, an expert on newspaper management from the Massachusetts Institute of Technology, was telling a group of U.S. newspaper executives: "I think it's terribly important that we are not talking about modest problems, but we are talking about an impending crisis."¹² The situation was just as dire in Canada. In the mid-1950s, Canadian newspaper companies were selling one copy for every household in the country; by the late 1990s, the figure had dropped to just over 50 percent. In a late-1990s poll, 34 percent of respondents said newspapers were very important to them, down from 45 percent 10 years earlier.¹³

In the United States, the industry responded to this persistent slide in circulation with another report on what readers wanted. At the April 1991 gathering of the American Society of Newspaper Editors, a committee of newsroom managers unveiled *The Keys to Our Survival*, from Market and Opinion Research International (MORI). The report suggested several strategies to hang on to readers and lure back the 45 percent of the U.S. population that no longer read newspapers or was considering stopping. It recommended that editors: Keep stories short and avoid jumps; run more briefs and summaries; focus on people rather than events; run more entertaining material. At the same time, MORI urged them to do more in-depth stories, explain complex issues and assign follow-up reports.¹⁴ A traditional, editors' interpretation of MORI's recommendations would be that newspapers should cover

¹² Underwood, *When MBAs Rule the Newsroom*, p. 3.

¹³ Miller, *Yesterday's News*, p.11. The poll was done by Environics.

¹⁴ Underwood, *When MBAs Rule the Newsroom*, p. 5.

the basics, offer readers a variety of coverage, be lively and engaging, and run stories short when they deserve to be and long when they need to be. In other words, editors and reporters should exercise professional judgment and editorial imagination. The marketer's view—which persists, particularly in the ongoing debate over jumping stories—might be that readers don't know what they want, so you have to keep asking them and adjusting the product until you get it right.

Despite the gloomy circulation statistics and editorial hand wringing, through the 1980s, newspapers were recording record profits; the survivors in one-newspaper towns were reaping the harvest of mass advertising. As Ben Bagdikian points out:

A drastic drop in household sales of newspapers during a period of record newspaper profits seems paradoxical, but it is a paradox with a number of causes. Disappearance of competitive newspapers always causes losses of sales. When dailies merge, the surviving paper never keeps all the readers from both papers; some readers are interested only in the paper that has disappeared and other readers who used to buy two or more papers a day when they were available can buy only one when there is a monopoly.¹⁵

Bagdikian's comments also help explain how it is that the *Sun* newspapers were able to find and fill niches no one knew existed. In every town where a *Sun* paper was founded, a broadsheet had died (the one exception was Edmonton, which had been a one-newspaper town for two decades when the *Sun* was founded in 1978). When one paper survives, it becomes in some ways a more elitist operation—particularly for local businesses, which find they can no longer afford the ad rates. That leaves a segment of the market unserved.

In the early 1990s, a long and deep recession cut into profits, and an industry that had grown accustomed to those record profits went into shock. The newspaper

¹⁵ Ben Bagdikian, *The Media Monopoly*, (Beacon Press, 1992) p. 196.

business was increasingly dominated by publicly owned chain companies, whose shareholders had grown used to return on investment of 20 to 40 percent of revenue¹⁶ and which was determined to maintain those levels. Display advertising began to drop off, partly fueled by a foundering retail industry, partly by advertisers focusing on demographic data to target preferred customers, and partly by the combination of high newspaper ad rates and the perception of a dwindling audience. Still, even with the recession, newspaper profits remained high compared to other industries, 12 to 15 percent for many, and still in the 25 to 30 percent range for some—compared to General Motors' 4.3 to 4.4 percent and Exxon's 5.8 to 9.4 percent.¹⁷ In the mid-1990s, newsprint prices more than doubled—from around \$400 to almost \$1,000 per ton—throwing yet another hurdle in the path to giant profit margins. And all of this came at a time when newspapers were investing in new technology—new, high-speed, color presses, and a shift from mainframe computers mostly to Macintosh networks, and from simple computer editing to editing and paginating with keyboard and mouse. Between 1990 and 1995, Canadian industry advertising revenues dropped 27 percent, from \$2.2 million to \$1.6 million, and then plunged another five percent in 1996.¹⁸ Accordingly, staff buyouts and layoffs, hiring freezes and cutbacks in editorial expenditures became the norm through much of the decade—to shore up those large profit margins. Writing in 1998, academic and former *Toronto Star* senior editor John Miller noted:

Lineage and revenues have rebounded since then, but Canada's daily papers today earn only slightly more from ad sales than they did eight years ago. Some of the new business comes from

¹⁶ Conrad Fink, *Strategic Newspaper Management* (Allyn & Bacon, 1996), p. 17.

¹⁷ Ibid.

¹⁸ Miller, *Yesterday's News*, p. 11. Figures from the Canadian Newspaper Association.

advertising inserts, a credit not to any renewed faith in newspapers but rather to a vigorous lobbying campaign by the newspaper industry that persuaded the federal government to get Canada Post out of the lucrative door-to-door delivery of flyers. A list of advertisers who by and large ignore newspapers today includes such household names as Procter and Gamble, McDonald's, Seagram's, Ford Motor Company, Coca-Cola, Nissan, Kodak and Campbell's Soup. They are saying something scary to publishers: "You're not worth our money."¹⁹

At the turn of the century, revenue bounced back with a vengeance. The three top Canadian newspaper companies all posted impressive profits for 1999. Quebecor reported "record" earnings of \$10.8 billion from all its media and printing interests, a 26.8 percent increase over 1998. The company's net profit was \$481 million and its newspaper division, Sun Media, contributed an operating profit of \$164 million on \$827.1 million in revenues. The previous year, before Quebecor acquired the Sun Media papers, revenue from its dailies in Quebec and Manitoba were a mere \$295 million. (It's also worth noting that new media revenues tripled in 1999, to \$25.1 million.)²⁰ For 1999, Torstar reported profits of \$108 million from its newspaper division, compared to \$85 million in 1998, before it acquired the *Hamilton Spectator*, *Kitchener-Waterloo Record*, *Guelph Mercury* and *Cambridge Reporter* from Quebecor.²¹ Hollinger, despite taking an estimated \$60 million loss on its startup national newspaper, the *National Post*,²² through four money-losing quarters, reported a profit jump of 24 percent from its worldwide holdings for 1999. The company,

¹⁹ Miller, *Yesterday's News*, p. 11.

²⁰ Record earnings posted at Quebecor," *Edmonton Sun*, Feb. 9, 2000.

²¹ "Torstar Announces 1999 Year-End Results," Torstar news release issued via Canadian Corporate News. Feb. 23, 2000.

²² Susanne Craig, "Big papers all proclaim survey victory," *Globe and Mail*. Oct. 30, 1999.

which owned newspapers in Canada, the U.S., Great Britain, Israel and Costa Rica, reported net earnings of \$356.6 million.²³ (All figures are in Canadian dollars.)

By the fall of 2000, though, there were signs that the newspapers' cycle of profits was beginning to wind down. In November, the *Globe and Mail* cited such factors as an expected eight percent rise in the cost of newsprint to \$650 (US) per ton (from a low of only \$470 a ton in mid-1999) and the likelihood of an advertising slowdown in 2001 as foreshadowing harder days ahead for the business. The paper reported :

After a heated summer and fall of deal making and speculation, interest in the country's three leading newspaper publishers has cooled considerably. In recent trading, shares of Quebecor Inc., CanWest-Global Communications Corp. and Torstar Corp. have fallen between 12 and 29 percent from highs reached this past summer and fall.²⁴

Less than a month later, Dow Jones, owner of the *Wall Street Journal*, America's largest-circulation daily newspaper, and News Corp., owners of the *New York Post*, were forecasting weaker fourth-quarter earnings due to decreased advertiser demand. Both the New York Times Co. and Knight-Ridder were predicting growth in ad revenues, but the latter company also said it planned to reduce its work force by as much as two percent in 2001—in anticipation of falling revenues.²⁵ The story went on to cite such factors as the rising newsprint costs and “concern that the buoyant advertising market may have peaked. After two years of robust 6.3 percent

²³ Hollinger profit jumps 24 percent,” The Canadian Press. Feb. 18, 2000.

²⁴ Keith Damsell, “Bad News for Canada's Publishing Titans,” *Globe and Mail*, Nov. 22, 2000.

²⁵ Jennifer Laidlaw, “Newspapers see ads decline,” Reuters, Dec. 7, 2000.

growth ... newspaper advertising lineage will fall between one and four percent in 2001.”²⁶

Meanwhile, on the editorial side of the equation, it seemed as if no matter how hard they tried, newspapers just couldn't break through the gloom. A 1994 survey done for Canadian publishers by consultant Len Kubas revealed that of the six factors that determine newspaper success, four were in decline: circulation, readership, advertising lineage and public image.²⁷ In 1998, the *Toronto Star* commissioned an outside analyst to come up with an assessment of the performance and prospects of the paper. Its contents are secret, but its title places it in the continuum of despair: *Sink or Swim*.²⁸ In 1999, Carl Sessions Stepp, senior editor of *American Journalism Review*, summed up the situation with:

Today's editors live ... in an oddly paradoxical age. Newspaper profits are rocketing, but circulation—and confidence—continue to slip. In the most pessimistic circles, something approaching a deathwatch is on, and even the optimists can be caught looking over their shoulders, or, worse, gazing at the backsides of competitors that already seem to have surged past them. In a sober-up-or-else comment at this year's American Society of Newspaper Editors convention, Intel Chairman Andrew Grove warned that newspapers could be three years away from meltdown. “Nothing sharpens the awareness of a situation like the sight of the gallows,” he said.²⁹

Even the good news stories conveyed mixed messages. For example, the year-end readership figures released by the Newspaper Audience Data Bank (NADbank) in November 2000, were reported in the *Ottawa Citizen* with the rather hyperbolic

²⁶ Damsell. “Bad news for Canada's publishing titans.” The author is citing a survey of U.S. newspaper publishers performed by Vancouver forestry industry analyst Reid Carter.

²⁷ Miller, *Yesterday's News*, p. 13.

²⁸ Anthony Wilson-Smith, “Chain reactions: The launch of a new daily starts an industry upheaval,” *Maclean's*, Nov. 9, 1998.

²⁹ Carl Sessions Stepp, “Paradise Lost,” *Then and Now*, the State of the American Newspaper (the Project for Excellence in Journalism) <http://ajr.newslink.org/special>

headline: “Newspaper readership soars.” The story, however, revealed that the nationwide growth in newspaper readership amounted to 4.3 percent on weekdays, 2.8 percent on Saturdays and 3.2 percent on Sundays. The story went on to state that “readership patterns varied across the country, rising in Calgary, Vancouver, Toronto³⁰ and Edmonton, and declining in Ottawa, Montreal and Halifax.”³¹

More characteristic of the ongoing discourse on the state of newspapers is a 1998 article by publisher Phillip Crawley praising his paper, the *Globe and Mail*. The story cited worldwide falling circulation figures: “In the developing world, newspaper circulation continues to rise. In the developed world, it’s falling. For example, circulation is down in the U.S. by five percent, the European Union by four percent and in Canada by 10 percent.” In the same article, Crawley pointed to a number of causes for the decline:

“(T)he newspaper business in the developed world is a mature business—one with lots of new competition such as the Internet, 24-hour TV news and all-news radio ... (O)nce popular afternoon dailies, traditionally read by blue-collar workers, continue to close as the proportion of white-collar workers rises. (S)ince the recession of the early 1990s, many papers have reduced some forms of circulation not required by advertisers.”³²

In other words, this is how editorial demoralization and falling circulation can be reconciled with business euphoria and rising profits: demographics. Newspapers may be less relevant to the population at large, and to democracy. But, for advertisers aiming to reach the affluent few, some newspapers have become more relevant.

³⁰ In Toronto, competition among the *Globe and Mail*, the *National Post* and the *Toronto Star* led to mass giveaways and deep discounting, a fair amount of creative bookkeeping, and claims and counter claims of market superiority. As a result, any circulation figures coming out of the “GTA” for the years 1998-2003 should be viewed with some skepticism.

³¹ “Newspaper readership soars: study,” *Ottawa Citizen*, Nov. 11, 2000.

³² Phillip Crawley, “What it takes to survive: Ever-tougher competition demands an ever-stronger push for quality journalism,” *Marketing*, Nov. 16, 1998.

More recently, they have to be seen as “content providers” for media conglomerates” competing for “audience mind share” (a truly frightening turn of phrase)—something we will look at in the next chapter.

In what may be a unique exercise, the U.S. Project for Excellence in Journalism assigned Carl Sessions Stepp to do a comparative survey of a sampling of American newspapers from 1963-64 and 1999. What he found was not a lost, golden age of journalism, but quirky, often badly written, disorganized and “homely and drab” publications “jam-packed with short items, overflowing with local names, places and activities.” The average length of a story was six inches and written in the old-fashioned just-the-facts-ma’am style—with one or two longer, more reflective pieces being the norm.³³

Two things stand out here, in terms of recent trends in daily newspapers. First, the length of stories being six inches on average: We had been hearing through the 1980s and '90s that the modern attention span had shrivelled, and that readers wanted information quickly and concisely. Indeed, the greatest success stories in modern journalism—the creations of *Le Journal de Montréal* in 1964, the *Toronto Sun* in 1971 and of *USA Today* in the 1980s—would seem to bear that out. Stepp’s research indicates that readers always have expected newspapers to be concise in presenting most stories, and to offer in-depth analysis only for the two or three most important issues of the day. Second, the fact that the old dailies were “overflowing with local names, places and activities” plays in to the argument of the proponents of public journalism that dailies have ceased to be citizens of their communities. At the same

³³ Stepp, “Paradise Lost.”

time, it goes a long way toward answering the question of what has been lost from our daily papers, why they have ceased to be a vital component of our lives.

Stepp's research shows today's newspapers are more comprehensive, offer more in-depth reporting, are more conscientious in getting the story right, are better organized, and look infinitely better. Yet, throughout his analysis of old and new dailies, Stepp admits to a vague sense that something has been lost, although he's not quite sure what it is, or how to get it back. That feeling, he reports, is widespread:

Beyond the hard data, a close reading ... yields signs of the newsroom anxieties that have been documented elsewhere in the *State of the American Newspaper* series, and which I have seen first hand in a decade's worth of editorial consultations. These include increased mistakes in copy (tied to such factors as reduced quality control and overstretched copy desks), demoralization over rising productivity demands in an age of downsizing and cost cutting, and a clash between marketing and public-service mindsets. Forces like these have plunged the industry into a crisis of confidence at a time when many papers are, arguably, at a peak in terms of quality. Yet one wonders at heart if it isn't an intangible that should be an even greater worry: the question of personality and connection—that essential and ephemeral quality that can make the difference between readers speaking fondly of “*our* paper” or simply “*the* paper.” ... It is a bedevilling quandary. Newspapers today undeniably run far more news than their 1960s cousins. But a strong perception lingers that some essential local ingredient—be it a fixed sense of region, state, or even state of mind—has been lost. That shifting perception may be the most worrisome change of all.³⁴

Perhaps unconsciously, Stepp is quoting Columbia University media critic James Carey, a proponent of public journalism, which seeks to dislodge the journalist from the position of impartial observer and turn her into a participating citizen: “My

³⁴ Stepp, “Paradise Lost.”

newspaper' of older usage became 'the newspaper'; it had severed its allegiance and contact with the public."³⁵

Reporters and editors have fallen into the role of "jeering the idiots," argues New York University journalism professor Jay Rosen, another proponent of public journalism. Anyone who has spent any time in a newsroom can confirm that journalists feel far more comfortable attacking the things they hate than championing the things they love or admire. Miller complains this tone is too common in our daily newspapers:

Traditional journalism follows a script, identifying, decrying and demanding solutions to problems encountered by covering other powerful vested interests in society. Frequently, it adds to society's confusion, hopping from one dose of bad news to another as if it were delivering bodies to what one editor calls the emergency room of the mind.³⁶

Meanwhile, newspapers, when they are not preaching to the converted, often are creating readers that "find only further estrangement in the news, which treats politics as a game to be played by insiders and pros."³⁷

To outline the dangers of this kind of editorial approach, Rosen invokes James Fallows, Washington editor of the *Atlantic Monthly*, from his book *Breaking the News: How the News Media Undermine American Democracy*:

His reasoning was provocative: If people see no point in paying attention, journalism will have to transform itself into something else: entertainment. But the press cannot hope to compete with the entertainment culture, with its lurid diet of celebrity news and sensationalism. In flunking the political test before it, the press will fail commercially as well. Thus: "Today's journalists can choose:

³⁵ James Carey, "The Press, Public Opinion and Public Discourse," *James Carey, A Critical Reader* (University of Minnesota Press, 1997), p. 249.

³⁶ Miller, *Yesterday's News*, p. 218.

³⁷ Jay Rosen, *What Are Journalists For?* (Yale University Press, 1999), p. 224.

Do they want merely to entertain the public or engage it?" If they opt for entertainment, they will keep doing what they're doing—painting public life as a sorry spectacle, a game of "who's up and who's down," a public comedy played by villains and fools, scored by journalists who believe they're above it all.³⁸

The solution presented by media critics like Carey, Rosen and Miller, and a growing number of newspaper editors—mostly American and outside the major centres—is for journalists to conduct themselves as if they have a stake in the outcome of their stories. This calls for the journalist to cease to be a reporter, colour commentator or analyst, and become a participant in democracy—and for newspapers to stop thinking of readers as consumers and start treating them as citizens. Examples of this sort of approach range from news organizations pooling resources to mount an issues-oriented coverage of a public concern, to a daily in Columbus, Ga., that not only investigated and reported on the downward economic and social trends in the urban core, but helped organize politicians, social groups and business leaders to do something about it. As Rosen says, the public journalism experiment set out to prove that journalism "had some room to manoeuvre within the boundaries that made it a business and a professional code that honoured neutrality over commitment."³⁹

The response to public journalism has not been universally enthusiastic, and interest in it has tapered off in the past few years, as many newspapers have grappled with the question of their place in a world where the Internet can deliver news as it happens. Poll after poll has revealed that the public has lost faith in dailies, is reading them less regularly, or is reading them not at all and turning to television and the Internet for information. An eight-country survey conducted by Times Mirror Co. in

³⁸ Rosen, *What Are Journalists For?* p 224.

³⁹ *Ibid*, p. 27.

1994 revealed Canadians are most likely to regard newspapers as a good influence, as helpful to democracy and as the best source for finding out why things happen.⁴⁰

Miller points out that, at first blush, this seems guaranteed to reassure editors and reporters that they are on the right track, but the poll followed with this bucket of cold water:

Six in 10 Canadians believe that news organizations are often influenced by the powerful and therefore are not independent. A similar number said that newspapers tend to favor one side over another in their stories, and half said that they invade people's privacy. One in every three Canadians felt that newspapers can't be relied on to get the facts straight. This indicates that people value the role that newspapers play in our society, but that they are increasingly holding them up to higher standards and are somewhat dissatisfied with how they measure up. This may be part of the reason why newspapers ranked a poor third behind television and radio among the news media that Canadians said they read or saw yesterday.⁴¹

In a 1997 Gallup poll asking Canadians to rate the honesty and ethical standards of a range of professions, Journalists were tied with business executives, with a rating "only slightly above zero."⁴² As *Toronto Star* publisher John Honderich put it: "There seems to be a sense that we're part of the problem, not part of the solution." And *Hamilton Spectator* editor Kirk LaPointe (now managing editor at the *Vancouver Sun*) asked: "Are we going to rein in our excesses, or wait for someone to do it for us?"⁴³ After the Bill Clinton-Monica Lewinsky feeding frenzy—something that easily crossed the border into Canada's media—the feeling that something was terribly wrong intensified. At a meeting of American journalism educators in New

⁴⁰ Rosen, *What Are Journalists For?* 12.

⁴¹ Miller, *Yesterday's News*, p. 12.

⁴² Ibid, 57. Miller cites Gallup Poll, Vol. 57, No. 23, in which 72 percent of Canadians said pharmacists have very high or high honesty or ethical standards, compared to only three percent who rated those standards as low or very low, for a net honesty and ethics score of +69. On the same scale, journalists scored +6.

⁴³ Ibid. p. 38.

Orleans in August 1999, media lawyer Bruce W. Sanford warned that “a dangerous new season” is on the profession, as the core values of honesty and accuracy are being eroded by the rush to get a juicy story first, and that news is being replaced by argument, commentary, chat and speculation. “Truth is no longer as interesting as gossip,” was how Nieman Foundation curator and former newspaper editor Bill Kovach put it.⁴⁴ Further evidence that the Clinton-Lewinsky scandal was a watershed in terms of the U.S. news media’s public image is a Pew Research Center poll of 844 people taken in January and February of 1998. Two-thirds of the subjects thought the media had done only a fair or poor job of carefully checking the facts before reporting the story; 60 percent said the media had done a fair or poor job of being objective; 54 percent thought the press had done a fair or poor job of allocating space for the coverage. “The rise of Clinton’s popularity in the polls was in part a backlash against the press,” Cox Newspapers senior correspondent Andrew Glass concluded. “One way the people can say that the press has been too critical is to tell pollsters they support Clinton.”⁴⁵

The bad reviews aren’t coming just from readers. In a 1998 survey, 255 American editors and publishers judged newspapers as superficial, too cynical, often inaccurate and not likely to get any better. Half of those surveyed thought news coverage was shallow and inadequate, and 62 percent that newspapers would not get better in the next five years.⁴⁶

⁴⁴ Philip Meyer, “Remember when the media’s mission was to ferret out truth, not gossip?” *USA Today*, Sept. 1, 1999.

⁴⁵ The editors. “What do we do now,” *Columbia Journalism Review*, March-April 1998.

⁴⁶ Miller, *Yesterday’s News*, 21. From “U.S. Press Coverage Stinks: Startling Opinions from America’s Editors,” *Editor & Publisher*, Jan. 17, 1998.

There is some evidence that this is taking a toll on newspapers' ability to participate in democracy. A study conducted by Carleton University professor Peter Johansen for the Canadian Journalism Foundation indicated that Canadians are least trustful of daily newspapers when it comes to election coverage. Figures from the research company Decima showed that in 1991, the sources of information Canadians said they most relied on were television (43.4 percent), closely followed by newspapers (37.2 percent).⁴⁷ Yet, data show that the trend toward TV increases markedly when respondents are asked what they pay attention to during an election. The figures for the 1993 election were: TV, 51.6 percent; newspapers, 20.2 percent. This differential rose during the 1997 election, to: TV, 55.5 percent; newspapers, 19.7 percent.⁴⁸ When questioned about the sources of information upon which they most relied, respondents were asked to choose among TV, newspapers, radio, magazines, friends/family and people at work. When they were asked to whom they listen for information about federal elections, they were given the same choices, minus magazines.

After the events of Sept. 11, 2001, there was supposed to be a return to more sober, serious, issues-oriented reporting. Yet, a year and a half after the World Trade Center attacks, Canadian Press reported that a marketing survey had revealed that Canadians "thought their media were sensationalistic and biased." The survey, conducted by Leger Marketing, revealed that 62 percent of respondents found reporting too sensationalistic. In the same survey, television news was rated the most credible source of information by 40 percent of respondents, followed by newspapers

⁴⁷ Peter Johansen, *The Public's Attitude Toward the Canadian News Media: What the Research Says* (The Canadian Journalism Foundation), p. 3.

⁴⁸ Ibid. p. 4.

at 30 percent.⁴⁹ It could be that most Canadians feel a public broadcaster like the CBC is more likely to provide public-spirited coverage than privately owned newspapers. It could also be that TV is just better at delivering the issues in simplified form in the shortest time, with minimum pain. Whatever the causes, both sets of data show that most Canadians feel that, in times when their political interests are at stake, they are better served by TV than daily newspapers.

An even more recent survey, conducted in 2003-04 by the Canadian Media Research Consortium—"a collaboration of researchers from the University of British Columbia Graduate School of Journalism, the York/ Ryerson Joint Graduate Program in Communication and Culture, and the Communications Program at Laval University"—interviewed 3,012 Canadians to produce a *Report Card on Canadian News Media*.⁵⁰ Their research found that Canadians' opinion of their news media hasn't improved much since the earlier surveys were completed. According to the report card, around 80% of Canadians believe reporters' biases influence news. When participants were asked what they thought was the most important issue affecting the audience's trust, 33 percent said accuracy, 32 percent said impartiality, 15 percent said general credibility and 13 percent said ownership. Fifty-four percent said they thought the news media try to cover up their mistakes. One in three respondents said they doubted the accuracy of news reports. Seventy-nine percent said the news was often or sometimes unfair or not balanced. Perhaps most damningly, 92 percent of respondents reported that the news media were at least sometimes sensational, and 63 percent of them said sensationalism affected their trust

⁴⁹ Nelson Wyatt, "Canadian media biased—poll," Canadian Press, May 5, 2002.

⁵⁰ Canadian Media Research Consortium, *Report Card on Canadian News Media*, www.cmrrccrm.ca/english/index.html.

of the media.⁵¹

As for where journalists rate on Canadians' scale of trustworthiness, that, too, has failed to improve. In a *Reader's Digest* survey conducted in 2003, of the 26 "most trustworthy" professions, "the press" ranked 23rd, right after chief executive officers and ahead of municipal politicians, car salespeople and national politicians.⁵²

Yet, there often seems to be a strange complacency about the quality of newspapers in Canada. Miller recalls asking Southam president Gordon Fisher why he felt the quality of the Canadian press had not been subjected to the kind of intense debate that is going on in the U.S. "[W]hen you stack our regional newspapers up against theirs," Fisher replied, "we're just so much better."⁵³ As Miller points out, it's hard to think of the *Montreal Gazette*, *Calgary Herald* or *Vancouver Sun* as being "so much better" than the *Boston Globe*, *Denver Post* or *Seattle Times*.

However, what critical judgments there have been on the Canadian media have been harsh. Sharon Burnside, a senior editor at the *Toronto Star*, told Miller about her reasons for walking away from the managing editor's job at the *Ottawa Citizen* in 1997:

The job absorbs you, and it's great fun, but to put out that kind of effort, you need to be working for people you believe in, for principles you believe in, and for values you believe in. No attention was being paid to the development of staff, or training, or how do we get better at what we do. All the emphasis was in the other direction—how do we do more with less.⁵⁴

⁵¹ Canadian Media Research Consortium, *Report Card on Canadian News Media*.

⁵² Jennifer Morrison, "Pharmacists, doctors, pilots 'most trustworthy,' survey says," *Ottawa Citizen*, Jan. 12, 2003.

⁵³ Miller, *Yesterday's News*, p. 24.

⁵⁴ Miller, *Yesterday's News*, p. 97.

Gillian Steward gave similar reasons for leaving the same post at the *Calgary Herald*—in 1990, six years before its parent company, Southam, was bought by Hollinger:

All they ever talked about was the bottom line, the newspaper as a cash cow whose only value was the milk that could be squeezed out of her. I was still somewhat idealistic then, some would say naive, but I was truly disappointed that none of these people saw the newspaper as a service to the community.⁵⁵

Recent developments have done nothing to indicate a reversal of the trends toward the bottom line at the expense of editorial quality. As we'll see in Chapter 6, the story of Quebecor's stewardship over Sun Media has been one of repeated rounds of layoffs, in a business environment characterized by massive debt, cost cutting, labour reductions, and questionable news practices. And the hallmarks of CanWest's reign as a newspaper proprietor since its takeover of the Hollinger properties in 2000 have been controversy over editorial interference, and cost cutting.

The first year of the Asper ownership of the Southam papers was fairly quiet. Then, in early 2001, the Aspers declined to renew the contract of Southam Parliament Hill correspondent Lawrence Martin, an award winning journalist, author and one of the most respected political commentators in the country. The Aspers claimed the dismissal was a move to economize, rather than a reaction to Martin's writing. Quebec journalist Lysiane Gagnon, however, expressed the suspicions of most media observers and workers, when she wrote: "His contract was not renewed because he had raised persistent questions about Prime Minister Jean Chrétien, and Mr. Chrétien is a good friend of the Aspers."⁵⁶

In September, less than a month after assuming complete control of the *National Post*, the Aspers laid off 130 of the Post's employees, slashed arts, sports and Toronto news coverage and stopped publication of *Saturday Night*, the paper's

⁵⁵ Ibid, p. 14.

⁵⁶ Lysiane Gagnon, "How the Aspers are shooting themselves in the foot," *Globe and Mail*, Dec. 17, 2001.

weekly magazine.⁵⁷ It was widely understood that the *Post*'s editorial staff had enjoyed extravagant spending habits in the face of losses estimated at \$190 million in three years.⁵⁸ So, the fact that the Aspers would cut back was neither surprising nor unreasonable. What raised eyebrows was the timing of the cuts and the aim of the people holding the knife. As a story in the *Toronto Star* pointed out, less than a week after the catastrophic terrorist attack on the World Trade Center, "The National Post promptly fell on its own sword, slashing jobs and sections, downsizing to a mere shell of its former self." Then, three months after CanWest had slashed the *Post*, the company announced it was restoring arts, sports and Toronto city coverage to the paper. According to NADBank surveys, after the September cuts, weekday readership of the *Post* had plunged from 10.5 percent of adults in Toronto to 3.9 percent.⁵⁹ It was the first indication that the Aspers may not have had a solid understanding of their new media business.

These were sideshows, however. The main event was the Aspers' constant meddling with editorial product over two issues in particular: Prime Minister Jean Chrétien and the state of Israel. In fall 2001, it was widely reported that the Montreal *Gazette*'s TV critic had written a positive review of a documentary that contained critical comment about Israel. Noting that the review had been sent to Winnipeg head office for editing, Gagnon reported that "any article even mildly critical of Israel must be scrutinized before being published."⁶⁰ Then came the national editorials, which began to appear in CanWest papers in the fall of 2001. Every week,

⁵⁷ Keith Damsell, "National Post makes staff cuts," *Globe and Mail*, Sept. 17, 2001.

⁵⁸ Ibid.

⁵⁹ Mitch Potter, "National Post changes its course," *Toronto Star*, Dec. 9, 2001.

⁶⁰ Gagnon, "How the Aspers are shooting themselves in the foot."

one opinion piece was prepared in Winnipeg headquarters and distributed to all the papers—with instructions that it must run as a lead editorial. The local papers were forbidden to take an editorial stand opposing headquarters' company line on an issue. The Aspers announced that they planned to increase the national editorials to three a week in 2002, and were excoriated in almost every newspaper they didn't own. Even the *Toronto Sun*'s ultra-right wing Peter Worthington went after the Aspers, when their *Windsor Star* cancelled his syndicated column, because he had questioned the national-editorial policy. "The Aspers' view seems to be, 'If you don't agree with what I say, I'll fight to the death to prevent you from saying it,' " he wrote.⁶¹ After a byline strike by editorial employees at *The Gazette* in Montreal, David Asper—who was rapidly becoming known as the family's blunt instrument—struck back, in a speech at a business breakfast in Oakville, Ont.

Since when do reporters at the Montreal *Gazette* have a right of free speech that is greater than that of anyone else? They have launched a childish protest, with all of the usual self-righteousness, and have been joined by union and its political proxy, the NDP. One or more of our staff at *The Gazette* betrayed our organization by leaking information to our competitors ... [C]ivil disobedience is fine so long as the perpetrator is prepared to accept the consequences of his or her actions. Our courageous *Gazette* leaks remain underground and this is part of the ongoing pathetic politics of the Canadian left. If those people in Montreal are so committed, why don't they just quit and have the courage of their convictions?⁶²

If anything, the younger Asper's intemperate remarks further fueled the fireball of criticism that was rolling across the non-Asper media, the tone of which was pretty well summed up in the headline of a comment piece by the former dean of

⁶¹ Peter Worthington, "CanWest tactics a dangerous sign," *Toronto Sun*, Jan. 17, 2002.

⁶² "Southam critics branded 'ridiculous,' " *Toronto Star*, Dec. 14, 2001.

the University of Western Ontario journalism school, Peter Desbarats: “Dear Izzy: Get your foot off the media’s throat.”⁶³

Then, in June 2002, the situation came to a head in the most unlikely place and with a most unlikely protagonist. Publisher Russell Mills—who had managed to survive the takeover of his paper, the *Ottawa Citizen*, by Conrad Black in 1996 (See Chapter 4)—was fired by the Aspers. The reason was that the *Citizen* ran an editorial calling for Chrétien’s resignation. Mills was offered a severance package in return for a promise of silence, which he refused. He talked, often denouncing the Aspers’ way of practising journalism, and his story spread beyond Canada to such powerful publications as the *New York Times* and the *Financial Times of London*.

At times, the Aspers seemed genuinely baffled by the criticism. It seemed as if they assumed that the way to run a newspaper chain is the same as the way one runs a television network: Policy is decided and programming chosen and scheduled at head office and then sent out to outlets in the regions, which contribute weather, sports and local fluff to the newscasts, and maybe a local community events show. As columnist Jeffrey Simpson pointed out, other publishers had violated CanWest’s editorial policy and kept their jobs. Mills, however, also was opposing CanWest’s plans to centralize news gathering, assignment and editing at CanWest’s Winnipeg headquarters: not just editorials, but story selection, features and cultural journalism. “The more material generated at head office by a handful of people, the less required from the local papers. Ergo, a net reduction in staff, and therefore costs.”⁶⁴ Mills (now Dean of the School of Media and Design at Ottawa’s Algonquin College) wrote in an op-ed piece:

⁶³ Peter Debarats, “Dear Izzy: Get your foot off the media’s throat,” *Globe and Mail*, April 2, 2002.

⁶⁴ Jeffrey Simpson, “Another reason Mr. Mills got canned,” *Globe and Mail*, June 25, 2002.

The fact that the Canada News Desk will handle national news rather than routine material has resulted in two significant fears inside and outside the company. First is the fear that this is the first step in a broader strategy to reduce editorial staff and budgets of the individual newspapers. CanWest is carrying about \$3.5 billion in debt and the benefits of the “convergence” strategy that led it to acquire newspapers have not yet shown up on the bottom line in a significant way. ... The other fear results from the fact that the company’s 40-person Ottawa bureau, which covers the federal government and politics, will report to the news desk in Winnipeg. ... With the editing being done in Winnipeg, corporate executives could have an opportunity to control the news before it is sent to the newspapers. And the very fact that editors will be working next door to the company’s head office may affect their news judgments.⁶⁵

There was another brief outcry—through strangely muted, when you consider the importance of culture journalism to the welfare of artists, arts industries, their audiences and, therefore, to society—when CanWest announced it would have two movie critics and one TV writer for its entire chain of papers. A media company that controls a private TV network—and is on the record as being hostile to public broadcasting—had put television criticism for most of the large cities in Canada in the hands of one writer, who takes his orders directly from head office. This is something Sun Media had pioneered in the mid-1990s, when TV and movie coverage for that chain was centered in Calgary and Toronto. The concern of arts journalists and entertainment companies and artists was, as “one CanWest arts critic” told the *Globe and Mail*, was that a national critic—who may be toeing a company line—has “way too much power ... He becomes someone who can make or break a show.”⁶⁶

⁶⁵ Russell Mills, “CanWest plan a threat to local independence,” *Globe and Mail*, Jan. 22, 2003.

⁶⁶ Keith Damsell, “CanWest’s entertainment plan draws fire,” *Globe and Mail*, March 20, 2003.

As media analyst David Ellis says, the major newspaper chains and media companies seem to be aware only of the importance of advertising to their financial survival—but not of the relevance of their audience to the formula:

But seriously, folks, the problem with this gang is that you could measure the success or failure of our half a dozen largest media conglomerates very much on the basis of the extent to which their overall revenues depend on advertising. And I think CanWest is very close to the top of the list, at about 90 percent. That is, about 90 percent of their revenues come from advertising in its various forms. This is great when you're running a conventional TV network, where you're importing the hottest American shows. But eventually that business will die, and they will find themselves having to develop a relationship with their audience. And Péladeau and the Aspers are my two leading contenders for the last guys on the face of the Earth who know anything about developing a relationship with an audience, or a relationship with anybody—including their own freaking staffs.⁶⁷

Trying to find ways to lure back the wayward audience, the newspaper industry has increasingly turned to what is called the “total newspaper approach,” in which the news and business departments of dailies coordinate their activities to market their product. As Doug Underwood points out, the concept has been “a boon to business-side people, whose influence within the news organization has expanded greatly.”⁶⁸ One significant manifestation of this approach is the fact that focus groups, surveys and polling have come to play a significant role in editorial leadership. Sometimes, critics complain, newspaper managers seem to expend more energy asking readers what they want to read than delivering it. As former *Philadelphia Inquirer* editor Charles Layton writes:

⁶⁷ Telephone Interview with communications consultant, media analyst and author David Ellis, Aug. 7, 2002.

⁶⁸ Underwood, *When MBAs Rule the Newsroom*, p. 16.

Over the past 20 years, at their annual conventions, and in their trade magazines and in-house publications, news executives have spoken more and more of the need for journalists to think like marketers. As if it were easy, or possible, to know in advance what people want to read. As if the average citizen, in a brief telephone survey conducted by a part-time, poorly paid, not-very-well trained surveyor, could articulate that. And as if compelling content somehow originated with readers and not in the individual mind of a journalist with interesting things to say. ...⁶⁹

Reader surveys tend to produce confusing results, and the result often is confusion in the newsroom and the business office. For example, a series of focus groups conducted by the *Dallas Morning News* in the late 1990s couldn't even arrive at a consensus for the meaning of the term "local news." Responses ranged from, local is Texas to local is Dallas/Fort Worth, to local is Dallas but not Fort Worth, to local is news about garage sales.⁷⁰ According to Christine Urban, of the research and consulting firm Urban Associates, who wrote *Ten Myths About Readers*, "Readers pay for and expect good editing in their newspapers, and a part of their definition of a good editor is one who knows what the news priorities should be. ... Simplistic rules about maximum story inches or minimum story count violate reader expectations."⁷¹ Much of Urban's mythology is accepted modern-newspaper-management wisdom. The following is a list of the main ones, with Urban's survey results in parentheses:⁷²

- Readers want short stories. (They want length to reflect a story's importance.)
- More color and graphics will boost circulation. (Readers like color, but are unlikely to buy a newspaper because of it.)

⁶⁹ Charles Layton, "Tea Leaves," *What Do Readers Want?* State of the American Newspaper.

⁷⁰ Layton, "Out of Focus," *What Do Readers Want?*

⁷¹ Layton, "Less Isn't More," *What Do Readers Want?*

⁷² Underwood, *When MBAs Rule the Newsroom*, p. 12.

- Up-market individuals are better newspaper readers. (Blue-collar and middle-income readers are the mainstay of newspapers.)
- TV is taking away readers. (Studies show TV isn't a direct competitor, and in fact may stimulate people to buy newspapers.)
- Readers want gossip and sensationalism. (Readers want the same good journalism journalists want.)
- Content changes and gimmicks can attract readers. (A back-to-basics strategy does a better job of attracting readers.)
- Redesigns, content changes and special sections that work at one paper can be transferred to another. (They can't.)

(Table 1)

Newspaper Association of America survey, 1993. What readers read

(%)	Adults	Men	Women
Every page	57	58	55
General News	95	94	95
Entertainment	78	74	82
Editorial Page	79	79	80
Sports	75	84	65
Comics	74	74	74
TV, radio listings	73	72	74
Business, finance	74	77	72
Home	72	68	77
Food, cooking	73	66	81
Classifieds	73	75	72

Reinforcing Urban's comments is the U.S. newspaper survey reproduced in Table 1, which shows the importance readers attach to specific types of news. After general news, with a male-female readership of 95 percent, the importance of

everything else comes in at roughly the same level. If they were grades, the average would be a B-plus.⁷³ In other words, everything is important, every section has its constituency, and everything deserves careful, professional, imaginative management and production.

Market research gets in the way of solid newsroom management, critics argue, by shifting the focus to what readers liked yesterday, rather than what they will like tomorrow. *New Yorker* editor William Shawn argued that editors relying on marketing are fooling themselves:

There is a fallacy in that calculation ... The fallacy is if you edit that way, to give back to the readers only what they think they want, you'll never give them something new they didn't know about. You stagnate. It's just this back and forth and you end up with the networks, TV and the movies. The whole thing begins to be circular. Creativity and originality and spontaneity goes [sic] out of it. The new process is to discourage the creative process and kill originality.⁷⁴

In the late-1980s, *Globe and Mail* publisher A. Roy Megarry had this to say about where the newspaper business was headed:

By 1990, publishers of mass circulation daily newspapers will finally stop kidding themselves that they are in the newspaper business and admit that they are primarily in the business of carrying advertising messages.⁷⁵

This represents a fundamental transformation in how owners and publishers, and most editors, view their resources. Newspapers used to consider themselves

⁷³ Fink, *Strategic Newspaper Management*, p. 43.

⁷⁴ Bagdikian, *The Media Monopoly*, p. 112.

⁷⁵ Miller. *Yesterday's News*, p. 30.

marketers of news manufactured from the raw material of information, which was sold to readers. Then the readers were made available to advertisers. Now, Megarry was saying, they see themselves as builders of audiences, which, in turn, are sold to advertisers, with the “content” being the raw material used to manufacture those audiences.

The change in the hierarchy of importance is subtle but significant. More and more, newspapers are reliant for the bulk of their profits on mass, national advertisers, who seek a select, up-market audience. This means, in the mind of the publisher and owner, that content is “designed” and “marketed” to attract a well heeled audience and to please, rather than provoke, that audience. The value of news or information in content is secondary to marketability or acceptability to advertisers and investors. In extreme cases, this affects content throughout a paper; in most, it makes for diversion of resources to material geared solely to delivering audiences to market.

Content is acquired as cheaply as possible and chosen according to its value to a select audience. For example, if one wants to attract owners and well paid managers of high-tech companies, a section featuring promotional bumpf geared to pleasing that audience is highly desirable. In this case, quick, phone-interview profiles and rewritten press releases are not just as good as more expensive, enterprise reporting—they’re better. They’re inexpensive to produce in terms of material return on labor; they’re non-threatening to the message advertisers would like to get across to readers; they appeal to the right audience and complement the advertising material. The same logic applies to sections dealing with automotive, real estate, food, fashion, travel, lifestyle, most business and celebrity “news”—which, in most newspapers, has

replaced real culture coverage: features, reviews, hard news trends analysis and so on.

The objective is to apply advertising and marketing techniques to journalism, to

“grab” an audience and put it in a mood to buy. Ben Bagdikian writes:

The bulk of “news” in the newspaper is contained in ... special sections. The fashion section, for example, is almost always taken either from press releases, submitted by designers and fashion houses or written by fashion editors who attend the fashion shows with all expenses paid by the fashion houses. The result is an annual flood of gushy promotion of exotic garments, all in a “news” section. ... The same is true of travel and usually food sections. A survey in 1977 showed that 94 percent of food editors use food company press releases for recipes and 38 percent attend food events at the expense of food companies. The growing trend among newspapers to turn over sections of the “news” to the advertising department usually produces copy that is not marked “advertising” but is full of promotional material under the guise of news.⁷⁶

The decrease in money invested in editorial product makes this kind of giveaway material ever more attractive to editors desperate to fill the news hole with something to woo readers.

In 1980, when the Kent Commission was investigating their operations, newspapers across Canada spent 15 percent of all revenues on editorial. Hollinger, in 1998, had guidelines for its papers that dictated 10 to 12 percent of total revenue be spent on editorial content. Hollinger’s guideline for profits was 25 to 31 percent.⁷⁷ As chains have been traded around to produce paper profits, the debts of acquiring companies have risen. It would be insane to imagine that the cost of servicing these debts would not affect editorial quality. As former publisher Mills writes in 2003,

With the exception of the *National Post*, which is running reduced but still significant losses, the company’s newspapers are generally very profitable, some producing profit margins of more than 30

⁷⁶ Bagdikian, *The Media Monopoly*, pp 165-166.

⁷⁷ Miller, *Yesterday’s News*, p. 65.

percent. But those profit margins were factored into the high price CanWest paid for the newspapers ... and there is a need for it to produce even higher profits in order to pay down its debt.⁷⁸

When *Toronto Sun* founding publisher J. Douglas Creighton was squeezed out of his post as CEO of Sun Newspapers in 1992, he warned: “Newspapers are being run by the counting-house men and the marketing experts. Give them a full run to do what they want and we will end up with a *Wizard of Oz* newspaper industry—no heart, no brains and no courage.”⁷⁹ The dominance of those “counting house men and marketing experts” is something that largely has been created by market conditions: the dwindling readership, which has been blamed on readers moving to suburbia; the effect of television on people’s attention spans and the fast pace of modern life; the changes in retailing, with downtown department stores losing their customers to the suburban “big-box” retailers, and outfits like Wal-Mart and Costco, which don’t advertise in daily newspapers. It is also fuelled by the fact that newspapers are used to making huge profits, and have to please investors who were drawn by those profit margins in the first place.

As Bagdikian says, there is “an almost standard ritual” that has followed the death of a newspaper:

Owners almost invariably attribute death to the evil spirit of labour unions ... Workers have a different devil—owners’ mismanagement and greed. Or they both accuse the public of being too fickle and illiterate. The accusing finger is sometimes pointed at television, or at economically sick communities or changing ... lifestyles. ... But for most of these failed newspapers they are only contributing factors ... the fatal affliction is ... mass advertising.”⁸⁰

⁷⁸ Mills, “CanWest plan a threat to local independence.”

⁷⁹ Miller, *Yesterday’s News*, p. 15.

⁸⁰ Bagdikian, *The Media Monopoly*, pp 195-196.

In other words, Bagdikian says, retail wars led to giant survivors who only need to cover one large area with one ad. They chose their newspapers, withdrew advertising from the other one, and left it to die. The chosen papers were always morning papers, and usually the leaders in their markets. Bagdikian points out that, though a newspaper may have been only slightly ahead in the competition, when it becomes the sole publication in its market, its profits soar. A four-year study by a U.S. advertising agency showed media market leaders average 31 percent return on investment compared with 11 percent for those that were ranked fourth or fifth.⁸¹ The decline in local, retail advertising, with consolidation of business into big boxes and surviving department stores, means the new prize is national advertising—which is largely only available to national chains. As Herman and McChesney explain:

Advertising is a feature of late capitalism, reflecting the rise of product differentiation and oligopolistic competition. Advertising and product variation became primary competitive weapons of corporations in place of cutthroat price competition to protect and expand market share. Although local advertising was often dominated by retailers of varying size, the more significant national advertising was conducted primarily by firms listed in the Fortune 500 ...⁸²

So, where there was head-to-head newspaper competition in most large markets, there are single-newspaper towns. Where there were family-owned, local newspapers relying on advertising from local merchants, now there are chains vying for national advertisers.

Or there are niche publications. The classic example of niche publishing is Toronto, a situation the Kent Commission called “extreme product differentiation”:

⁸¹ Ibid, p. 6.

⁸² Edward S Herman and Robert W. McChesney, *The Global Media, The New Missionaries of Corporate Capitalism* (Cassell, 1999), p. 21.

The “new competition” in the newspaper industry is represented by what is taking place in Toronto, the so-called extreme product differentiation of the three papers, the *Star*, the *Globe* and the *Sun*. The presumption is that this form of competition will avoid the fatal result of eyeball-to-eyeball confrontation, that somehow if newspapers look in different directions, that will prevent disastrous encounters. There are, however, no guarantees of a stable future. One need only recall Fisher’s remarks that some of the least reputable newspapers face extremely tough competition, and the tabloids are among the competitors.⁸³

The comment about “least reputable newspapers” was made in a speech to the Winnipeg Chamber of Commerce by Southam President Gordon Fisher—recently publisher of the *National Post* and now President, News and Information, CanWest Global Communication Corp—on Oct. 30, 1980, a couple of months after his company had shut the *Winnipeg Tribune*.⁸⁴ The gist of it is that “a newspaper that does not face direct newspaper competition can be profitable enough to afford excellence” and that some very bad ones—such as the *New York Post* or the London tabloids—thrive in a competitive market by chasing the lowest common denominator. It’s hard to deny the logic of Fisher’s statement, or to ignore how self-serving it is. (It may be useful, at this point, to recall his comments about how Canadian regional papers are “so much better” than their American counterparts.) He ignores three facts:

- 1) Most observers would agree that the best Canadian newspapers are in Toronto, where there is four-way competition.
- 2) Freed of any pressure to do more, most businessmen spend as little as they can to make as much as they can.
- 3) Profit is driven harder by chains that have to please investors and service debt than by local owners.

Ben Bagdikian argues:

⁸³ Hallman, Eugene *et al.* *The Newspaper as a Business*, p. 11.

⁸⁴ *Ibid.*, p.10.

A single owner concentrates energies, skills and managerial and journalistic resources on one newspaper and has the power (and often the economic motivation) to reinvest surplus profits in the long-term strength of that paper and its relationship to that one community. A chain owner does the opposite. With rare exceptions, reinvestment in the long-term health of individual daily papers is a low priority compared to the inexorable demand of its parent firm for maximum profits, often for expansion elsewhere.⁸⁵

At the same time, in acquiring large newspaper chains, owners create large debts. This has led to newspaper chains leveraging their profitability, in the form of public stock offerings. While these can be extremely profitable for managers and some employees who buy in, the main effect they have is in placing more pressure on companies to perform up to expectation. In being answerable to investors, news organizations—indeed, all media companies—come under ...

... strong pressure to increase profits ... (T)he “rising tide of shareholder expectation”—a demand for ever-improved return on investment that’s relentless whether a newspaper is publicly owned or privately held. However a family that owns a privately held newspaper often has lived for generations in its town and feels a responsibility to ensure the newspaper serves its town well. Shareholders of publicly owned companies usually have no more commitment to newspapers than to any other investment, and often they live far from towns where their companies’ newspapers are published.⁸⁶

For the most part, chains that buy newspapers do so with the intent of justifying the cost of purchase by squeezing larger profits out of them to satisfy those investors. In 1986, for example, merger banker Christopher Shaw said a daily monopoly newspaper with a 15 percent annual operating profit could, within two years of purchase, be turned into a 40 percent-profit newspaper through cutting costs and raising advertising rates and subscription prices. “No one will buy a 15 percent

⁸⁵ Bagdikian, *The Media Monopoly*, p. 226.

⁸⁶ Fink, *Strategic Newspaper Management*, p. 19.

margin paper without a plan to create a 25 to 40 percent margin.”⁸⁷ As Bagdikian points out, this state of affairs has created a rather short-sighted industry:

If long-term profits and stability come from local news and larger portions of detailed and analytical news, why have newspaper publishers gone in the opposite direction? The reason is not irrational if short-term profits are the goal ... Unfortunately, short-term profits are now imperative in the major media almost without regard for the future of the media institutions. Newspapers no longer depend solely on their readers. They must satisfy advertisers, Wall Street investors and parent corporations.⁸⁸

John Miller describes the vicious financial pressures that drove newspapers into the arms of these chains in the 1990s:

The business pressures of the 1990s ... a punishing recession ate into profits at a time when many large newspapers had to invest in new technology, such as presses with high-quality colour capacity. This drove many of them into the clutches of large corporate owners, who were beholden as they never were before to lenders and shareholders ... to generate enough profit to satisfy the expectations of the market, newspaper managers have reacted as their business training teaches, cutting costs, downsizing, hunkering down, suspending any substantial investment in research and development, resorting to marketing and hype rather than investing in raw material—information—and redefining the role of newspapers in a multimedia society.”⁸⁹

There is reason to believe that, if newspaper owners in Canada aren't running their businesses as if they are part of a dying industry, they're at least hedging their bets. Jack Fuller, president and publisher of the *Chicago Sun-Times*, says: “If one thinks newspapers are slowly but inevitably dying ... then one would only make very modest investments to keep the enterprise running as it winds

⁸⁷ Bagdikian, *The Media Monopoly*, p. 6.

⁸⁸ Ibid, p. 200.

⁸⁹ Miller, *Yesterday's News*, p. 13.

down, drawing as much cash as possible from it in order to grow in other areas.”⁹⁰

This sort of behaviour can take two forms: advertising and content migrating to other media; nurturing the properties in a chain that can appeal to the up-scale audience, and squeezing the rest of the chain’s papers to support them.

In the next chapter, we will look at how the newspaper chains evolved in Canada to dominate virtually all of the country’s daily newspapers, how this has in turn evolved into mass media companies that see newspapers as “content providers” for other media, primarily the internet, and how this has affected labour in the newsroom, and newspaper content.

⁹⁰ Miller, *Yesterday’s News*, p. 37.

Chapter 4: Quebecor and the race to converge

This chapter looks at the newspaper business as a component of the media industry. It provides the background for a later examination of Quebecor as a player in the game of media convergence and acquisition that has redefined the Canadian media landscape—and the nature of the daily newspaper.

The first two sections trace the development of the large Canadian newspaper chains from the first stirrings of concern in the 1960s, when Southam newspapers and FP Publications, founded in 1877 and 1959 respectively, dominated the business, through the Davey and Kent studies of concentration of ownership, to today, where, with the exceptions of the *Winnipeg Free Press* and the *Halifax Herald*, every important daily newspaper in the country belongs either to a large, diversified corporation (CanWest-Global, Irving, Quebecor, Power Corp., BCE) or a larger chain (Osprey, Torstar, Groupe Transcontinental).

The third section relates the ways in which labour is being affected by the changes in the business and, in turn, how the management of reporters and editors is shaping the style and quality of the product.

The fourth and fifth sections follow the two paths open to newspaper companies in their search for a way to ensure corporate health. The first involves cultivating large market newspapers at the expense of smaller, or small-market, papers. It involves the creation of a small number of elite publications in select markets, which are designed to appeal to the segment of the population that is most

attractive to major advertisers, and which work in tandem with other media holdings to reach that potential audience.

The second option, and the subject of section five, is to use old media as an economic base for the development of a new medium, which is based on an appliance no one seems to understand very well: the home computer. A variant of this is cross-platform promotion, something Quebecor experimented with, to some success, with its TV series *StarAcadémie* (more on that in Chapter 6).

The few commentators on the history of the Canadian newspaper industry have noted that the tendency toward chain ownership is something that has been with us since the partisan press of the Victorian era. Newspapers sprang up in the 19th century because, for every Tory publication in an important centre, there had to be a Reform journal to counter it. "Early newspapers were powerful weapons in a perpetual battle but they were not necessarily implements of public opinion as later ones were, for they most often preached to the converted," Douglas Fetherling writes.¹ Political rivalries made for commercial warfare, and the "stronger newspapers gobbled up the weak ones, to the point where only a handful remained to fight for control of the expanding and immensely wealthy markets."²

As newspaper historian W. H. Kesterton points out, "the 20th century newspaper story ... is a story of consolidation and centralization. Its inevitable result is the replacement of the multi-newspaper city by the single-newspaper city." In

¹ Douglas Fetherling, *The Rise of the Canadian Newspaper* (Oxford University Press, 1990), p. 78.

² Ibid, p. 97.

1900, there were 17 two-newspaper cities in Canada. By 1966, that had shrunk to nine, and Canada had 75 cities with only one daily.

Between 1978 and 1988, however, competition returned—or was maintained—in five Canadian cities, with the creation of the *Sun* papers in Edmonton, Calgary and Ottawa, and their imitators in Winnipeg (*Sun*) and Halifax (*Daily News*). Unfortunately, during this period, papers were closed in Montreal (the *Star* in 1979), Ottawa (*Journal*, 1980), Winnipeg (*Tribune*, 1980), Calgary (*Albertan*, which was turned into the *Sun* in 1980) and Victoria (the merger of the *Times* and *Colonist* in 1980).

In 1913, the Canadian newspaper industry reached its peak in terms of the number of dailies, with 138, and the move toward concentration of ownership already was well under way.³

In the 1960s and '70s, the largest newspaper company in Canada, in terms of circulation, was FP Publications, formed in 1959, when press lords Victor Sifton and Max Bell merged their empires into the Sifton-Bell group. The *Winnipeg Free Press* was its flagship, and among its other properties were the *Vancouver Sun*, the *Toronto Globe and Mail*, the *Ottawa Journal* and the *Montreal Star*. In second place in terms of circulation was the Southam chain, founded in 1877, when William Southam bought the *Hamilton Spectator*.⁴ Its major holdings were the *Edmonton Journal*, the *Calgary Herald*, the *Spectator*, the *Ottawa Citizen* and *The Gazette* in Montreal. In terms of papers owned, the largest chain was Thomson, which in 1970 owned 41

³ W. H. Kesterton, *A History of Journalism in Canada*, (Carleton University Press, 1984), p. 72.

⁴ *Ibid.*, p. 78.

daily newspapers and, at the end of the decade, still held 38.⁵ These were exclusively small-town newspapers with limited circulation—and they were very profitable.

In 1969, a Senate Special Committee, chaired by Senator Keith Davey, was formed to look into concentration of ownership. The commission made several recommendations, but the only thing of lasting significance that came of it, as John Miller points out, was the formation of press councils intended to act as a professional monitoring apparatus, but which are a “pale shadow of what Davey envisioned.”⁶ This set a pattern of government reluctance to regulate newspapers that exists to this day.

The consolidation process accelerated in 1980, when FP foundered after expensive strikes in Vancouver, Victoria and Montreal. Events in Montreal in 1978-79 showed just how horribly out of touch with market reality the heads of FP were. Mass advertising was beginning to make its power felt, and evening papers were starting to slide—victims of late-afternoon traffic congestion that delayed delivery and forced earlier and earlier deadlines, making it almost impossible for papers to compete with the evening television news. But FP decided to play tough with its Montreal pressmen over a dispute about pay and staffing levels at the *Star*. After an eight-month strike, the paper returned to the market with management expecting it to immediately resume the No. 1 spot in the city. But during the strike, the morning *Gazette* had moved to fill the void left by the *Star*, adding sections and expanding coverage—and earning advertiser and reader loyalty. Before the strike, the *Star* had been selling 165,000 copies a day and 245,00 on Saturday; after the strike, its

⁵ Eugene Hallman, P. F. Oliphant and R. C. White, *The Newspaper as a Business* (Royal Commission on Newspapers, 1981), p. 43.

⁶ Ibid.

circulation peaked at 122,000. But, more important, the advertisers had chosen their paper and, as in such other cities as Washington, Ottawa and Philadelphia, it was the morning one. FP had pumped millions into the paper—including \$7 million to cover expenses during the shutdown.⁷ As David Yates, writing in *Content* magazine in 1979, observed:

The strike ended with the pressmen getting exactly what they had sought at the beginning and the readers and advertisers ... turning to *The Gazette*. ... The dispute which killed the newspaper was a gross miscalculation ... the *Star* deserved to die because it made two inexcusable errors. ... First the *Star* allowed itself to be muzzled by a strike while the prime competition continued to publish. And second, the *Star* took for granted that its readers would return to the fold after eight long months, little realizing how quickly they forget.⁸

Less than a year after the *Star*'s demise, in February 1980, FP was bought by the Thomson newspaper group, which almost immediately launched the national edition of the *Globe and Mail*. Former *Globe* reporter David Hayes describes what happened next:

Seven months later, on August 27, 1980, Thomson closed its newly acquired FP paper, the *Ottawa Journal*, and Southam closed its *Winnipeg Tribune*, leaving Thomson's *Free Press* and Southam's *Citizen* with monopolies in Winnipeg and Ottawa. At the same time, Thomson sold its share of the *Vancouver Sun* and *Montreal Gazette* to Southam, giving that chain two additional monopolies, and merged its Victoria dailies—the *Times* and the *Colonist*—into a single paper. This meant that Thomson and Southam controlled more than three-quarters of the total Canadian circulation, and head-to-head competition between dailies had disappeared from every city except Toronto and St. John's Newfoundland. It amounted to a wholesale restructuring of the \$2.5 billion Canadian newspaper industry.⁹

⁷ David Yates, "The Montreal Star's Death: Arrogance and Miscalculation," *The News: Inside the Canadian Media* (Deneau, 1979).

⁸ *Ibid.*

⁹ David Hayes, *Power and Influence: The Globe and Mail and the News Revolution* (Key Porter, 1992), p. 163.

Accusations that the two proprietors had colluded to reduce competition led to the almost immediate formation of a royal commission on newspapers, chaired by Tom Kent, and including former CBC-head Laurent Picard and Borden Spears, veteran journalist, twice *Toronto Star* managing editor and the paper's just-retired ombudsman. Its recommendations for limiting ownership of the media, Kent later wrote, "came to nothing except the production of useful material for journalism students."¹⁰ In a requiem for the Kent Commission in the *Star*, Spears warned against the evils of concentration of ownership:

The privileged economic position of the newspapers and, particularly of the ever-expanding chains and conglomerates that place control of the press in fewer and fewer hands, becomes steadily more pronounced. ... The process of corporate growth, by concentration into larger groups within the industry, has been accompanied by a reduction in the diversity of news and comment that is the vital element of a free society. The quality of what remains has not improved, and in some respects has declined. ... Innovation, creativity, even a desirable degree of eccentricity give way to the pressures of uniformity.¹¹

With 77 percent of Canada's dailies in chain hands, the Kent Commission made a number of recommendations: proprietors be limited to no more than five newspapers; the circulation of newspapers owned not exceed five percent of the circulation of all dailies in Canada; the point of publication of any acquired newspaper not exceed 500 kilometres from any other paper under the same

¹⁰ Tom Kent, "The Times and Significance of the Kent Commission," *Seeing Ourselves: Media Power and Policy in Canada*, Helen Holmes and David Taras eds. (Harcourt Brace Jovanovich, 1996), p. 22.

¹¹ Borden Spears, *Borden Spears: Reporter, Editor, Critic*, Dick MacDonald ed. (Fitzhenry & Whiteside, 1984), p. 4.

ownership.¹² The recommendations resulted in the proposed *Canada Newspaper Act* of 1983, which was scuttled by newspapers' lobbying, in the name of freedom of speech, and against government controls. In his commission's report, Kent wrote:

In a country that has allowed so many newspapers to be owned by a few conglomerates, freedom of the press means, in itself, only that enormous influence without responsibility is conferred on a handful of people. For the heads of such organizations to justify their positions by appealing to the principle of freedom of the press is offensive to intellectual honesty.¹³

In the late 1980s, Kent wrote an essay reflecting on the failing of the Royal Commission, pointing out that the government legislation missed its time by giving the newspapers a year to wrap themselves in the Charter of Rights and Freedoms and organize themselves into a powerful lobby group. Still, he argued, "powerful vested interests can be overcome, when the public interest is asserted against them, because there are moments when circumstances temporarily weaken them. That was true of the newspaper industry during the transactions of 1980."¹⁴ Looking back on the years since, with newspapers and chains being passed around like trading cards among an old-boys network of media companies, it seems very unlikely that the moment will come again.

Thomson and Southam remained the dominant chains until the mid-1990s. Then, the former began to reorganize itself and discard newspapers, and the latter was acquired by Conrad Black's Hollinger Group. In the mid-'90s, Black went on a spending spree, because he said he foresaw "one more mighty cycle of newspaper

¹² Tom Kent, *Royal Commission on Newspapers*, p. 239.

¹³ *Ibid.*, p. 217.

¹⁴ Kent, "The Times and Significance of the Kent Commission," p. 22.

profits left, at least.”¹⁵ In 1995, Black was the proprietor of the *Telegraph* group of papers in England, the *Chicago Sun-Times* and the *Jerusalem Post*, and his Canadian holdings consisted of Sterling Newspapers (which ran tiny dailies, mostly in B.C. with a few in Saskatchewan and Prince Edward Island) and UniMedia (including Quebec City’s journal of record, *Le Soleil*, and the tabloid *Le Droit* in Ottawa). Within 18 months, he had acquired 40 papers by swallowing up Southam, most of Thomson’s Canadian holdings, and the Armadale group (the *Saskatoon Star-Phoenix* and *Regina Leader-Post*). On March 1, 1996, almost as soon as Hollinger had acquired Armadale, the *Leader-Post* and *Star-Phoenix* experienced the most drastic staff cutbacks, in terms of percentage, ever to hit Canadian newspapers. Michael Sifton, who had sold out to Black and became a senior executive at Hollinger, fired 27 percent of the former Armadale employees in one morning, 173 at the two papers.¹⁶

No one else in Canada was interested in buying daily newspapers, or had the resources to buy them (other than Sun Media, which was held back by its heavily indebted Rogers ownership; see Chapter 2). The income tax act kept the big U.S. companies from moving north. So, the number of players had been fixed by circumstance. While many papers were coming up for sale, only one person was in a position to buy them.

In 1998, an unprecedented flurry of activity (see Chapter 5) realigned the newspaper business, leaving two corporations—Hollinger Inc. and Quebecor—

¹⁵ Miller, *Yesterday’s News*, p. 90.

¹⁶ Ibid, pp. 86-103. The story is told in Chapter 4, “Drowning the Kittens.” The title is a reference to a term used by Black when he restructured London’s *Daily Telegraph*, cutting the workforce from 3,900 to 1,000.

controlling 66.1 per cent of Canada's newspaper circulation, and two more—Torstar and Thomson—with another 21.3 percent. The total held by four companies: 87.4 percent.¹⁷

Torstar's holdings were confined to Southern Ontario. Thomson's were limited to one national paper, the *Globe and Mail*, one major metropolitan daily, the *Winnipeg Free Press*, and four small, regional papers, in Lethbridge and Medicine Hat, Alta., Brandon, Man., and Thunder Bay, Ont. (All except the *Globe and Mail* were put up for sale in February 2000.¹⁸) The rest were held by Power Corp. in Quebec, Irving in New Brunswick and a handful of small groups and independents. Outside Southern Ontario, Quebec, New Brunswick and Winnipeg, Hollinger and Quebecor controlled all the important daily print media in the country. Outside Toronto, Winnipeg and Halifax, Hollinger dominated the quality broadsheet business with only the *Globe and Mail* to offer any competition. In November 1998, the company launched the *National Post* to deal with that one threat to its dominance and to be able to sell advertising in the large Toronto market—increasing competition to the *Globe*, the *Toronto Star* and the *Toronto Sun*.

Then, in 2000, in one giant shudder, the Canadian media companies reorganized themselves again, into, more or less, the system of ownership we see today. CanWest-Global took over most of Hollinger's Canadian holdings—including 13 major Canadian dailies and a half interest in the *National Post*—with the intention

¹⁷ Anthony Wilson-Smith, "A new embrace: Quebecor proposes a friendly takeover of Sun Media and pushes Torstar to the sidelines," *Maclean's*, Dec. 21, 1998.

¹⁸ Horizon Publications Inc. of Kelowna, B.C., purchased the two Alberta papers in July, 2000, and the *Thunder Bay Chronicle-Herald* soon after; the papers in Brandon and Winnipeg are owned by FP Canadian Newspapers, a new company formed by two Manitoba businessmen when they bought the papers and no relation to the old FP newspaper company.

of merging them with its Global Television Network as “content providers” for print, TV and the Canada.com Web site. Meanwhile, BCE Corp.—which already controlled Bell Telephone, the Sympatico-Lycos Web portal and the satellite TV company Bell-ExpressVu—took control of the CTV Television Network and its line of cable channels, such as Discovery Canada, TSN and the Comedy network, and formed an alliance with Thomson to jointly operate the *Globe and Mail*, giving it television and print content providers for the Internet, as well as the “pipes”—as jargonistas were calling delivery technology in those days—with which to bring the content into homes. Since then, BCE has gathered CTV, Sympatico-Lycos and the *Globe and Mail* and its Web sites together to form Bell Globemedia.

Finally, Quebecor won a bidding war with Rogers Cable for control of the Quebec cable provider, Groupe Vidéotron—which included the TVA television network—but at a cost, some observers have said, that may have severely hampered its ability to further expand outside Quebec (see Chapter 6).

So, until 2004, the Big Five Canadian media companies were: BCE, CanWest-Global, Rogers, Shaw Cable and Quebecor. Companies that were expected to come into play—through acquisition or alliance—included: Torstar, owner of the *Toronto Star*, the Metroland chain of community papers and the Harlequin Romance book publishing company; Corus, owner of a number of specialty TV channels including YTV, CMT, Movie Central and the W Network; Alliance-Atlantis Communications, owner of such specialty TV channels as History Television, Showcase and the Life Network, as well as a film distribution network (and, until it closed down its production arm in 2004, producer of Canadian films and such hit TV series as “Made

in Canada” and “This Hour has 22 Minutes”); Astral Media owner of several specialty TV channels, such as The Movie Network, the Family Channel and Moviepix; CHUM, owner of a string of radio and TV stations and television specialty channels, including Bravo!, Space: The Imagination Station, MuchMusic and City-TV. The popular wisdom was that these companies, which had devoted their energies to one medium, would have to find convergence partners to survive in the world of the media giants.

Interestingly, by 2002, the glamour corporations of just a couple of years earlier—BCE, CanWest and Quebecor were wallowing in debt, and firms like Torstar, Astral, Alliance-Atlantis and CHUM had healthy balance sheets. Other companies, such as the newly formed Osprey Media and the magazine and community-newspaper publishing company Groupe Transcontinental, were concentrating on acquiring and operating clusters of small newspapers. The success of the single-media companies and emergence of new ones seemed to validate the wisdom of the firms that stuck to core activities—and to discredit the notion that media companies had to grow and diversify, or be wiped out.

The final round of reorganization began in 2000, when Hollinger put all of its Canadian newspaper holdings up for sale. There was much speculation—and no small amount of wishful thinking—that the volume of properties on the block would create a buyer’s market and, thus, cause the breakup of the Hollinger empire into smaller blocks, perhaps leading to the creation of regional clusters of newspapers. In fact, for the most part, the papers went to even larger, and better established media players: CanWest-Global Communications, a multinational broadcasting company with

holdings in Canada, Australia, New Zealand and Northern Ireland; Gesca Limitée, a subsidiary of the diversified corporation, Power Corp., and publisher of several dailies in Quebec, including Montreal's journal of record, *La Presse*.

Hollinger's sudden decision to sell all but a few key properties—such as the London Daily and Sunday *Telegraph*, the *Sun-Times* and the *Jerusalem Post*—was seen by many observers as further proof that the end was coming for the “mighty cycle” of newspaper profits that Black had predicted. As Christopher Dornan, director of the Carleton University School of Journalism and Communication, wrote, “It is as though this sudden selloff has been precipitated in a rush to quell a boardroom mutiny, or stave off shareholder insurrection. It smells of panic ...”¹⁹ (Dornan was proved prescient by the events of 2004, in which Black did indeed face a shareholder mutiny, was removed from all the posts he held in the company, and had to stand by and watch Hollinger's few remaining newspaper assets, including the *Telegraph* group, be sold off.)

Concentration of ownership in Canada's media has been an abiding concern since at least the mid-1960s, when John Porter wrote:

Canada's mass media are operated as big business. Many of them, particularly in the larger cities, are closely linked with corporate enterprise. ... [O]nly the very wealthy or those successful in the corporate world, can buy and sell large daily newspapers. ... The controlling interest in the major newspaper complexes, of which the stock is closely held, is in the hands of families or individuals with two or three generations of wealth behind them.²⁰

¹⁹ Christopher Dornan, “Hollinger selloff smells of panic,” *Globe and Mail*, April 28, 2000.

²⁰ Kesterton, *A History of Journalism in Canada*, pp 77-78.

There are two main factors that contributed to the level of concentration of ownership we saw in the 1990s and early 2000s: geography and law. The main population centres of the country are spread out across 5,000 kilometers along the U.S. border. So, in most parts of the country, it's uneconomical to "cluster" newspapers into regional chains, as many are in the U.S.²¹ Similarly, because of the distances involved, national newspapers, like those in Europe, were impossible in North America until the early 1980s, when satellite technology allowed such dailies as the *Globe and Mail*, the *New York Times* and the *Wall Street Journal* to go national, and for Gannett to create *USA Today*.

The second factor is a rule put in place in 1965 by Parliament that effectively bars non-Canadians from owning Canadian newspapers. Under *The Income Tax Act*, any company that advertises in a publication held by a private company that is more than 49 percent foreign owned, or a public one more than 25 percent foreign owned, is not permitted to claim advertising expenses as a tax deduction. This means a foreign-owned newspaper would operate with a debilitating handicap in selling advertising in the Canadian marketplace. And it is unlikely any large foreign newspaper company would be interested in investing in an enterprise it couldn't control.

After Quebecor purchased Sun Media in 1998, company chairman Paul Godfrey revealed that he'd had discussions with American and British media companies, which backed away because they would have been unable to seize control of the company. "They came and kicked the tires," Godfrey said, "but at the end of

²¹ Exceptions are *Toronto Star* parent company Torstar, with papers clustered in southern Ontario, in Toronto, Hamilton, Kitchener-Waterloo and Guelph, and the near-monopoly of the Irving-owned New Brunswick Publishing Co., which controls four of the province's five dailies.

the day, the foreign ownership rules chased them away. ... (If there were no foreign ownership rules in this country ... there would have been six or seven bids on the table.”²² Consequently, a handful of companies that have both the resources and interest in newspapers, and happen to be Canadian, came to control almost all of the business. In May 2000, after Hollinger had put its papers on the block, Tony Ridder, chairman and CEO of Knight Ridder, the second largest newspaper chain in the U.S., argued that the intent of the Canadian-ownership regulations—to prevent “foreign goliaths from controlling Canadian media”—had, in fact, backfired and created a climate that guaranteed ever increasing concentration of ownership.

Newspaper properties are too expensive not to go to someone with large financial backing. That is the reality of Canada’s marketplace today, without foreign owners. Among them, Hollinger, Thomson, Quebecor and Torstar control almost 90 percent of Canada’s daily papers. If the first two companies bow out, the other two may not step in. But some large enterprise will. Let’s say, for the sake of argument, that it’s a financial player who doesn’t care at all about journalism. What then?²³

Ridder’s question was answered within three months, when the broadcasting giant CanWest-Global, announced it was scooping up 13 of Hollinger’s major, metropolitan dailies—including the *Vancouver Sun* and *The Province*, the *Calgary Herald*, the *Edmonton Journal*, the *Ottawa Citizen* and *The Gazette* in Montreal—and 130 other, smaller properties. A non-newspaper company had come forward, in the name of convergence, to perhaps widen the field of newspaper owners but, at the same time, thin the ranks of major Canadian media companies.

²² Thane Burnett, “Foreign firms coveted Sun chain, Godfrey says,” *Toronto Sun*, Dec. 23, 1998.

²³ Tony Ridder, “Get rid of the outdated law,” *Globe and Mail*, May 1, 2000.

The price it paid was high: \$3.5 billion CDN.²⁴ By comparison, when American Airlines agreed to buy out the failing Trans-World Airlines in 2001—including 190 planes, TWA's hub in St. Louis, and hundreds of international routes, gates and landing rights—the price tag was \$500 million, which, at the current exchange rate of roughly \$1.30 CDN for every U.S. dollar, translates to about \$650 million CDN.²⁵ That 13 daily newspapers and 130 smaller weeklies and community publications in Canada have five times the value of an international airline with billions of dollars in hard assets, routes and landing rights, shows just how profitable newspaper properties are—and can be expected to remain—and the value that media companies have begun to place on “content.”

In November 2000, Hollinger sold off its French-language holdings in Quebec and Ontario, when Power agreed to buy the UniMedia group of publications—three dailies, including *Le Soleil* and *Le Droit*, and 15 weeklies.²⁶ This left Quebec with one of the highest levels of media concentration in Canada, with Power and Quebecor owning every daily in the province, except the small-circulation and elitist *Le Devoir* of Montreal.

While CanWest and Power Corp. were buying up newspapers, BCE, which already owned Bell Telephone, the Bell ExpressVu Satellite TV service, and the Web portal and service provider Sympatico-Lycos, purchased The CTV television network from Baton Broadcasting for \$2.3 billion. Then, in September, the company announced a deal with the Thomson Corp. to form a new company, which would give

²⁴ Shawn McCarthy, “Megadeal creates Canada’s largest media empire,” *Globe and Mail*, Aug. 1, 2000.

²⁵ David Koenig, “TWA follows Pan-Am path,” *The Associated Press*, Jan. 11, 2001.

²⁶ Joan Walters, “Le Droit joins newspaper shuffle,” *Ottawa Citizen*, Nov. 11, 2000.

BCE control of the *Globe and Mail*, the *Globe's* ROBTV financial news channel and the nine Web sites of Globe Interactive, including the profitable Workopolis.com job site, which is jointly owned by the *Toronto Star*. BCE controls 70.1 percent of the new company, the Thomson Corp. controls 20 percent and the Thomson family holds the remaining 0.8 percent.²⁷ Meanwhile, Quebecor had, after a protracted struggle with Rogers, purchased the Quebec-based cable company, Groupe Vidéotron, which included the French-language TV network, TVA.

So, in 2000, the issue of concentration of ownership of newspapers became one of control of the media, as the large media companies moved to consolidate various “content providers” and delivery systems, and these two giant players, BCE and CanWest entered—and significantly altered—the newspaper business. Among them, a few “Titans of Convergence,” as *MacLean's* magazine called them,²⁸ controlled what some might consider an alarming amount of Canada's media:

- The two national private English television networks (CanWest/Global and BCE/CTV) and the largest private French broadcaster (Quebecor/ATV)
- About half of its cable services (Rogers and Quebecor/Vidéotron;) and the larger of the country's two satellite TV providers (BCE/ExpressVu). Shaw owns most of the rest of Canada's cable service, as well as the country's second satellite provider, Star Choice
- The largest telephone company (BCE/Bell and Bell Mobility)
- Some 55 magazines, including *Maclean's*, and *Chatelaine* (Rogers)

²⁷ Susanne Craig, “Thomson beats estimates,” *Globe and Mail*, Nov. 10, 2000.

²⁸ Katherine Macklem, “A media colossus,” *Maclean's*, Sept. 25, 2000.

- The two largest newspaper chains (CanWest and Quebecor) and both of Canada's national newspapers (BCE/*Globe and Mail* and CanWest/*National Post*)
- The country's most popular web portals (BCE/Sympatico, Quebecor/Canoe, CanWest/Canada.com) And two of its largest internet providers (Sympatico and Rogers)
- Sundry TV stations and specialty channels, e-commerce sites and one sports team (Rogers/Toronto Blue Jays)²⁹

Since then, the only major changes have been: the selloff of smaller newspapers by CanWest; CHUM's acquisition of the Craig broadcast holdings and subsequent sale of Toronto 1 to Quebecor, partly in exchange for total control of Toronto's all-news channel CablePulse 24.

As Ben Bagdikian warned, the more that control of the media becomes concentrated in the hands of a few owners, the greater the risk posed to the free flow of information in a society:

“No small group of organizations is wise enough or unselfish enough to provide most of the news, information, scholarship, literature and entertainment for a whole society ...”³⁰

Hollinger completed its withdrawal from Canada in 2001, when Black sold his 50 percent share of the *Post* to the Aspers and stepped down from his position as publisher of the paper. In 2002, CanWest sold off most of the smaller properties to pay down some of the debt it had accrued in buying up the Hollinger papers. Groupe Transcontinental, the Montreal-based publisher of community papers and consumer

²⁹ Macklem, “A media colossus.”

³⁰ Doug Underwood, *When MBAs Rule the Newsroom* (Columbia University Press, 1995), p. 22.

magazines such as *TV Guide*, paid \$255 million for all of CanWest's Atlantic Canada papers, and some small papers in Saskatchewan. A year later, CanWest unloaded 30 small Ontario papers, including four dailies, to the Osprey Media Group for \$193.5 million. Osprey was formed in 2001 by Michael Sifton, to purchase 29 small papers in Ontario that Hollinger had up for sale. This has, in effect, created two new newspaper clusters: GTC's Maritime papers, which include the *Halifax Daily News*, and the main papers in Prince Edward Island and Newfoundland; Osprey's chain of small-market dailies in Ontario, the largest of which are the *St. Catharines Standard* and the *Kingston Whig-Standard*, both with circulation in the 30,000 range.³¹

In 2004, the number of dailies in Canada stands at 102, collectively selling about five million copies per day. There are only nine multi-newspaper cities—Vancouver, Edmonton, Calgary, Winnipeg, Toronto, Ottawa, Montreal, Quebec City and Halifax. However, because CanWest owns both the *Province* and *Sun* in Vancouver, and with Calgary, Winnipeg, Ottawa, Quebec and Halifax each having one large-circulation broadsheet “newspaper of record” and one tabloid “niche publication,” true newspaper competition exists only in Toronto (with three broadsheets and one large-circulation tabloid) and francophone Montreal (with two broadsheets and one large-circulation tabloid, which is also the most widely read paper in the city). Anglophone Montreal is a one-newspaper town, served by CanWest's *Gazette*. There are only four remaining Independent dailies: *L'Acadie*

³¹ “The Ultimate Guide to Newspapers,” the Canadian Newspaper Association Web site, www.cna-acj.ca/client/cna/ult.nsf/CnaSearch.

Nouvelle in Caraquet, N.B.; *Le Devoir*; *The Flin Flon Reminder* in Manitoba; *The Whitehorse Star*.³²

Meanwhile, such smaller companies as Osprey and GTC have turned their backs on convergence and seem to be doing very nicely—as have several larger ones, such as Astral, Alliance-Atlantis, Corus and Torstar. (Although, in this company's case, it was more a case of dumb luck than design; Torstar had tried to converge several times and nothing had worked out.) As Carleton's Christopher Dornan said after the GTC sale: "They're staying away from (convergence) because it doesn't make any financial sense at this juncture."³³ By mid-2002, with the dreams of AOL-Time Warner, Vivendi and Bertelsmann—names in the 1990s and early 2000s that had been invoked as models for the future—lying in pieces, such business commentators as Brian Milner were declaring convergence dead:

The brief era of convergence is over. No one wants to hear any more about the wonderful synergies to be gained from marrying content and technology, new and old media, from combining telecom and cable, film studios and the Internet, wireless and music. The markets have drubbed the leading proponents mercilessly and most of the top apostles and evangelists are either out of a job or soon will be. Media, telecom and Internet companies are careful not to use the word these days. If they are still believers, most are worshipping in secret, like members of a banned religious sect.³⁴

It also was becoming increasingly obvious that the pool of advertising in Canada was too small to support the convergence dreams. As Gordon Pitts points out, ad spending, like many other things, suffers from proximity to the U.S. market.

³² Ibid.

³³ Gillian Livingston, "Smaller media companies buy up newspapers but reject convergence strategy," Canadian Press, June 10, 2002.

³⁴ Brian Milner, "Convergence has become a four-letter word," *Globe and Mail*, July 29, 2002.

Canadian ad spending is lower than the United States even on a per capita basis, because of the constant spillover of ads from the U.S. media. Canadian media companies have to be inventive. But not every client in Canada is going to be interested in a national converged advertising project. According to Hugh Dow, a veteran media buyer ... the national convergence market consists of only 25 to 30 large clients, which both CanWest and Bell Globemedia are targeting, each with positive results. ... But the dollars were still small and the jury was still out on long-term impact. ... These projects were coming to market at a time when advertising spending was languishing in the wake of the dot-com collapse, and then along came the September 11 [2001] terrorist attacks in the United States.³⁵

At the same time, three of the big convergence players—and several of the specialized media companies, such as Astral, CHUM and Alliance-Atlantis—are heavily dependent on television advertising sales for much—or most—of their profits. And there is a device just entering Canadian homes that will make it extremely difficult to convince advertisers of the value of all but the most premium commercial slots. No doubt, commercial time will continue to be valuable in live, event programming—like the Olympics, the Academy Awards, the Stanley Cup playoffs and the Superbowl—where viewers tend to tune in at the beginning and stay right through. Regular, day-to-day programming, however is under attack from a hard-drive recording device that will allow viewers to eliminate commercials from their viewing schedule. The DVR—digital video recorder, also known as the TiVo—enables viewers to select an entire evening of television programming, eliminate the commercials, and begin watching while the machine is still recording. This means that, given that there are only 22 minutes of programming in a half hour of television, someone could start watching three hours of prime-time programming a half hour after it goes to air, and see it all in 2½ hours, commercial free. Canadian advertisers

³⁵ Gordon Pitts, *Kings of Convergence* (Doubleday Canada, 2002), P. 251.

spend about \$2.6 billion per year on TV commercials, which viewers are increasingly able to avoid.³⁶ This means that a) advertisers will be looking to other venues for their message, such as product placement in programming—which would benefit the makers of television series, and not the broadcasters—and newspaper display ads. b) The only truly mass medium left—and the best venue for display advertising—continues to be print.

In 2004, the Canadian media scene shifted dramatically, when Craig Media, with its string of TV stations in the West, was bought by CHUM, with its string of TV stations in Ontario and on British Columbia's Lower Mainland and Vancouver Island. Craig was reeling under heavy losses from the launch of its Toronto 1 TV Station in 2003. This moved CHUM into a position to become Canada's fourth national TV network (at least, from Ontario west) and moved it into the big five. It also put Toronto 1 on the block. Because CHUM owns two other stations in the Toronto market—City TV and the “New VR,” in Barrie—the federal broadcast regulator would require CHUM to divest itself of Toronto 1. Prospective buyers included Quebecor, Alliance-Atlantis and the *Toronto Star*, which had applied for a Toronto TV licence but lost out to Craig. The station went to Quebecor (see Chapter 6 and Appendix A), which seems to be slowly leaving its Quebec-media cocoon. CHUM—only a couple of years earlier considered a takeover target because of its reliance on one medium—was suddenly the very model of a modern media success story. In its third quarter of 2004, the company was showing enviable growth, with

³⁶ Richard Blackwell, “DVRs seen imperilling TV advertising,” *Globe and Mail*, Oct. 29, 2003.

reported profits of \$14.4 million, a 44 percent increase from \$9.9 million a year earlier.³⁷

City-TV founder and media guru Moses Znaimer—one of the rumoured prospective buyers for Toronto 1—goes so far as to say convergence was never more than another buzzword for another round of consolidation, like the one we saw in the 1960s, when, for example, Columbia Pictures, Columbia Records, CBS TV, Time-Life publishing and even Fender Guitars were gathered into one company, which no longer exists. CHUM is a success story, he says, because “we stuck to what we know how to do best—broadcasting movies, music and local news.”³⁸ By that, he means the concept of City-TV has been spun off very successfully to include such specialty channels as Bravo! Space: The Imagination Station, BookTelevision, Canadian Learning Television, Drive-In Classics, and MuchMusic and its related satellite services, not to mention all the locally oriented City-style channels the company has acquired or launched in Ontario and B.C. The content of every one of these has its origins in City. In that way, it’s the TV equivalent of Sun Media—a franchiser of one successful concept. Znaimer’s famous slogan for this concept is “flow before show,” or style before content.

Many media observers argue that journalists are: micro-managed; deprived of the job security that allows them to be responsible to their professional standards; selected according to their ideological sympathies; forced by deadline and workload

³⁷ Richard Blackwell, “CHUM quarterly profit soars, *Globe and Mail*, July 16, 2004.

³⁸ Telephone interview with City-TV founder and former Chum executive Moses Znaimer, March 3, 2003.

constraints and management pressures to deliver information to the public that often amounts to relaying a party line given to them by the very corporate and government interests they are supposed to be investigating on the public's behalf. As Doug Underwood puts it:

Many journalists are finding it tougher to question authority out in the world when they are being pressured to become loyal corporate soldiers inside their organizations. To fit into the newspaper's design and packaging needs, preplanning is essential and reporters are expected to fulfill their role within the system dutifully and without complaint. Editors, who need to allot space in the news pages well in advance, prefer stories that are predictable, come in with plenty of lead time, and fit the preconceptions that have already been discussed in editorial meetings ... No matter how fervent their protests, the lives of newswriters have become increasingly circumscribed by performance standards and management systems designed to insure greater productivity, by bosses trained in the new techniques of scientific management, by readership surveys, and by editors who have joined the marketing team.³⁹

Underwood, writing in the early 1990s, failed to foresee flexible specialization, which crept into the business through the rest of the decade. Vincent Mosco defines the term as “a transition to a production system based on the manufacture of a shifting and diverse range of products, customized to fit specific market segments, and produced with sophisticated (‘intelligent’) machinery and an adaptable, skilled labor force.”⁴⁰ Newspapers, with their various sections and special inserts, have always customized their product to fit specific market segments—and with the Internet are finding new ways to do this. Computer editing and pagination have eliminated a large section of the newspaper workforce—the printers and engravers who used to physically put the type and photos on pages. For newsroom

³⁹ Underwood, *When MBAs Rule the Newsroom*, p. 163.

⁴⁰ Vincent Mosco, *The Political Economy of Communication* (Sage, 1999), p. 58.

workers—and even more so for advertising and classified-sales people and delivery drivers working on commission—the formula is one of workforce commodification that achieves maximum advantage and profit for the employer with minimum investment and commitment. As far back as 1970, Alexander Ross, writing the report for the Davey Committee on concentration of ownership in the media, had this to say about the Canadian newsroom:

The most insidious effect of journalistic monopolies ... is the atmosphere they breed. Every reporter soon learns that there are only a few newspapers where excellence is encouraged. ... Often, you can see it in their faces. Most Canadian city rooms are boneyards of broken dreams.⁴¹

“Boneyards of broken dreams” may be a bit overwrought, but there’s no question the chains’ method of operation is designed to exploit workers by placing them in smaller pools serving greater audiences—as Sun Media and CanWest have done with their centralized culture coverage and CanWest has done with its central news desk in Winnipeg (see Chapter 3)—thus limiting the range of interesting jobs available, and maximizing the monetary return on journalists’ work.

Despite the soft, human-resources jargon that surrounds the newsroom culture, this world is a rigid one, in which corporate values are enforced in subtle but effective ways, and non-conformists are not tolerated. Freelancers (piece workers) and contract workers are less likely to challenge the order of things than full-time employees and—as in many industries—the Fordist ideal of a stable, well paid labor force, enjoying increasing job security as it advances in experience, has been shattered by news companies out to gather and process materials as cheaply as

⁴¹ John Robert Colombo, *Colombo’s All Time Great Canadian Quotations*, from the Electric Library of Canada (www.elibrary.ca/).

possible. As Neil Reynolds said, a year after becoming editor of the *Ottawa Citizen*, “I think there is very much a sense of the priesthood in any newsroom,⁴² where if you’re on staff, you’re privileged, and if you’re not on staff, it’s very tough to get in.”⁴³ This arrangement creates a cautious, docile and uncreative workforce: those who are employed full time are very loathe to challenge authority, for fear of losing their privilege; those on contract are kept in line by the prospect of not having their contracts renewed; those who have a freelance relationship with the paper are forced to hustle hard for minuscule rates, tantalized by the prospect of moving up to a contract or a full-time job and fearful of being cut out of what is often the only market in town.

Historically, newsroom workers always have been subject to manipulation by owners and managers who play on journalist’s feelings that their work is a “sacred calling.”⁴⁴ William S. Solomon describes the newsroom situation as having evolved from one of “simple control” over small work forces—“a single entrepreneur, usually flanked by a small coterie of foremen and managers who exercised power personally”—to a more complex and hierarchical organization, but one still designed to exploit them by claiming “a public service mandate that allowed publishers to submerge their profit motive within an appeal to their newswriters’ sense of duty.”⁴⁵ While unionization and a heightened sense of professionalism in the business combined to improve conditions for newswriters through the 20th century, Solomon

⁴² As we will see later, this sort of religious imagery tends to pop up quite often in the newsroom-labour context.

⁴³ Andrew Wahl, “Capital Offences,” *Ryerson Review of Journalism*, Spring 1998.

⁴⁴ There’s that religious imagery again.

⁴⁵ William S. Solomon, “The Site of Newsroom Labor: The Division of Editorial Practices,” *Newswriters: Toward a History of the Rank and File*, Hanno Hardt and Bonnie Brennen eds. (University of Minnesota Press, Minneapolis), p. 119.

writes, “new technologies and media mergers improve newspaper corporations’ leverage over newsroom workers” to the extent that their situation is reverting back to that of the 19th century, when newswriters were poorly paid—often less than so-called “crafts” workers—badly treated and enjoyed no job security:

In the late 19th century, U.S. capitalism’s transition to a corporate phase drove the commercial press’s development, enlarging newsroom staffs and fuelling an increased division of labour. At the same time, the rising costs of owning a newspaper were moving ownership of the means of production beyond the financial reach of most newswriters. Underlying these changes in political economy was a long-standing ideological component, one that infused newswriting with a thoroughly individualistic, middle-class ethos. Caught between their public service ethic and their self-image on the one hand and their employers’ capital accumulation strategies on the other, newsroom workers suffered. Today, as corporate capitalism becomes increasingly global, newsroom workers again face worsening work conditions. So, like their counterparts of more than a century ago, today’s newsroom workers increasingly are coming to view their work as combining a sacred trust with a temporary job. The consequences for the public sphere—in a country that identifies itself as having a well informed citizenry that is becoming even more so, by moving onto an information superhighway—are unpleasant, at best.⁴⁶

One way the new technology and the “increasingly global” nature of the media business work in favor of management and against newsroom workers is through spatialization of the newsroom labor force, by using and reusing work produced by staff members to get more value for less money—as we see again with CanWest’s national news desk in Winnipeg. Newspaper chains annihilate space with time, to use Marx’s term, by transmitting the work of writers to as many markets as possible. Through electronic technology and because holdings are spread through dozens of markets, an employee of a chain working at one paper, almost

⁴⁶ Solomon, “The Site of Newsroom Labor: The Division of Editorial Practices,” p. 131.

instantaneously and often unknowingly, also can become an “employee” of a newspaper thousands of kilometres away.

This is not to say managers are guaranteed to thrive in the modern newsroom. As was pointed out in the previous section, the newspaper editor has been transformed from someone who concentrated all her or his energy on news judgment, editorial leadership and quality control, to a hybrid of marketer, manager and editor. Today’s editors split their time between newsroom activities and costing, marketing, promotion and budgets. Not surprisingly, many in the levels that were previously untouched by corporate planning would have preferred it remained that way—as is illustrated by these quotes, about a decade apart, from articles in two trade magazines:

Fifteen years ago, editors were editors. Today, they are editor-managers. They direct the editing of the newspaper with one hand and, with the other, they are deeply involved in business management. This editor is expected to carry on in the best traditions of journalistic excellence, but also is expected to share the responsibility for the newspaper as a “profit centre.” Many editors discovered that this dual obligation created unfamiliar stresses.⁴⁷

We too often have corrupted the city desk with those “endless imbecilities of high command.” Instead of talking to a reporter, the city editor audits time cards. Instead of editing copy, the city editor writes a memo about expense accounts. Instead of reading the competition, the city editor goes to a management meeting. ... I submit that we run the risk of alienating our basic resource—reporters.⁴⁸

⁴⁷ Underwood, *When MBAs Rule the Newsroom*, p. 29. Bill Gloade, “Stress has significant presence in newsrooms,” *Editor and Publisher*, Nov. 12, 1983.

⁴⁸ Ibid, p. 31. John McMillan, Jonathan Kwitny, “The high cost of high profits,” *Washington Journalism Review*, June 1990

Money is not the only interest of large newspaper chains, writes Ben Bagdikian. The ability to exert influence over society and politics is another large attraction for media players:

“Market dominant” corporations in the mass media have dominant influence over the public’s news, information, public ideas, popular culture and political attitudes. The same corporations exert considerable influence within government precisely because they influence their audiences’ perception of public life, including perceptions of politics and politicians as they appear—or do not appear—in the media.⁴⁹

As Bagdikian points out, newspapers have subtle ways of wielding that influence to advance a social or political agenda, not just with their op-ed pages but with the position, placement and repetition of the news. They have “the power to treat some unliked subjects accurately but briefly and to treat subjects favorable to the corporate ethic frequently and in depth.”⁵⁰ Bagdikian invokes the axiom that no one can tell the public what to think—only what to think about.⁵¹

As William S. Solomon points out, the evolution of commercial journalism, from the penny press and the yellow journalism of the late 19th and early 20th century, to the mass-market dailies of today, led newspapers to try to appeal to a broader cross-section of the population. “Whereas the partisan press served the political elite, the earliest penny papers were a step toward addressing the whole populace ...”⁵² Some Canadian newspaper observers noted a tendency on the part of the papers controlled by Hollinger and then CanWest to reverse the process, aiming to

⁴⁹ Ben Bagdikian, *The Media Monopoly* (Beacon Press, 1992), pp 5-6.

⁵⁰ Ibid, P. 15

⁵¹ Ibid. p. xxviii.

⁵² Solomon, “The Site of Newsroom Labor: The Division of Editorial Practices,” p 113.

create a sort of neo-partisan press that appeals mainly to the business and political elite.

Such commentators as Taras, and Robert Hackett and Yuezhi Zhao argue that many, if not most, Canadian newspapers are promoting a neoconservative political—and neoliberal economic—agenda. Hackett and Zhao argue that one way this agenda is being presented is through constant use of manufactured news that comes to newsrooms courtesy of corporate promotion and right-wing think tanks. “More and more of what passes for news is ... commercial and institutional propaganda,” they write. Newspaper content ranges from 40 percent to 80 percent material delivered to newsrooms by public relations professionals, who outnumber North American journalists by about 165,000 to 140,000.⁵³

Hackett and Zhao also point out that, during a one-year period, the ultra-right-wing Vancouver think tank, the Fraser Institute, was quoted in 140 Canadian newspaper stories, while the left-wing Canadian Centre for Policy Alternatives (CCPA) was referred to in just 16.⁵⁴ This is backed up by Simon Fraser University’s *Newswatch Canada*, which reports that during a four-month period of study in 1996, right-wing think tanks received 68 percent of all references in 14 mainstream newspapers, the CBC and CTV, and left-wing think tanks got only 19.5 percent—and that includes even the “liberal” *Toronto Star*, which referenced right-wing think tanks 64 percent of the time.⁵⁵

⁵³ Robert A Hackett and Yuezhi Zhao, *Sustaining Democracy? Journalism and the Politics of Objectivity*, (Garamond Press, 1998) p. 158.

⁵⁴ *Ibid.*

⁵⁵ Brent Stafford, “Think tanks in the news,” *Newswatch Canada*, April 1997.

In 1999, Taras pointed to three developments that have caused this transformation of Canadian journalism into a mouthpiece for the New World Order: the rise of such right-wing pundits as Diane Francis, William Watson, Peter Worthington, Barbara Amiel, David Frum and Andrew Coyne; the expanding power of Paul Godfrey, head of Quebecor's Sun Media newspaper chain (who has, since Taras wrote, resigned and been replaced by former Progressive Conservative prime minister Brian Mulroney, someone unlikely to swing the *Sun* papers away from their pro-Conservative Party politics), and Conrad Black (who has been replaced by the Brothers Asper,⁵⁶ whose right-wing leanings are well documented); and the emergence of those think tanks. One could argue that Taras was breaking one development down into its components: the control of most of the nation's print media by companies that choose to champion a neoconservative ideology.

He went so far as to write that most of the print-media political discourse in Canada was being narrowed to reflect the viewpoints of Godfrey and Black, whom he defined as right-wing corporate ideologues.⁵⁷ Taras argued that neoconservatives "need not despair" that the Canadian Alliance and Progressive Conservative parties have split the vote, effectively keeping the extreme-right agenda out of federal politics, because "a right-wing agenda dominates public debate."

Whether it's the dismantling of the welfare state and the health-care system, the retreat of governments from direct involvement in the economy, pressures to deliver deeper tax cuts, the widespread acceptance of free trade, or the increased salience given to law and order and "family" values, conservative perspectives have shaped the policy debate in dramatic ways.⁵⁸

⁵⁶ Israel Asper passed away in October 2003. His sons Leonard and David run CanWest.

⁵⁷ David Taras, *Power & Betrayal in the Canadian Media* (Broadview, 1999), p. 200.

⁵⁸ *Ibid.*

Three years later, though many things had changed in the Canadian media, Taras remained convinced that the Canadian media were not serving democracy.

Now, I think the problems of democracy remain, because you want to ensure that owners don't have a stranglehold on editorial opinion, and that many flowers can bloom. The fact that we have newspaper wars in places like Toronto, I think, is very, very healthy—one newspaper war, in Toronto—and the fact that we don't have them elsewhere is probably not as healthy as I'd like to see.⁵⁹

The reorganization of the media has not taken place in a vacuum. Much of what is described above is concurrent with, and complementary to, a realignment of power and privilege within society. "The last [20] years have brought deepening class divisions," Vincent Mosco writes, "as neoconservative governments introduced austerity policies that reduced spending for social services, education, and health care, as they lowered taxes for the upper classes and generally promoted budget austerity."⁶⁰ And Herbert Schiller argues that "the diminution of public expression and influence ... is the result of deliberate and successful efforts to reduce, even eliminate, the public realm in favor of the corporate sector."⁶¹ As Mosco writes, this has had an inevitable effect on the standard of living:

[F]rom 1977 to 1989 ... 60 percent of the after-tax income gain went to the top 1 percent of [U.S.] families. Thirty-four percent of the gain went to the top 20 percent, and the bottom 80 percent had to settle for the remaining 6 percent of increased income. Back in 1959, the top 4 percent of U.S. wage earners received the same wages in salaries as the bottom 35 percent. By 1989, the gap had widened to the point that the top 4 percent took in as much as the bottom 51 percent of workers. (Bartlett and Steele, 1992: ix) In part, because of this U.S. pattern and, in part, because its government of the 1980s shared the neo-conservative perspective

⁵⁹ Telephone interview with David Taras, professor of General Studies, University of Calgary, Aug. 8, 2002.

⁶⁰ Mosco, *Political Economy of Communication*, p. 218.

⁶¹ Herbert Schiller, *Culture Inc.* (Oxford University Press, 1989), p. 67.

of its southern neighbor, Canada experienced comparable growth in class distinctions. These were cushioned to a degree by a more substantial social-welfare system, but this, too, met with regular attacks from business and government. The class character of these societies is reflected in media access and use. For example, there is a clear correspondence between income and the likelihood of a personal computer in the home.⁶²

This has obvious significance for newspaper companies who increasingly are seeking out only the affluent as their audience—increasingly, it is only the affluent who *are* an audience for advertising. Robert W. McChesney argues that there is a strong link between a wealthy media and a declining democracy:

The media system is linked ever more closely to the capitalist system, both through ownership and through its reliance upon advertising, a function dominated by the largest firms in the economy. Capitalism benefits from having a formally democratic system, but capitalism works best when elites make the most fundamental decisions and the bulk of the population is depoliticized. For a variety of reasons, the media have come to be expert at generating the type of fare that suits, and perpetuates, the status quo.⁶³

Certainly, as the CanWest papers become ever more trivial and chatty, and as Quebecor concerns itself with cross promotion—such as the successful use of *Le Journal de Montréal* to sell the TVA series *Star Académie* (see Chapter 6 and Appendix A)—the outlets for serious news in Canada are more and more limited to the *Globe and Mail* and *Toronto Star*. One is national and the other is mass market; neither is mass market and national. The notion that there is an elitist mentality at work behind at least some of this got credence from the source in 1996. At that time, Conrad Black's wife, the extreme-right-wing newspaper columnist Barbara Amiel,

⁶² Mosco, *Political Economy of Communication*, p. 219. The "Bartlett and Steele" citation refers to *America: What Went Wrong*, by Donald L. Bartlett and James B. Steele (1992. Kansas City: Andrews and McMeel).

⁶³ Robert W McChesney, *Rich Media, Poor Democracy*. (University of Illinois Press, 1999). p. 3.

who was very influential in the Hollinger empire, told a Canadian Association of Journalists' Women in the Media convention:

I'm not afraid to suggest it is time for newspapers to turn into cultural, literary and public affairs experiences for those large numbers of sophisticated readers who want that experience. ... The newspapers that will survive and prosper are those we take up-market.⁶⁴

There is a slightly menacing—and a profoundly anti-democratic—tone to Amiel's words: Certain newspapers deemed worthy of investment were to be fattened up for a select audience, chosen for its influence and appeal to national advertisers. The rest, presumably, were there only to provide cash flow for the “cultural, literary and public affairs experience” of the important dailies, or to be sold to pay down debt. This was supported by some things Black's people were saying. When Hollinger took over the *Ottawa Citizen*, the paper was purged of such left-wing heretics as editorial page editor Peter Calamai, who told John Miller:

Black is a person who thinks what matters is speaking directly to the people who have influence, speaking directly to the people who have their hands on the levers. ... The fact that you haven't helped most of your readers one iota to understand what the issues are is immaterial, because they don't count. They're merely to be brought along, to be manipulated and taxed.⁶⁵

And then there is former *Ottawa Citizen* editor Reynolds (later editor of the *Vancouver Sun* and now retired), who told the annual meeting of the Canadian Newspaper Association in 1997 that he sees his role as being to communicate with “certain key groups in the community.” Running down the order of priorities,

⁶⁴ Miller, *Yesterday's News*, p. 78.

⁶⁵ Miller, *Yesterday's News*, p. 78.

Reynolds listed Conrad Black, government officials and public policy makers, business people and professionals, then ordinary readers.⁶⁶

Conrad Fink warns of “dramatic changes” in the structure of newspaper audiences, with cities growing out and annexing affluent populations, and with other affluent residents fleeing farther from the city cores. “Roughly two options are open to a newspaper that is anchored downtown ... adjust to market change and follow the affluent, recapturing them in the suburbs, or ...wither and die.”⁶⁷

The success of the *Sun* and *Journal* papers would seem to fly in the face of this, until you consider the words, quoted in Chapter 2, of Wayne Parrish, former Sun Media executive and onetime editor-in-chief of the *Toronto Sun*:

One of the well kept secrets, as it were, about the *Toronto Sun* ... was how upscale the readership was. At one point in those years, the proportion of our readers who were white collar was higher than the *Toronto Star*'s.⁶⁸

Rather, as David Taras argues, the Sun Media papers are part of what Watergate journalist Carl Bernstein called an “idiot culture”—which, as his quotes indicate in Chapter 2, is not the same as saying the papers are not to be taken seriously. A media culture that promotes and embraces Jerry Springer, Howard Stern, reality television and Wrestling has “tabloidized” almost all aspects of cultural and news.⁶⁹ In fact, one of the challenges facing the Sun Media papers is how to compete with broadsheet newspapers that have—particularly in the case of the *National*

⁶⁶ Ibid.

⁶⁷ Conrad Fink, *Strategic Newspaper Management* (Allyn & Bacon, 1996), p. 37.

⁶⁸ Telephone interview with Wayne Parrish, former *Toronto Sun* General manager, *Toronto Sun* editor-in-chief, Sun Media executive and president of Canoe, July 3, 2003.

⁶⁹ Taras, *Power & Betrayal in the Canadian Media*, p. 47.

Post—adopted the style and much of the content of the Sun formula. So, it is by no means a given that Quebecor's papers are automatically down-market products.

As for the strategy of herding and amusing the masses and cultivating the elite—something it would appear that the Aspers are carrying on—from a short-term economic perspective, this strategy may make sense, but in the long run it could prove a disaster for newspapers and society. Disenfranchising a large part, if not most, of the population—or “redlining” them, to use the term *en vogue* among transnationals, as in to draw a red line through a place on a map, when one decides to write it off—is a potentially dangerous thing for democracy. Bagdikian writes that, while owners convert their papers into “primarily carriers of advertising,” advertisers want affluent readers between the ages of 18 and 49. This means newspapers control the readership by gearing their coverage to reflect the audience in affluent neighborhoods, where they promote their circulation. At the same time, they cut back on reporting of neighborhoods without the desired demographics, primarily where low-income people and the elderly live.

The ‘unwanted American population’ that is systematically discouraged by advertising-supported media is not small. In 1984, families with less than the median combined income, an undesirable income level for major media, constituted 50 percent of all American families.⁷⁰

More ominously, Michael Schudson writes:

This process leads to news content that is less and less relevant to blue-collar citizens who were once reliable newspaper subscribers. The newspaper, in short, in its upscale move, has significantly authored its own irrelevance.⁷¹

⁷⁰ Bagdikian, *The Media Monopoly*, p. 199.

⁷¹ Michael Schudson, *The Power of News* (Harvard University Press, 1995), p. 182.

Even “liberal” newspapers, such as the *Toronto Star*, need to maintain profitability, and that tends to encourage them to promote the standard corporate party line, because they’re part of the corporate world. “The chain owners are not so much politically conservative as risk averse, which generally comes down to the same thing,” Schudson writes.⁷²

In other words, advertiser and shareholder pressure are combining to disenfranchise a huge slice of the population, in effect excluding them from what James Carey calls democracy’s “conversational public.”⁷³ And, as Michael Schudson has noted—and one of Urban’s myths pointed out—the newspaper that moves upscale at the expense of the working-class reader “has significantly authored its own irrelevance.”⁷⁴

Newspaper empires—as Conrad Black has been fond of pointing out—are not run in an imperial way. The average media baron, the argument goes, has no time to dictate the editorial policy of each newspaper under his command—much less vet each story that appears in each paper. This argument implies a benign neglect on the part of the top management of newspaper chains: As long as the papers turn a profit, they’re free to pursue any editorial policy and practise any management philosophy they choose. This is nonsense. Any media company—like any other company—that wants to enforce a set of standards and practices throughout its operations need only select a handful of “right-thinking” individuals and place them in key positions.

Newspapers operate like religions; the person at the top sets the dogma and enlists

⁷² Ibid, p. 175.

⁷³ James Carey, “The Press, Public Opinion and Public Discourse,” *James Carey, A Critical Reader* (University of Minnesota Press, 1997), p. 218.

⁷⁴ Schudson, *The Power of News*, p. 182.

True Believers to guide the various dioceses. Then the Word is carried throughout the land.

It's interesting how often religious imagery pops up. For example, when *Ottawa Citizen* publisher Russ Mills's future was hanging in the balance, after Hollinger had taken control of Southam, Black said he was allowing that Mills had undergone "grace of conversion."⁷⁵ This is a term Black invoked again during the *Calgary Herald* strike of 1999-2000, when he said he would welcome back striking employees who "have the grace of conversion and want to function as employees instead of staging an NDP *coup d'etat* in the newsroom ..."⁷⁶ (Also, see the "priesthood" comments by Neil Reynolds, above.)

As University of Calgary professor and media critic David Taras argues, it is not necessary for an owner to have his hand in the daily running of newspapers. Owners, Taras points out, hire managers in their "own image" (unconsciously, perhaps, Taras adopts the ecclesiastical tone of certain Hollinger executives). He quotes Hollinger president David Radler: "[I]f editors disagree with us, they should disagree elsewhere."⁷⁷

The machinery that produces ideology in a media organization may have been best described by Noam Chomsky:

[T]hose who occupy managerial positions in the media, or gain status within them as commentators, belong to the same privileged elites, and might be expected to share the perceptions, aspirations and attitudes of their associates, reflecting their own class interests as well. Journalists entering the system are unlikely to make their

⁷⁵ Jennifer Wells, "Winds of change: Black orders a shakeup at the *Ottawa Citizen*," *Maclean's*, Nov. 11, 1996.

⁷⁶ "Bishop responds to Conrad Black's treatment of Herald strikers," *Catholic Register*, March 21, 2000.

⁷⁷ Taras, *Power and Betrayal in the Canadian Media*, p. 213.

way unless they conform to these ideological pressures, generally by internalizing; it is not easy to say one thing and believe another, and those who fail to conform will tend to be weeded out by the familiar mechanisms.⁷⁸

If there has been much change in the Southam chain's political position under CanWest-Global, it has been hard to find. Initially, the feeling was that the paper would shift from ultra-conservatism and support for the Canadian Alliance party, to small-C conservatism, and support for the federal Liberal party, and that the *National Post* might shed its reputation for being in favor of all things Republican and Reform, and for despising almost everything Canadian. Family patriarch Israel Asper had once run for the Liberal party in his native Manitoba, and had close ties to the federal leaders and to Prime Minister Jean Chrétien. And, where Black was a self-styled patrician with strong Central Canadian-Establishment roots, Asper was a Westerner, a jazz fan, a proprietor of the lowest-common-denominator Global Television Network and something of an outsider. One thing Asper had in common with Black, though, was an eagerness to use his publications as a venue for his opinions, and he wasted very little time in using his new pulpit to put forward his political views. In fall of 2000, a Saturday edition of the *Post* carried a signed editorial by "I. H. Asper, O.C., O.M, Q.C." calling for a Liberal majority government with a strong Alliance Opposition in the following Monday's election.⁷⁹ And, as we saw in Chapter 3, in 2001, the Aspers—Israel, and his sons Leonard and David—launched a hamfisted campaign to exert their control over the Southam newspaper chain—which became

⁷⁸ Noam Chomsky, *Necessary Illusions, Thought Control in Democratic Societies*, (South End Press, 1989), p. 8.

⁷⁹ I. H. Asper, "Liberal Majority with a strong opposition," *National Post*, Nov. 25, 2000.

something of a public relations disaster but, nevertheless, put the newspaper chain much more firmly under head-office control.

As Lawrence Martin pointed out recently, the ideological bent of the Canadian media has left the country in a strange position: Our news media don't represent the views of Canadians. Writing in 2003, Martin echoed what Taras said in 1999: That almost all of Canada's media—specifically, CanWest, the Sun chain, the *National Post* and the *Globe and Mail*—were right-leaning and pro-American. And most of the major commentators and pundits “slant right.” Yet, “Canadians, as opinion samplings suggest, haven't migrated rightward in big numbers. It is a question of balance, and the balance—does the NDP have a chance in this media environment?—is gone. The impact on traditional Canadian values can only be corrosive.”⁸⁰

All of this taken together leaves us with a strange situation in which the public is turning away from the media, while the media are turning away from a large segment of the public.

The wild card in all of this is the World Wide Web, something that, in just a few years, went from an obscure object of desire to a consuming passion, and appears to be evolving into a necessary evil, as many newspaper companies grow disenchanted by the profit performance of dot.com enterprises and begin to scale back on their investment in new media. At the same time, as the media companies rush to colonize the Internet, the new medium often seems doomed to be not very different in content from the old media.

⁸⁰ Lawrence Martin, “It's not Canadians who've gone to the right, just their media,” *Globe and Mail*, Jan. 12, 2003.

The only Canadian media company that ever appeared cool toward the Internet was Hollinger, whose owner, Conrad Black, publicly stated as late as April 6, 2000, that TV had more to fear from the Internet than newspapers did. Television, Black claimed, had been “atomized” by the Web, and had “suffered far more erosion in the past two years than newspapers have since 1970.” He dismissed most Web-based content as “hucksterism, faddishness and cultural flim-flam.”⁸¹

Yet, the Moonie-like invocation of Webspeak surfaced even at Hollinger, showing that further down the company’s food chain, executives had fallen under the spell. In one week, in the fall of 1999, Hollinger, Torstar and Quebecor all announced new Web projects. In Hollinger’s case, it amounted to an exercise in semantics, proclaiming that its newspaper Web site, *canada.com*, would become a portal. “Portal” is a word almost no one seems to understand, and nearly everyone has interpreted to be a synonym for “money.” Robert McChesney attempts to explain:

But how do communications giants benefit from electronic commerce, unless they are selling their own products? ... This leads to the second “killer app” for the Internet: *portals*. Portals refer to the Internet services that people use to start their trek through cyberspace. They bring order to the Internet experience. More than browser software or the standard ISP, portals organize the entire Web experience and provide a “search” mechanism to bring Internet material to users as painlessly as possible ... the key elements for a portal are to have e-mail, a search engine and easy access to e-commerce. Exclusive or semi-exclusive rights to popular media content does not hurt either ...”⁸²

The questionable—almost nutty—part of this argument is the old fashioned, two-dimensional concept that Web users want something to “bring order to the Internet experience.” The idea of the portal is that the Web surfer will log on and float

⁸¹ “Newspapers will thrive in Internet age: Black,” *Ottawa Citizen*, April 6, 2000.

⁸² McChesney, *Rich Media, Poor Democracy*, pp 163-164.

around the edges, like a spacewalking cosmonaut tied to a command module. This is a strange notion to anyone who shops at eBay, Amazon, Best Buy or Future Shop, has a Google button on his or her browser and uses an ISP-provided e-mail address (using such an application as Entourage or MacMail to receive messages without having a browser running) and rarely gives his or her browser's home page time to load. It's even stranger to the kids who don't even use e-mail couriers, preferring to communicate via instant messaging. The fact that the notion of a portal defies logic seemed to be lost on the media executives for whom the word became a mantra through most of the early 2000s. In the hopeful world of executive Webspeak, terms like "brand" and "portal" were thrown around with no regard for the fact that someone surfing the Web has more freedom of choice than a person browsing a magazine stand or doing laps around the TV dial. Web browsing involves a concept of content that transcends any one brand or source. It's active, omnivorous and omnidirectional. Reading the latest news no longer involves the linear process of receiving and digesting one news package assembled by an editorial team, or even several news packages assembled by several editorial teams, but searching and collecting fragments from a variety of sources, which can span the globe and a variety of political and social viewpoints. As Jordan Worth, an analyst with International Data Corp. (Canada) Ltd., says, Web portals, so far, have failed to deliver anything beyond a standard newspaper-style mix of news, business, entertainment and sports content—indicating that, despite the incessant chanting of "content is king," editorial excellence is not very high on the list of priorities. "The kinds of things we're seeing

in terms of application and content have not been terribly imaginative. That is just not where the battle is being fought.”⁸³

In an article in 2001, Wayne MacPhail, founder and director of Southam’s pre-Conrad Black Internet division, Southam InfoLab, and a former director of content for Sympatico-Lycos, accused Canadian Web sites of serving “the equivalent of airplane food—neither offensive nor exciting to anyone.”

Sometimes that desire for blandness blocks content that is not deemed appropriate for family viewing. That’s certainly true of Bell Web properties, which appear to be targeted at the mythical Cleaver family despite being in media competition with the *Simpsons* and *Sex in the City*. And, in some cases, the desire for blandness censors legitimate voices on the political spectrum. ... Last October, when I was the short-lived director of content for Sympatico-Lycos I launched a feature called “InSite,” six columnists from across Canada — all with fresh, lively voices I wanted Canadians to hear. I was forced to kill those columns because my superiors, none of whom had any journalism experience, felt that a couple of the writers were too left-wing.⁸⁴

Not surprisingly, Michael Schudson’s comments about newspaper publishers apply just as well—perhaps better—to Internet publishers, that they are not so much politically conservative “as risk averse, which generally comes down to the same thing.”

Newspaper companies have been working on figuring out the Internet since before there was an Internet. As early as the mid-1980s, theorists were talking about the day readers would subscribe to a “paperless newspaper.” No one was quite sure what form this would take, but nearly everyone was sure it was coming—which should not have been much of a stretch for an industry that had been receiving news

⁸³ Keith McArthur, “It’s all in the delivery,” *Globe and Mail*. April 29, 2000.

⁸⁴ Wayne MacPhail, “Content? No Thanks!” *Rabble*. ca, Oct. 22, 2001, www.rabble.ca/everyones_a_critic.shtml?x=3049.

electronically from the wire services since the mid-1970s. Experiments with “videotext” and “audiotext” in the 1980s and early ’90s proved expensive and, in the case of the latter, pointless. No one ever could adequately explain why readers would want to use their phones and go through the frustrating exercise of listening to recorded instructions and punching numbers just to get their daily horoscope read to them or to hear a tinny, unintelligible version of a pop song.

In the early 1990s, however, the World Wide Web arrived and carried the Internet from the public to the private sector, and from being the province of academics, scientists, governments and computer enthusiasts to a new medium for corporations and consumers. And the dailies quickly started to move online. In 1994, the tiny tabloid *Halifax Daily News* (then an independent; later a Southam paper; now owned by Groupe Transcontinental) was the first Canadian daily to establish an online edition.⁸⁵ Since then, pretty well all Canadian dailies have moved online. Newspaper sites range from those owned by tiny community weeklies to complex sites run by giants like the *Toronto Star*, CanWest-Global, Quebecor (through Sun Media and various Internet companies, which we will look at in Chapter 6) and the *Globe and Mail* (part of the huge BCE-CTV-Sympatico Web presence). The *Globe*’s former owner and current co-owner, Thomson Corp., so believes in the Web that, in February 2000, it announced plans to sell off all its remaining Canadian dailies, except the *Globe*, and concentrate on building its Internet presence. As Richard Harrington, president and chief executive officer of Thomson explained:

⁸⁵ Canadian Newspaper Association. “Trivia,” www.cna-acj.ca/newspapers/facts/trivia.asp.

Simply stated, our strategy is to be a global e-information and solutions business. We all know the Internet is real and it will continue to transform both our customers' businesses and ours.⁸⁶

Harrington went on to explain that Thomson was holding on to the *Globe*, because the company "sees opportunities to leverage the *Globe* brand and its content."⁸⁷ Two months later, Thomson announced that, in March, its *Globe* Web sites had attracted 100 million page views. In a familiar torrent of Webspeak, *Globe* Information Services president and chief executive officer Lib Gibson praised her company's "deep sites" offering specific information categories. The sites, Gibson claimed, "have an extremely tight relationship with the viewer." The nine sites include the main *Globe* newspaper site, as well as workopolis.com, a career site that includes advertisements from the Torstar papers and *Marketing* magazine among others, ROBTv.com, an extension of the *Globe*'s cable-TV service, an auto-sales site, a book site done in partnership with Chapters, a technology site and a number of investor sites.⁸⁸

The *Globe* has had great success in using its "brand" to sell other media ventures. Further proof that extending the reach of well respected brands is one way to succeed on the Internet is the fact that two of the most successful sites are owned by the *New York Times* and the *Globe and Mail*. Lib Gibson, president of www/globeandmail.com, has said that the success of her site is the result of being linked to a respected news organization and "recognizable brand."⁸⁹

⁸⁶ Brian Milner and Susanne Craig, "Thomson takes aim at the Web in divesting newspapers," *Globe and Mail*, Feb. 16, 2000.

⁸⁷ Ibid.

⁸⁸ "Globe's Web site family breaks 100 million page view threshold," *Globe and Mail*, April 6, 2000.

⁸⁹ Andre Mayer, "Does it pay to charge for on-line news?" *Globe and Mail*, Jan. 8, 2003.

For most sites, however, “page views” don’t necessarily translate into revenue. A page view simply means someone has visited a site. And one person doing a lot of research could visit the same site many times in a day. This presents a problem when it comes to selling readers to advertisers, who have no idea how to measure the success of an advertisement on the Web, or even how to measure how many eyes see it. How does one sell “eyeballs” to advertisers? While there are obvious advantages to moving classified advertising to the Web—searchable data bases, for example—display advertising has been problematic, to say the least. The alternatives are to take commission from e-commerce transactions and to charge for content. The former is proving to be very difficult to establish. In 1994, when the founders of Canoe were travelling from one *Sun* newspaper to another explaining Canoe, one of the things they promised was an “online shopping centre.”⁹⁰ It didn’t take long, though, for such organizations as eBay and Amazon to prove that online catalogue shopping was enough of an attraction in itself that no one needed the help of a newspaper to sell it. As former Canoe president Wayne Parrish says:

[T]he way the world was unfolding with the Amazons and so on, that e-commerce was not going to be a Canadian printer or newspaper company’s game. It simply wasn’t going to be. And we struggled with providing those added-value services to Sears and their printing clients, because from my perspective, over time, those companies would do all of that themselves. The essence of the Internet was that they could do all of that themselves. Yeah, and that’s what everyone has done. To be a middle-man in that world, where you didn’t sell anything, where you only facilitated sales, and yet you had no particular competitive advantage to doing that. You didn’t have technology. You didn’t own the customers. They were your customers’ customers. It never quite made sense.⁹¹

⁹⁰ I was at the meeting at the *Ottawa Sun*.

⁹¹ Interview with Wayne Parrish.

Certainly, until just recently, there was an almost mystical belief that the companies that adapted to the new medium would inherit the Earth. In the spring of 2000, for example, Torstar CEO David Galloway announced that his company planned to invest \$40 million on Internet projects—half going into a site designed to sell Harlequin Romances to addicts of the genre. Referring to the intense four-way competition among the Toronto daily newspapers, Galloway explained Torstar's priorities with: "How we adapt to the changing environment created by the Internet technology is far more important than the short-term skirmish that is taking place in the Toronto marketplace."⁹² And, describing the scene at a convention of online TV and newspaper editors, Chip Brown, a former *Washington Post* reporter and contributing editor to *Esquire*, outlined the fears faced and the stakes played for in the wired world in the late 1990s:

These organizations knew what was at stake because they'd all printed or aired stories about how the current total of 62 million North American users was expected to grow to 150 million by the year 2002, and how by the year 2006 some 90 percent of Americans would be surfing and linking and drilling down. A huge new audience lay at the far end of their servers. The *New York Times* alone had discovered that half the three million registered users of its Web site had never bought a copy of the paper. And a survey by the Pew Research Center found that the percentage of Americans getting news online at least once a week had tripled from 1996 to 1998 to over 36 million; in the lush demographic category of under-30 college graduates, 47 percent were reading news online. And then there was electronic commerce, growing at a rate exceeding 200 percent a year. And online advertising revenues, which, while they represented less than one half of one percent of the U.S. ad budget, had nonetheless grown in a few years from virtually nothing to more than a billion dollars by February 1999.⁹³

⁹² Casey Mahood, "Torstar stresses Internet strategy," *Globe and Mail*, April 27, 2000.

⁹³ Chip Brown, "Romancing the Abyss," *fear.com*, State of the American Newspaper.

In that quote lies half the problem: The *New York Times* discovered that half of the three million registered users of its Web site are reading the paper for free. So a newspaper saves money on paper and ink, and loses it again on people who never have to fish a dollar out of their pocket to read it. The other half is the fact that advertising revenues are minuscule, compared to what newspapers bring in. On Nov. 9, 1998, *Maclean's* magazine ran a story announcing that advertising on Canadian Web sites would total \$20 million in 1999.⁹⁴ By contrast, in 1997 alone, Canadian newspapers earned \$2.3 billion from all forms of advertising—up “a spectacular 17.5% over the 1996 total of \$1.959 billion.”⁹⁵

Whether it's possible to build mass circulation on a subscription basis over the Internet remains to be seen. The largest paid subscription site on the Internet is the *Wall Street Journal Online*, and the only thing it has to say about its subscriber numbers is that it passed the 500,000-subscriber mark in 2000.⁹⁶ In the case of both the Thomson sites and the *Wall Street Journal*, it should be noted, the aim is to attract a very select, upscale audience of businesspeople and investors, so circulation is not the most important criterion for success. The *Winnipeg Free Press* went to a pay-per-view Web site in 2002, with subscribers to the print edition getting a password that would admit them to the site and online subscriptions being sold to out-of-town customers for \$5 per month. Page views immediately dropped from two million a month to 900,000 a month. However, the arrangement arrested the paper's sliding

⁹⁴ Wilson-Smith, “Chain Reactions.”

⁹⁵ “Glory days: It isn't just the strong economy that has daily advertising going gangbusters,” *Marketing*, Nov. 16, 1998.

⁹⁶ *Wall Street Journal* Web site subscriber information page: newmedia.medill.northwestern.edu/courses/nmpsring01/blue/revenue/wsj.html

circulation. In 2003, the *Free Press* reported slight gains in circulation.⁹⁷ In the past two years, the Irving newspapers in St. John, Moncton and Fredericton, N.B., and the CanWest-Global papers have gone to the same model.

It was at year's end 2000 that we saw the first signs that media companies were falling out of love with the Web. Rupert Murdoch's News Corp.—owner of the *New York Post*, the Fox Television network, and the Fox news and sports channels—and the *New York Times* announced layoffs and “severed links with online startups, WEBMD for News Corp. and TheStreet.com for the *Times*. News Corp. cut half its 450 online jobs, and the Times shelved plans to sell shares in its online unit. Meanwhile The Disney Internet Group announced losses of \$217 million for the previous fiscal year, ending October 2000.⁹⁸ Soon after, the company announced that it was closing its Go.com Web site and absorbing its independent Walt Disney Internet Group into the main company. The latter company represented such Web sites as Disney.com ESPN.com. The company announced plans to lay off 400 employees and sell the Infoseek search engine it had purchased in 1998.⁹⁹

As they scale down their Internet divisions, media companies also are bringing them closer to the fold by canceling IPOs, cutting ties with online partners and otherwise making it clear that the Web will play a mere supporting role—not a starring one—in their future expansion plans ... No one is talking about giving up on the Internet entirely. But the question is how to maintain an online presence without making investors unhappy with costly operations at a time when slow advertising is hurting the core businesses of publishing and broadcasting.¹⁰⁰

⁹⁷ Mayer, “Does it pay to charge for on-line news?”

⁹⁸ Seth Sutel, “Big Media in U.S. rethink Internet role,” Associated Press, Jan. 10, 2001.

⁹⁹ Gary Gentile, “Disney mouse doesn't click in cyberspace,” The Associated Press, Jan. 30, 2001.

¹⁰⁰ Ibid.

Robert Cailliau, head of the World Wide Web office for the European Particle Physics Lab (CERN) in Geneva, predicts that the future of the Web lays in paid content:

What you have not paid for is the actual content. What I'm thinking about is the Web equivalent of what France Telecom does with the Minitel in France for more than 15 years: You pay very small amounts of money for small amounts of information. The *Toronto Star* would put pages up and each page would be individually paid for by whomever reads it, through electronic cash. No subscriptions and passwords. No captive audience.¹⁰¹

Some observers have predicted that the Web will eventually become a junk pile of promotional materials and sales sites. And the success of eBay, Amazon.com and TicketMaster—which increased its monthly online ticket sales from 5,000 to 120,000, for \$4.5 million, in its first year of operation¹⁰²—seems to bear this out. It appears that people like the Internet when they are shopping for a specific item—concert tickets, books, memory for their computers, often esoteric, low-demand merchandise, like foreign-film DVDs, special-interest books, or CDs by unpopular artists. Meanwhile, newspaper Web sites' most popular features are spot news and archives. The advantage of the Web—as we see whenever there's a big news event, like the World Trade Center attack—is its immediacy. Thanks to the Web, anyone can be like the journalist in the newsroom, reading the developments as they come off the wires. At the same time, people use the Internet for research, and that means facts, figures and statistics, the kinds of things newspaper libraries have in abundance. A recent Statistics Canada survey showed that the most common Web activity of

¹⁰¹ Howell, "Untangling the World Wide Web."

¹⁰² Dan Schiller, *Digital Capitalism: Networking the Global Market System*. (MIT Press, 1999), p. 97.

Canadians—after “general browsing”—was searching for medical and health information.¹⁰³

The survey also revealed two other things that might have some serious bearing on how media companies approach the Web: it’s no longer the province of just the affluent, and it’s reaching its saturation point. In 2003, around 45 percent of Canadian households with incomes between \$24,000 and \$39,000 had access to the Internet, a 13 percent increase over 2002. Meanwhile, Internet use in the overall population stood at 64 percent, an increase of just five percent over 2002. In 2002, however, Internet use had leaped 24 percent over 2001. This indicates, as the *Globe and Mail* pointed out, that “the bulk of Canadians who want to get online are already there.”¹⁰⁴

So far, Robert McChesney argues, the Web has failed to live up to its promise as an anarchic force and a destroyer of the control of large corporations over the media. As he puts it:

Although I agree that the Internet will be part of massive social changes, I do not share the optimism of the Gilders and Negropontes. Their utopianism is based not just on a belief in the magic of technology but, more important, upon a belief in capitalism as a fair, rational, and democratic mechanism. The latter I find mythological ... I also agree that the Internet is changing the nature of our media landscape radically. As Barry Diller, builder of the Fox TV network and a legendary corporate media seer, put it in December 1997, “We’re at the very early stages of the most radical transformation of everything we hear, see, know.” What I wish to examine ... is whether these changes will ... pave the way for a qualitatively different media culture and society. Or will the corporate, commercial system merely don a new set of clothing.¹⁰⁵

¹⁰³ Simon Avery, “Net not just for wealthy, Statscan says,” *Globe and Mail*, July 9, 2004.

¹⁰⁴ Simon Avery, “Net not just for wealthy, Statscan says.”

¹⁰⁵ McChesney, *Rich Media, Poor Democracy*, p. 120.

McChesney, for the most part, thinks that's exactly what the Internet will be. The Web, he argues is "crucial to the global integration of the economy and many accounts see it as having extraordinary social implications for global culture and politics as well." But it is also, he quotes from *Business Week*, "a nifty way to expand a company's markets without spending a bundle on foreign subsidiaries."¹⁰⁶ What it is not, he argues, is a new media free-for-all, or a force for democracy. The companies that are dominating the Web—through "portals," "e-commerce solutions" or "brands"—are the usual suspects, the big global media companies. And they bring to the Web all their political and commercial baggage from the old media.

Something else worth noting—which was raised in the above quote from McChesney—is the fact that the Internet opens up global possibilities with no government control. A case in point is the May 17, 1999, announcement by the Canadian federal broadcast and communications regulator, the Canadian Radio-television and Telecommunications Commission (CRTC), that it would not regulate new media:

(T)he CRTC has concluded that the new media on the Internet are achieving the goals of the Broadcasting Act and are vibrant, highly competitive and successful without regulation. The CRTC is concerned that any attempt to regulate Canadian new media might put the industry at a competitive disadvantage in the global marketplace. "By not regulating, we hope to support the growth of new media services in Canada, says Françoise Bertrand, CRTC Chairperson. "The CRTC is one of the first regulators in the world to clarify its position on the Internet."¹⁰⁷

It's a safe bet that this came as music to the ears of the media companies. By "clarifying its position," the CRTC has said it will take no position. The door is open,

¹⁰⁶ Ibid, p. 122.

¹⁰⁷ CRTC news release. May 17, 1999.

and Canadian media companies would do well to remember that it swings both ways. The most aggressive Canadian players on the Web are thinking globally. That, given the size of international media players, will almost certainly mean strategic alliances with or acquisition by foreign corporations. Speaking to *The Canadian Press* after CanWest-Global had signed the agreement to take control over the bulk of Hollinger's Canadian assets, Joseph R. D'Cruz, professor of strategic management at the University of Toronto's Rotman School of Management argued that the CRTC would have to open the doors to foreign media companies, because "this is a globally consolidating industry and a small Canadian entity is not viable."¹⁰⁸ Singling out CanWest-Global as "a very attractive Canadian piece to be sold out to one of the big global players," D'Cruz was repeating the prevailing wisdom, that Canadian companies are simply doing, on a smaller scale, what their counterparts in Europe and the U.S. had been doing, and that the consolidation of the media in this country is a game of global positioning. Put another way, the Canadian media companies are fattening themselves up—or amassing dowries—to attract multinational suitors.

The question is, are they developing something people will want, or, as McChesney says, just dressing up an old product in flashy new clothing. Whether newspapers migrate successfully to the Internet, split themselves between online editions and paper, or stick with newsprint, they face problems that aren't likely to go away. Newspapers are faced with the same challenge as movies and radio did in the late-1940s and early-'50s: how to evolve to survive in the face of competition from a new medium. Film dealt with television by delivering a wide screen, Technicolor

¹⁰⁸ Allan Swift, "Mergers necessary, analyst says," *The Canadian Press*. Aug. 2, 2000. The story quotes D'Cruz extensively from an interview he had given with ROBTV the previous day.

image and stereophonic sound; radio moved to all-music or all-talk. In both cases, they found ways to deliver “content” that was beyond the capabilities of the new medium (in the case of film), or was visually unappealing and portable (in the case of radio).¹⁰⁹ At the same time, television, which started out as radio with pictures or theatre for a mass audience had to evolve into a unique medium, and it did so mainly through three developments: First was Desi Arnaz’s use of film and three-camera technique to shoot the sitcom *I Love Lucy*, which gave it a faster pace, more suited to the new medium and allowed the series to be archived, and therefore rebroadcast indefinitely. In fact, since it was shot in 35mm, even though the series is in black-and-white, it’s already in high-definition format. The second was the assassination of U.S. President John Fitzgerald Kennedy in 1963, when television showed how valuable it could be in delivering breaking news around the clock. Finally, in the 1970s, with the miniseries, television developed a long-form movie that could tell stories of length and complexity that were unsuitable for the cinema.

With the attack on the World Trade Center, the Internet may have passed through its first milestone, and there are those who claim the blog—daily diaries that can be anything from fascinating ongoing political or cultural discourse to narcissistic ramblings of numbing dullness—is another.

As for newspaper evolution, that has been slower to emerge. So far, the “content provider” model seems to be the only means of adaptation that is being considered—and, even then, tentatively. In early 2000, newspaper consultant

¹⁰⁹ Interestingly, the advent of HDTV, home-theatre sound systems, digital music and DVDs presents an enormous threat to television, movie theatres *and* music radio. They have set in motion yet another wave of evolution, to larger movie screens, more effects-laden films, more talk radio on the AM band, and perhaps may lead to the long-awaited flourishing of Imax.

Christine Urban, of the U.S. company Urban & Associates, warned that newspapers were being far too slow to adapt new technology to their purposes, and to adapt their product to the new technology. She suggested that daily newspapers should:

- Develop different Web sites for different sections
- Repackage sports news in a weekly online magazine
- Distribute free, abridged, digest editions for commuters
- Accelerate their rate of innovation, bringing new projects online within six months of inception

“The concept of having new products designed to cannibalize some sections of newspapers is anathema,” she said. “I say being cannibalized is better than being eaten by another species, and at least you still get the protein.”¹¹⁰

Just such an experiment in cannibalism took place in Toronto in the summer of 2000, when the *Toronto Sun*, the *Toronto Star* and the Swedish publishing company Modern Times Group almost simultaneously launched three tabloid-format, free “commuter papers.” The publications—*FYI*, *GTA Today* and *Metro* respectively—were available to commuters in Subway and GO-train stations, and in early 2001 moved into corner stores in the Greater Toronto Area. The *Sun* abandoned its experiment, and the *GTA Today* and *Metro* merged. A survey in 2001 of 1,000 Torontonians—performed by the media company M2 Universal, and funded by a group of Canadian media buyers—showed that Torontonians had taken to the free dailies. Nearly 20 percent of the adults surveyed said they read at least one of the free dailies, and eight percent said they only read free dailies. M2 Universal president

¹¹⁰ Michelle MacAfee, “Newspapers not keeping up with technology, analyst says.” *The Canadian Press*, May 11, 2000.

Hugh Dow said the survey indicated that the paid dailies were suffering readership declines because of competition from their free papers, and predicted that the research results could prompt some advertisers to shift their advertising dollars to the commuter papers.¹¹¹ At the time, the survey seemed to indicate that the mainstream Toronto dailies were eroding both their circulation and advertising bases by launching free tabloids—and that the *Toronto Sun*, since it has no home delivery system and is reliant on single-copy sales, stood to suffer the most. It also seemed obvious that erosion of circulation and income can hardly lead to journalistic excellence in the Toronto market. Four years later, the subway papers are entrenched in Toronto (as well as in Montreal and several U.S. cities) and they seem to have had very little effect on the circulation or ad revenues of the traditional daily papers. In fact, at the end of 2002, Torstar Corp. reported revenue of \$362.6 million, up from \$348.6 million in 2001. One of the reasons Torstar CEO Robert Prichard gave for the improvement was “a strengthening advertising market.” Earnings before interest, taxation, depreciation and amortization (EBITDA) for the newspaper division had shown a 96 per cent increase over 2001. So, if anyone was suffering from the free commuter papers, it certainly wasn’t the *Star*.¹¹² The *Sun*, however, has been showing steady erosion of readership, but consistently strong financial results (more on this in Chapter 6). Once again, it seems, the faddists and Cassandras have been thwarted by the durability of the medium they seem so eager to kill off.

At the height of the dot.com and convergence fad, even William Thorsell, former editor-in-chief of the *Globe and Mail*, jumped on the bandwagon, arguing that

¹¹¹ John Heinzl, “Toronto’s free papers have firm foothold: survey,” *Globe and Mail*, Jan. 25, 2001.

¹¹² Keith Damsell, “Torstar reports improved quarterly earnings,” *Globe and Mail*, Oct. 31, 2002.

the Internet would create a “Diderot” effect. The Internet, he predicted, would play the role of the new housecoat that caused Jacques Diderot to replace everything in his life that the garment had made look dowdy. Arguing that the newspaper with its massive printing presses and complex distribution system is “the final archaic remnant ... of Diderot’s house.” Thorsell suggested:

Newspapers could be distributed via computers and printed wherever the reader is. Home and corner-store printers will have to improve, but production and distribution will be cheaper. Profits and quality will rise—the classic consequence of higher productivity. Many trees will not be felled, much electricity will not be consumed, and convergence will not be embarrassing.¹¹³

Thorsell’s comments are a restatement of the old dream of the newspaper publisher: “If only I didn’t have to pay for ink and paper, and maintain presses ...” What his comments ignore is the fact that the production of the daily newspaper is an art in itself, a marriage of reporting, writing, editing, photography, graphic design, and copywriting to produce a visual and literary experience. And the idea that people will want to print out their own newspapers is just plain crazy. To say, ‘Let’s just send it out as a stream of pages and let the reader choose,’ is like suggesting that films be turned into video games: ‘Let’s just upload a random selection of sequences and the audience members can edit their own storylines and choose their own endings.’ In the case of the Internet, users are seeking an active experience—like *playing* a video game. They “surf,” “drill down,” “download,” do research. The newspaper, like film, is a more passive experience. The reader is seeking the unexpected, to be surprised, provoked, informed and, one hopes, occasionally challenged—like *viewing* a film or a

¹¹³ William Thorsell, “It’s time to kick the 19th century anomaly out of the house,” *Globe and Mail*. Dec. 8, 2000.

TV show. Transferring that passive experience to the Web is exactly the same as producing radio for TV—putting talking heads in front of a camera only works until one of your competitors starts airing news film. To invoke Mr. Black, this is just more faddishness and flim-flam. As media buyer Doug Checkeris says, most of this jargon simply disguises the fact that the Web messiahs “don’t have a clue” about how the medium works.

I had these 27-year-olds telling me, and giving me that look like, Move on dinosaur boy. And I said, “I’ve got some news for you guys. Here’s what I know: The world goes up and the world goes down, and there are fads, and stuff happens. And I’ve been through what you’re going through. In this company, we grew by 300 percent in the first five years I was here. We grew like crazy. And that covers a lot of sins. But I’ve been through the bad times and I know what it’s like. And all that’s burned in my memory is I’m not going to make this mistake again. I love what you guys are telling me, but my view is you’re not taking over my world.” And they were like crushed little bugs. But what is fascinating to me is that they actually believed. And it’s like an S-curve, the whole technology thing. It has promise, but it takes a lot of time and strategy and planning and learning to find out what that incredible medium can provide. What people are really figuring out is that it’s an extension of your marketing.¹¹⁴

So, we’re back to brand. The companies that have succeeded (and, at first, that included Canoe; see Chapter 6) did so because they had established a rapport with an audience that was willing to follow them to the Internet. Yet, the media companies have been extraordinarily unimaginative in the ways they’ve used the new media, or adapted the old. One of the more interesting observations on the free dailies comes from former Canoe producer John Sakamoto—and it’s one that, strangely, I haven’t encountered anywhere else. Why, he wonders, did the dailies never consider using

¹¹⁴ Telephone interview, Doug Checkeris, senior buyer, The Media Company, Aug. 1, 2002.

their subway papers as test tubes in which they could pioneer new ways of thinking about their product.

Before all of those free publications were launched, the publishers' stated goal was to cultivate a younger reading audience that would not necessarily be buying their main product. And, if you look at the product on a day-to-day basis, I guess it's not much more than a condensed version, a summary, of what might appear in the regular newspaper. If they're maintaining the goal of trying to attract a younger audience, I don't see where that really speaks to that goal. ... I do think there's a huge disconnect between what people seem to be most concerned about and what gets the most attention in the daily newspaper. ... I think a set of criteria has developed over decades that is deeply ingrained. And that is so widely agreed upon that everybody automatically knows instinctively what is going to be on the front page.¹¹⁵

In the same way, it seems to be engraved in stone that the only way to make money with a newspaper company is to produce a daily newspaper, with news, analysis, features, reviews, editorials, display ads and classified ads. It's possible that newspapers may have to evolve away from being publishers of daily print products—just as radio had to adjust to no longer being a broadcaster of dramas, sitcoms and variety shows, when television came along. Perhaps the new model would be one in which the newsroom has evolved into a producer of packaged information services. It has been more or less proved that breaking news—which would include overnight reviews, sports results and statistics and stock market listings—and classifieds are well suited to Internet delivery, and that features, background, analysis, in-depth criticism and entertainment listings work better on paper. That might indicate that one approach to convergence would be to sell consumers an information package that

¹¹⁵ Telephone interview with John Sakamoto, former executive producer of *Jam Showbiz*, *Canoe*, Jan 16, 2002.

might include several specific media designed to serve a collective purpose. One subscription might get you:

- A Sunday broadsheet filled with serious features on international and national affairs, culture and sports, as well sections designed to attract display and retail advertising—travel, automotive, homes and so on.
- A Thursday tabloid filled with city news, local cultural reviews and previews and lifestyle items, again attracting certain types of display advertising.
- Access to a Web site that would offer breaking news, interactive classifieds, archives and several searchable databases.

The one thing that won't change, however, is the fact that talented writers, photographers, editors and designers working in an environment that encourages creativity and imagination will always produce a better product than untalented ones working in conditions that stifle creativity. And disenchanted readers may be unlikely to embrace a medium they feel has become cold and distant just because it arrives on their computer screens rather than their doorsteps. The continuing concentration of ownership may ensure the continuation of the problems of chain ownership—distant unengaged management, small papers being squeezed to support large ones, bland, formulaic content and, in Canada, a growing perception that content is becoming more partisan than it has been since the Victorian age. Advertisers certainly will continue to demand a well heeled audience, disenfranchising the working class even further. And, perhaps most important, the quality of writing, editing, taste and imagination seems unlikely to be magically transformed by electronics. The question, as Carleton University Communication professor Dwayne Winseck pointed out, is

how can we expect any real change when “those who control the medium control the message.”

Ownership consolidation is transforming cyberspace into the image of old print and broadcasting cultures, making them appendages to familiar patterns of ownership, commercialism and existing forms and sources of content. In the process, new technologies are being diverted from an evolutionary path characterized by uncertainty, risk and omnidirectional information flows. Thus, ownership is a broad and powerful influence that shapes the entire media environment and people’s experience of that environment.¹¹⁶

In subsequent chapters, I will place Quebecor in the context of the fluctuating media environment. In many ways, the company is typical of the handful of large players that have come to dominate the Canadian media. It is building an electronic medium on the foundation of “old media.” It has aggressively sought ways to colonize and profit from cyberspace, and it experimented with cannibalizing its most important publishing products. Its biggest successes have been with old media—and using new media for cross-promotion, services and catalogue sales. From an initial burst of enthusiasm for the Internet, when it purchased Sun Media and Canoe, it has backed off into more traditional areas of the media, such as television and cable, and its core printing and publishing operations. It owns what is perhaps the most vulnerable daily in the country’s most competitive market, the *Toronto Sun*. At the same time, unlike most of the other big Canadian media companies, it is a large multinational, the world’s largest printing company. It is also a Quebec company, able to draw on that province’s peculiar business establishment—as we shall see when we get to the section on the acquisition, with the aid of le Caisse de dépôt et Placement du Québec, of Groupe Vidéotron—and with its own peculiar world view.

¹¹⁶ Dwayne Winseck, “Take cover: here comes mediasaurus,” *Globe and Mail*, Sept. 27, 2000.

It is also a recent entry into the national media scene; it became a national media company only in 1998, when it acquired the Sun papers. And its daily newspapers are odd entities. On the English side, they are entertainment-oriented tabloids that were once characterized by a cheeky irreverent style, a variety of viewpoints and an anarchistic range of journalistic styles. Now, they seem tired and hidebound, mired in 1970s morality and unable to evolve, to deal with a new range of competition and attract a new generation of readers. In some cities they are, for the first time, losing market share. On the French side, Quebecor controls *Le Journal de Montréal*, a circulation and advertising powerhouse that dominates its market much the way *The Star* has always dominated Toronto.

The next chapter looks at how and why Torstar launched its hostile takeover bid for Sun Media, and how Quebecor emerged as the “white knight” and acquired Sun Media, and how it seemed that everyone—except the employees of the Sun papers—walked away with what they wanted.

Chapter 5: Torstar and Quebecor reach for the Suns

This chapter looks at what may be the most dramatic event of the era of media acquisitions and mergers that began in the mid 1990s and continues today. In the fall of 1998, Torstar, owner of Canada's largest newspaper, the broadsheet *Toronto Star*, launched a hostile takeover bid for Sun Media. Mainly, the *Star* was interested in its crosstown rival, the tabloid *Toronto Sun*, and four Southern Ontario dailies that Sun Media had acquired from the Southam chain. In July 1998, Southam owner Conrad Black acquired the *Financial Post* from Sun Media, in exchange for the *Hamilton Spectator*, *Kitchener-Waterloo Record*, *Guelph Mercury* and *Cambridge Reporter*. For Black, the *Financial Post* was the foundation upon which he was to build his new daily, the *National Post*. For Sun Media, the four dailies created—with the *Toronto Sun* and the *London Free Press*—a cluster that covered most of the richest consumer country in Canada. Individually, these papers were rather typical, lacklustre, small-market dailies. Together with the *Toronto Sun*, they represented a serious threat to the *Toronto Star*'s market dominance.

As they had with Quebecor owner Pierre Péladeau in 1996, when he sought to buy the chain, the *Sun* newspapers reviled the *Star*, while the chain's managers worked to find competing bidders, who would drive up the price and deliver the *Sun* from the Devils of One Yonge St. Oddly, the same papers that had branded Péladeau a drunken, anti-Semitic, manic-depressive separatist only two years earlier, hailed Quebecor, now run by Péladeau's son Pierre Karl, as a "white Knight."

The melodrama ended with the fulfilment of Pierre Péladeau's long-held ambition to bring together Canada's two tabloid publishing companies, Quebecor and

Sun Media, and finally made Quebecor a national media company. At the same time, Torstar ended up holding all but two of the properties it most wanted—and presiding over a newspaper cluster that dominated the Ontario market from Barrie and Oshawa to the north and east, to Hamilton and Kitchener-Waterloo to the west and south. For the Sun papers, the sale marked the end of the company as it had always managed to exist, through its founding ownership, two media companies and the stewardship of the managers who had engineered the 1996 buyout. For the first time, the fundamental nature—the corporate culture, if you will—of the company was about to change drastically.

Torstar had never ceased to be wary of the *Toronto Sun*, as its main rival for circulation and advertising dollars in the greater Toronto area. However, at the beginning of 1998, it looked, as always, as if the larger company was unassailable in its market. With average daily circulation of 514,755¹ Torstar was the dominant publishing company in Southern Ontario. As well as the *Toronto Star*, the largest newspaper in Canada, Torstar owned, through its Metroland chain, 50 community newspapers in Ontario—and covering every suburban market around Toronto. For readers, the *Star* was the journal of record for Metropolitan Toronto. For advertisers, Torstar was the one big buy they needed to reach a potential audience of around four million people. As John Honderich, publisher of the *Star* until 2004, says:

We weren't quite as threatened by *The Sun* as we were [in the 1980s]. But one should never forget that in the Toronto market, the *Toronto Sun* is the greatest competitor to the *Toronto Star*. Much attention is focused on the wars now between the *Post* and the *Globe*, but we never forget the other flank. And one should never forget what they [at the *Sun*] are doing.²

¹ "Newspapers by numbers," *Globe and Mail*, July 21, 1998.

² Telephone interview with John Honderich, publisher of the *Toronto Star*, June 23, 2000.

Everything changed one afternoon in July, when Canada's most powerful newspaper proprietor, Conrad Black, sat down to talk business with Sun Media chief executive officer Paul Godfrey. Black was in the process of launching a new national daily newspaper to compete with the *Globe and Mail*, and he wanted to build it on the bones of the daily national business tabloid, *The Financial Post*, owned by Sun Media. Black had had a 20 percent share in the paper until October 1997, when he made his first offer for the financial daily. He was turned down, and he ended up selling his share of the paper to Sun Media. Now, Black was back, making another offer and obviously far more eager to deal. The *Post* would give Black a ready-made national business section with a reputation that rivalled the *Globe and Mail*'s "Report on Business" and a circulation of 100,000 a day.³ It also brought a national ad-sales network and a presence in Toronto. The question was, what did Black have that Sun Media would want? The answer was a package of dailies that would allow The *Toronto Sun* to outflank the *Star* in Southern Ontario. Sun Media had the *Sun*, which sold 253,094 copies a day, about half as many as the *Star*, the *London Free Press*, with a circulation of 110,058, and the little *St. Thomas Times-Journal*, with daily sales of 8,523.⁴ Between London and Toronto, the area was locked up by Southam, which owned the *Hamilton Spectator*, *Kitchener-Waterloo Record*, *Guelph Mercury* and *Cambridge Reporter*. In exchange for the four dailies, Godfrey offered Black the *Financial Post*, plus \$150 million. With that one deal, Sun Media passed the *Star* in circulation and advertiser reach. The papers in Hamilton, Kitchener-Waterloo, Guelph

³ Paul Waldie and Janet McFarland, "Black snaps up Financial Post," *Globe and Mail*, July 21, 1998.

⁴ "Newspapers by numbers."

and Cambridge had a combined circulation of 211,489. Added to what Sun Media already had in Toronto, London and St. Thomas, that made for average daily circulation of 583,164, blanketing Southern Ontario from London to Metro Toronto and suburbs.⁵

Meanwhile, for about a month, Sun Media vice-president of strategic development Wayne Parrish had been having what he says he thought were informal meetings with *Toronto Star* publisher John Honderich about the possibilities of the two companies forming alliances in areas such as newspaper delivery and online presence. He and Godfrey regarded the talks as highly speculative, he says, and barely worth briefing their board about.⁶ Honderich, however, claims they were, in fact, talking about a merger of the two publishing companies, and that Godfrey was being briefed about everything discussed. When Sun Media bought the four dailies from Southam, Honderich says, Torstar executives began to think in terms of ensuring their company's survival.

It is probably a seminal event happened in the midst of these negotiations [between Parrish and Honderich], was when the *Sun* bought the four papers. And that very much did tip the balance in the region in favor of the *Sun*. And more and more, both from an advertising and circulation perspective, people are thinking "region" in this area. ... But beyond the big boxes—Business Depot, Home Depot etc. It's not just for Toronto. It could be Barrie. It could be Oshawa. It could be Burlington. Promotion deals etc. You put those four papers together, plus the *London Free Press*, plus the *Sun*, and they had a very effective cluster and a very effective grouping in southern Ontario, which would have certainly got our attention loud and clear.⁷

⁵ "Newspapers by numbers."

⁶ Telephone interview with Wayne Parrish, former *Toronto Sun* General manager, *Toronto Sun* editor-in-chief, Sun Media executive and president of Canoe, July 3, 2003.

⁷ Interview with John Honderich.

When Sun Media bought the four dailies and achieved market dominance, Honderich says, the company cooled to the idea of a merger with Torstar, and *Star* management decided it had to make a hostile bid for the competition, as a pre-emptive strike against a competitor that had become a real threat to the *Star*'s survival.

On the day that they bought the four papers, Wayne Parrish phoned me specifically to say, "Yes we bought these papers, but we want the discussions with you to carry on." So, certainly, it was something that was very much on the agenda. But, then, we ultimately decided that we were not going to be able to do anything with them. And I think that, although the negotiations and discussions came on, the sense of them and where they wanted to go changed after they bought those four papers. I think they felt they were in a much stronger position. So the negotiations didn't come to a successful conclusion. Then, we made the decision to go with the hostile bid. ... [T]here certainly was no doubt in our mind that our strategic position was threatened. The *Star* has been No. 1 in the market for a long time. And, I think, being the dominant player is a strength in which we like to deal. And that dominance was threatened. So from a strategic point of view, we felt we had little alternative.⁸

In view of Honderich's comments, then, it's hard to believe that what happened next came as a shock to the top executives at Sun Media. It did, however, land like a bomb on the rest of the Canadian media. On Oct. 28, 1998, Torstar launched a \$748 million bid to buy Sun Media. At the time, Torstar had a war chest that was the envy of the media industry. The company was enormously profitable, and ready to use its financial strength to ensure its market position. It had just announced a profit of \$67.9 million for the nine months ended Sept. 30, 1998, and the company's 1997 profits had been \$61.6 million.⁹ At the time, Sun Media, was the

⁸ Interview with John Honderich.

⁹ "Operating profits rise in Torstar third quarter," *Toronto Star*, Oct. 29, 1998.

second largest newspaper chain in the country, with 15 daily newspapers, and the *Star* was fourth, with one. Combined, the two chains would have controlled 26 percent of Canada's average daily newspaper circulation, still second to Hollinger-Southam's 42 percent but—especially with its market dominance in Southern Ontario—a very strong second.¹⁰ Torstar's offer amounted to a bid of \$16 per share of Sun Media—\$12 in cash and one-quarter of a Torstar Class B non-voting share, valued at the time at \$4. That was a 62 percent premium on the \$9.90 closing price for Sun Media shares on Oct. 28.¹¹ In less than two years, the company that Sun executives and their backers had bought in August 1996 for \$411 million had almost doubled in value—and that was rising almost daily. The day after the announcement of the *Star*'s takeover bid, both companies saw the value of and demand for their stocks soar. Oct. 29, 1998, the price of a Sun Media share shot up to \$16.20, and Torstar stock rose \$2, to \$18 per share. And the frenzy was spilling over to the rest of the publishing business. As one stock analyst put it, the *Star*'s interest in Sun Media had had a "halo effect" on newspaper stocks, and had pushed the publishing part of the Toronto Stock Exchange's Communications sub-index up by four percent in one day.¹²

The popular wisdom at the time was that it was unlikely anyone would come in with a competing offer for Sun Media. Sun shares were divided among the Ontario Teacher's Pension Plan (16.3 percent), Trimark Financial Corp (13.3 percent), TAL Investment Counsel Ltd. (11 percent), Sun Media senior executives (10 percent), Sun Media employees (eight percent) and Bell Canada Enterprises (4.3 percent). The

¹⁰ Rob Ferguson, "Torstar Reaches for the Suns," *Toronto Star*, Oct. 29, 1998.

¹¹ *Ibid.*

¹² Tony Wong, "Sun, Star stocks rise after takeover offer," *Toronto Star*, Oct. 30, 1998.

remaining 37.1 percent was held by various shareholders.¹³ So, none of the major shareholders had enough leverage to buy out the company on their own. Hollinger-Southam issued a statement saying it would be interested in re-acquiring the four papers it had sold to Sun Media, but was unlikely to bid on the whole chain.¹⁴ The company had recently launched the *National Post* and was carrying a debt load from its previous acquisitions. So, it wasn't thought to be in much of a position to buy Sun Media. And, at any rate, if the *Star* raised eyebrows by bidding for a rival newspaper, a counter-offer from Southam—which owned competing dailies in Calgary, Edmonton and Ottawa, and already controlled almost half of the country's newspaper circulation—might have provoked a full-blown outcry. (An Ontario Liberal MP, Lynn Myers, already had proposed an inquiry into concentration of the media after Hollinger acquired control of the Southam chain, and he reintroduced the motion in November 1998.¹⁵) Thomson, meanwhile, announced that it had no interest in Sun Media. "We are focused on putting out a quality newspaper, while everyone else is focused on the distractions of buying or starting up newspapers," Thomson president Stuart Garner said.¹⁶ Also, as we were to see in the following years, Thomson's strategy was to get out of the newspaper business and focus its attention on online enterprises. Finally, U.S. interests were, more or less, prohibited from buying up the chain by the *Income Tax Act* (see Chapter 4). Analyst, Bill Wolfendon of Deacon

¹³ Les Whittington, "Three big shareholders may settle fate of Torstar bid for Sun Media," *Toronto Star*, Oct. 30, 1998.

¹⁴ Rob Ferguson, "New Sun bidder unlikely, analysts suggest," *Toronto Star*, Oct. 30, 1998.

¹⁵ Valeria Lawton, "Newspaper inquiry needed, MP says," *Toronto Star*, Nov. 4, 1998.

¹⁶ Ferguson "New bidder unlikely, analysts suggest."

Capital Corp. told the *Star* that Sun media “is worth more to Torstar than it is to anyone. I don’t see another bidder.”¹⁷

Barring a strange, dark horse candidate from outside the industry, that left Quebecor as the only other possible bidder, and representatives of the company weren’t talking. No one was completely dismissing the possibility that the company would go after Sun Media but, because it had balked at the much lower price the company was fetching in 1996, Quebecor seemed a long shot. The perception of Quebecor was that it was a bottom-feeder and very reluctant to engage in a bidding war.

Two days after the *Star* made its offer, Sun Media responded with a recommendation to shareholders that they reject it. Although the *Star* had offered a 62 percent premium over the October value of Sun shares, Sun Media CEO Godfrey described the price as too low, and vowed to fight the bid.

At the same time, Torstar CEO David Galloway told the press that Sun Media executives had put their company in play. In fact, he told a news conference, the idea for the merger had come from Sun Media. Representatives of the company, he said, had even gone so far as to lay out its conditions for a merger: Torstar would be split into two divisions, one to run the newspapers and another for all other business, such as the romance publisher, Harlequin; Godfrey would assume control of the newspaper division and its two operating units for broadsheets and tabloids, and he would become co-chairman of Torstar’s board; there would be a stock transfer, and it would

¹⁷ Ferguson “New bidder unlikely, analysts suggest.”

include Torstar's Class A voting shares.¹⁸ The last was a near-impossibility. One-hundred percent of the voting shares are held by the five controlling families of Torstar—the Atkinsons, Honderichs, Hindemarshes, Thalls and Campbells. The compact, which Nelson Thall has described as being “like a cult,”¹⁹ has pledged to uphold the liberal views of founding publisher, Joseph E. Atkinson—or the “Atkinson Principles,” as they are called.

Meanwhile, Godfrey's public reaction to the bid was to describe it as an “unsolicited, hostile, opportunistic offer.”²⁰ In private, he was taking a lot of heat from the company's board and employees over the perception that he had intentionally put Sun Media in play, he says. “For the first five days, I was defending myself. ... And I really went after [Torstar management] very, very aggressively, because I was really, really disturbed, ... It was very, very awkward.”²¹ The discussions between Parrish and Honderich, he maintains, had been so informal that he never thought of them as anything other than pure theory. This is a version of events that is backed up by Parrish, who says much of the meetings he had with Honderich consisted of “blue-sky conversations.”²² Godfrey says:

Wayne Parrish and John Honderich ... sat down to discuss the aspect of the Internet, and how the two companies could work closer together on Internet-related things. ... The conversation started out with that and, as Parrish told me, sort of wandered into areas like, ‘You know, we both deliver papers in trucks that pass the same boxes. We both deliver to the same stores. Why don't we explore joint distribution?’ I wasn't there. According to Parrish, Honderich said, “You know what? You could take this thing to its

¹⁸ Nicolaas Van Rijn, “Sun soured talks, Star publisher says,” *Toronto Star*, Nov. 1, 1998.

¹⁹ Brenda Dalglish, “Torstar's family values,” *Globe and Mail*, Jan. 2, 1999.

²⁰ Tony Van Alphen, Rob Ferguson and Jennifer Quinn, “Sun vows to fight Torstar offer,” *Toronto Star*, Oct. 31, 1998.

²¹ Interview with Sun Media CEO Paul Godfrey in his office, June 9, 2000.

²² Interview with Wayne Parrish.

ultimate limit and have some mergers.” Which, I don’t know, it’s a he-said/she-said sort of thing. Again, I wasn’t there. My man told me it was John Honderich who said it. John Honderich told Galloway it was Parrish who said it. I didn’t say it, or admit I said it. Parrish came back and said to me, “You’re going to get a call from David Galloway. He wants to talk to you about a joint venture.” I remember [Galloway] called me about, I guess it must have been June 20, 1998. And he said he wanted to see me on June 30. After making small talk—David Galloway has always been a perfect gentleman, and a man I quite liked—he said, “Did you ever think of a merger between our companies?” And I said to him, “How would that work?” And he said to me, “You can retire a very wealthy guy. Do all the things in life you really wanted to do.” I said, “Well, I’m not exactly a poor guy, and at this point in time, I’m already doing all the things I want to.” He says, “Don’t get me wrong. The *Star* would never do anything unfriendly.” ... I didn’t hear again from him until Oct. 28, when the shoe dropped. Now, if that’s putting your company in play—I’ll tell you how seriously I took it. I didn’t even tell my board.²³

Honderich’s memory of how things unfolded is the exact opposite of Godfrey’s. As he recalls it, Parrish brought up the subject of a full merger between the two organizations.

When Wayne Parrish was sent to speak to me as the No. 2 over here—and we talked five, six times, telephone calls, charts, plans, what Godfrey is going to be. And my assumption is that they’re serious, and that they have every intention of wanting to move ahead with something. That was the nature in which these discussions were carrying forward. I told the board. Our board was fully informed. They wanted to be updated about what was going on. Now in this world of corporate governance, Godfrey didn’t tell his board? ... And that’s very unusual, that you would be discussing this sort of thing with your competitor, having these sorts of things going on, without even informing your board. So he was personally in a very difficult situation. When we went public with the takeover, our line was only going to be that there had been discussions between us before, but they had not ended up going anywhere. All we wanted to do was take the—knowing we were going to be perceived as the Big Bad *Star* going after the Little *Sun*, to be able to say, “Listen folks, we’ve actually been talking about this.” And these discussions, in fact, were initiated by them. They didn’t go anywhere, but this is certainly something they had

²³ Interview with Paul Godfrey.

considered as well. Tactically, that was going to take some of the sting out. Now, I know that Godfrey reacted very negatively to that, the way it was done in the letter. And he was put in a tough position. He was put in a very tough position, because he had to deal with the fact that, yes, he used the word “negotiations.” this is almost Clintonesque as to whether it was “negotiations” or “discussions,” or whatever. But I have the copies of the documents. I took notes after every meeting, exactly what was said. I certainly took this very seriously. ... I guess if your competitor comes to you and sits down, and you’re talking about things ... and you get into various forms and you involve the voting trust and ask about positions and how things will be split up, and how it would be divided. What word would you use to describe that?²⁴

Whichever version one believes, it’s clear that the atmosphere between the two companies was acrimonious from the start, and it stayed that way. As well as denouncing the *Star*’s actions publicly, inside the organization, management were doing everything they could to whip up anti-Star sentiment among the staff whom, as Godfrey says, had “fought the *Star* for survival for 27 years at that time, day in and day out.”²⁵ Hartley Steward, a former publisher of the Calgary, Ottawa and Toronto *Suns* and a onetime managing editor for the *Star*, recalls having serious misgivings about the direction management was taking. To his mind, he says, management was far too focused on getting top dollar per share, and too little on who would be a better proprietor for the chain.

The *Sun* people thought they were being taken over by Attila the Hun, that some horrible thing was happening to them. The *Sun* would have had to get over it—Let’s get on with life guys—and certainly would have learned that nobody was coming in with AK-47s.²⁶

²⁴ Interview with John Honderich.

²⁵ Interview with Paul Godfrey.

²⁶ Telephone interview with former *Toronto Sun* publisher Hartley Steward, Jan. 11, 2002.

Today, it seems odd that much of the focus of the takeover bid was on the Internet, an infant medium that seemed to have little promise of becoming profitable in the near future—as opposed to the highly profitable newspaper assets that were in play. But, at the time, in the late 1990s, as we saw in Chapter 4, the industry’s fascination with the Web had become a bit fanatical. Media executives, who had barely known how to manoeuvre a mouse across a pad a few years earlier, were getting glassy eyed and lapsing into a strange new argot—using such terms as “portal,” “tool box,” “search engine,” “drill down,” “mind share,” “eyeballs” and “hits”—as if they were evangelical Christians speaking in tongues. Everyone wanted to sound like an Internet visionary, and the various Web boffins at Sun Media and Torstar and their acolytes and publicists found an eager audience whenever they chose to enter the media discourse. So, it didn’t take long until the focus shifted around to the Sun’s Web portal, Canoe, and what a “good fit” it would be with the Star’s Toronto.com. One story in the *Star* even went so far as to talk about the “birth of an Internet mega-company in Canada,”²⁷ which, more or less, rewrites the meaning of the prefix “mega.” How two small, money-losing, experimental divisions could have been described as “mega” anything is a question best left for the hyperbolic minds of the city desk to answer. Suddenly, though, these two divisions that had yet to turn a profit were considered important assets.

“(Internet development) was a major driver in this whole thing,” said Bruce Annan, publisher of Toronto.com, a Web site partially owned by the *Toronto Star* that offers local restaurant, hotel, entertainment and community listings. “There is a strong recognition in this company that there is a huge opportunity to build a strong business presence online. ... “We would create the largest family of Web sites in Canada,” said Rocco Rossi, vice-

²⁷ Robert Cribb, “Star, Sun Web sites called a good fit,” *Toronto Star*, Nov. 2, 1998.

president of strategic planning and new media for Torstar. "You need to attract eyeballs and this would give us the greatest collection of page views of any site out there." ... "(Torstar's merged) traffic would be attractive to potential advertisers looking for prime real estate on the Net in Canada," said IDC's [International Data Corp.'s Jordan] Worth. "The unique benefit it would offer is in creating critical mass for Canadian research and information relative to sites like Yahoo and AltaVista, which are much more broadly based."²⁸

Unfortunately, the story leaves us to speculate on what, in this case, "critical mass" is, why it's desirable and how it might be used to make money.

All the while the media's attention was focused on the *Star*'s hostile takeover bid, another set of negotiations was going on quietly behind the scenes—between Sun Media and Quebecor. A day before Torstar launched its hostile takeover bid, Godfrey got a telephone call from a representative of the merchant banking group Merrill Lynch, acting for Quebecor, which wanted to talk about a merger.²⁹ Godfrey and Quebecor CEO Charles Cavell had held informal talks about a merger in 1996, when Rogers had the Sun chain up for sale, and Quebecor wanted to reopen negotiations. "[T]hey would have ended up owning about 30 percent of the papers," Godfrey says. "Between 28 and 33. 'Yeah. I'd be interested in exploring that.' Suddenly the Star bid had come in. So, we know they're [Quebecor] interested. And over the next three weeks, there's a cat-and-mouse game going on with Quebecor."³⁰ At the same time, Quebecor began buying up Sun Media shares, aiming to acquire the 9.9 percent it could hold before it had to, by law, announce its intentions. Determined to drive the share prices as high as they could, and dodge takeover by Torstar, Godfrey and a

²⁸ Cribb, "Star, Sun Web sites called a good fit."

²⁹ Thane Burnett, "Roller-coaster series of events led to Quebecor-Sun Media deal," *Toronto Sun*, Dec. 10, 1998.

³⁰ Interview with Paul Godfrey.

team that included lawyer Dale Lastman and Sun Media chairman of the board Clare Copeland, and representatives of the merchant bankers Wood Gundy, began looking for counter-offers. Godfrey later admitted that they held talks with “Canadian and American media companies, financial investors and other forms of media.”³¹ But the main player behind the scenes always was Quebecor. At the end of the “cat-and-mouse game,” on Nov. 20, 1998, Godfrey and Lastman had their first meeting with Cavell and Quebecor’s executive vice-president, Pierre Karl Péladeau.

It was on a Friday. It started at 2 and ended up at 9 at night. Long meeting. And they told us they were prepared to put a bid in at \$18 a share. It’s verbal. They were prepared. And we said, “Sorry. No deal. It’s got to start with a two. I can’t go upstairs and recommend it. The company’s worth more than that. Just two more bucks.” I guess I was really shocked about—I can’t remember the exact date—the *Star* makes an announcement that they’ve increased (the bid) to \$18.75.³²

The Monday after Godfrey’s meeting with the Quebecor Executives, Torstar increased its bid to \$18.75 per share. As Godfrey says, “They were bidding against themselves.”³³ When the *Star* made its original offer, Sun Media shares were trading at a low. In the 10 months or so after its initial public offering, Sun Media shares had traded as high as \$17 per share. When the *Star* made its offer, they were at around \$9 per share. Yet Torstar came in with an initial \$16-a-share offer, without having bothered to acquire the 9.9 per cent it legally could have bought before declaring its intent. Godfrey’s response to the *Star*’s actions is a blend of bemusement and gloating.

³¹ Burnett, “Roller-coaster series of events led to Quebecor-Sun Media deal.”

³² Interview with Paul Godfrey.

³³ Ibid.

They had looked at this thing from about July 15 onward. They had from July to October to accumulate stock. Quebecor were doing it. Why didn't they accumulate stock? Where were their advisors? Suppose you come in and bought stock, and drive the price up a bit. You can buy some at \$8 some at \$9, some at \$10, some at \$11, some \$12. That's an average, say, of \$10 a share. We had 40 million shares. You buy 10 percent, four million shares, at an average price of \$10 a share. You know you're going to pay \$16. That's \$24 million. And they didn't go to any of our existing shareholders with that \$16. They didn't go to the teachers. They didn't go to Trimark. ... There were three big share holders, and they didn't go to them and say, "Look guys. What price would it take to get you to tender your shares to us?" What were they thinking? What were they thinking? I know they'll probably say, "If we had started buying shares up in the market, we'd have driven the price up." And then the multiple would have been—But, if you know you're going to bid up to \$18.75 anyway, you could buy up hundreds of shares without driving the price up anywhere near \$18.75. So I can't understand who planned the strategy there. I can't believe it was David [Galloway].³⁴

The option of quietly acquiring stock and lobbying individual investors was discussed, Honderich says, "but our investment bankers advised that we shouldn't go ahead and do it." The fear, he says, was that any action would "artificially keep the value of the stock higher."³⁵ The *Star's* offer to shareholders was conditional upon the company acquiring 67 percent of Sun Media stock. This meant that, to block the deal, Godfrey needed to commit 34 percent of the stock to Quebecor. The Quebec company already had acquired 9.5 percent and, between them, the Sun executives and employees controlled 18 percent of the stock. So, to block the *Star*, all Godfrey had to do was deliver another six percent of the shares. Though no one at Torstar has ever come out and admitted it, it's apparent that the company was guilty of hubris. They went into the deal believing they were competing as No.1 in a field of one. They were, no doubt, counting on the Teacher's pension fund—which represented

³⁴ Interview with Paul Godfrey.

³⁵ Interview with John Honderich.

16.3 percent of the shares—reacting positively to the prospect of the liberal, pro-union *Star* buying the anti-union *Sun*, and the other shareholders jumping at the high price per share that Torstar was offering for the company. What they accomplished, Godfrey says, was to push Quebecor to leap at what it believed was its last chance to buy up the Sun Media properties.

I sit down with Dale Lastman, the best securities lawyer in the country. I say to Dale, “What if I sent you to Montreal to deal directly with Cavell and Péladeau? Let’s see if we can break this goddamned log jam.” Dale says, “You know what? I’ll bet you I can do it.” So he gets on a plane and goes down. After four or five hours, he phones me back and says, “I can get you \$21 a share, if you can lock up 30 percent of the shares.” ... So I said, Give me a few hours. I spoke to the futures guys. They said, no, they wouldn’t lock up. They’d never lock up. I spoke to Calmec, which is half owned by Wood Gundy and half by the employees. They locked up with us, and Trimark locked up with us. Trimark had 13 per cent and Calmec had 12, with my 10 that was 35. I think at the *Star*, they must have just died of heart failure that day.

When Godfrey delivered 35 percent of the stock, Quebecor had immediate control of almost 45 percent of Sun Media, and the game was over.³⁶ On Dec. 9, 1998, Quebecor and Sun Media issued a joint announcement that Quebecor had offered \$21 per share for 100 percent of Sun Media stock. The total purchase price was \$983 million. Quebecor also was assuming Sun Media’s \$345 million debt, for a total commitment of \$1.3 billion.³⁷ In other words, the value of the company had risen 112 percent from its market value the day before the *Star* announced its takeover bid. At the time, Quebecor was an enormous multinational, diversified company with annual revenues of more than \$7 billion and 37,000 employees worldwide. Most of that strength lay in printing, however. In Quebec, it owned *Le Journal de Montréal*,

³⁶ Thane Burnett and Paul Cantin, “It’s the French Connection,” *Ottawa Sun*, Dec. 10, 1998.

³⁷ *Ibid.*

Le Journal de Québec, and some smaller dailies and weekly newspapers, a number of French-language magazines, and the small, regional TV network Télévision Quatre Saisons. Outside Quebec, its sole property was the *Winnipeg Sun*. In acquiring Sun Media, it added 15 dailies—including papers in Toronto, Edmonton, Calgary, Ottawa, London, Ont., Hamilton, Ont., and Kitchener-Waterloo, Ont.—the Canoe Web site, and a host of weeklies owned by its community-newspaper publisher, Bowes Publications Inc.

During a champagne reception and announcement in the atrium of Sun Media's offices on King St. West in Toronto, Paul Godfrey toasted the Quebecor executives with, "To our white knights." Pierre Karl Péladeau announced, "Today is a great day for Canada. It's a great day for both organizations." And Charles Cavell told the reporters and employees in the atrium, "We're going to run a company that's efficient and good news for the investor."³⁸ At this point, Hollinger, Quebecor and Torstar controlled 80 percent of the newspaper business in Canada. "The game is basically over in the newspaper business," said Denis Ouellet, a senior vice-president at TAL management, which had agreed to tender to Quebecor its 15 percent ownership of Sun Media.³⁹

Amid all the backslapping and cheering, and fascination with the boardroom melodrama, very few voices of concern were able to find their way into the media, and usually thrown as postscripts onto the ends of stories about the business of building shareholder value. "The real issue now is not improving the media," David Dean of the journalism school of the University of Western Ontario told the *London*

³⁸ Burnett and Cantin, "It's the French Connection."

³⁹ Rob Ferguson, "Market weights Torstar's appetite for takeover battle," *Toronto Star*, Dec. 11, 1998.

Free Press. “It’s improving shareholder value. This is big-boy monopoly. The more and more you consolidate, the less incentive you have to be competitive. I think it’s sad.”⁴⁰ He wasn’t the only one. Despite the corporate rhetoric, there was some feeling among the rank-and-file at Sun Media that Torstar would have been a much better proprietor than Quebecor. As one police reporter at the *Toronto Sun* said at the time, “Journalism never came into the equation. A lot of us had the feeling that this was just a club being run by a few executives for the sole purpose of making themselves rich.”⁴¹ Parrish dismisses this notion as “quite absurd.” He does however, admit that, once the bidding began, greed took hold:

There’s no question as to what your motivation is in that situation: It is to maximize the value of the company. And, I’m not saying that if Genghis Khan walked in the door and made the offer that Quebecor did that everybody would have jumped for joy. But, at the same time, all of the other considerations that—people look at it after the fact and talk about whatever Quebecor has done with company. Those aren’t really at the forefront of your mind. You’re driven—and it doesn’t really matter whether any individual management group member or all of them particularly like the guy sitting across the table. If he’s offering 50 cents a share more than the guy across town, then that’s the guy that you listen to.⁴²

Not everyone from the executive suite is quite so sanguine about the shareholder-value motive. Steward was a *Toronto Sun* columnist at the time of the takeover, but a recent publisher of the paper and a shareholder who profited greatly from the company sale. He says of the police reporter’s remark, “Well, you know, there is something to that.”

⁴⁰ Free Press news services, with files from Shelley Lawson, “Quebecor makes bid for Sun Media,” *London Free Press*, Dec. 10, 1998.

⁴¹ Anonymity protected on request. “I may want to work for them again some day,” he told me. However, as a former Sun Media employee, I was able to talk to quite a few people at the papers in Ottawa and Toronto, and found that the feelings expressed by that reporter were by no means rare.

⁴² Interview with Wayne Parrish.

What always bothered me is that suddenly there's a lot of money distributed to a few people, and nothing really has changed. No one went out and created another paper. Nobody created an asset of value, or created any wealth. It's almost like some kind of a paper thing—which I really didn't understand, how that works. But that's as cynical as you can put it, the way your police reporter put it. But, in fact, a lot of money gets paid out, and nothing is created. What's created is savings, and those are kind of skimmed off. Before the Wood Gundys and the CIBCs of this world will come up with the money, there has to be a plan that shows a way bigger profit. Before they'll give you the money to buy it, you have to show a way bigger profit. Well, the way you do that is you cut the shit out of the place. It's a vicious kind of a thing. It doesn't have a nice feeling about it at all.⁴³

Interestingly, both Parrish and Steward say they think Sun Media would have been better off if it had been taken over by Torstar—as does Sun founder J. Douglas Creighton. “Peladeau's Sons, I suspect, have never ever been called white knights before,” he says. “And I don't think for one minute they'll ever get called that in the future. Yeah I think it would have been likely [better if the Star had taken over].”⁴⁴

Godfrey, certainly, was one of the Sun shareholders who benefited mightily from the Quebecor purchase. As leader of the management buyout of the Sun chain and the creator of Sun Media, he had invested \$1 million. His take from the sale of Sun Media shares to Quebecor was \$28 million.⁴⁵

What happened next was the kind of thing that makes conspiracy theorists foam at the mouth and rub their hands together: Torstar and Quebecor sat down and divided up the Sun Media assets, and the former walked away with all but one of the very properties it had wanted in the first place. On Dec. 21, 1998, Torstar agreed to drop its hostile takeover bid and, in return, Quebecor agreed to sell Torstar the

⁴³ Interview with Hartley Steward.

⁴⁴ Interviews with Parrish and Steward, and phone interview with J. Douglas Creighton, co-founder of the *Toronto Sun*, Feb. 11, 2002.

⁴⁵ Trevor Cole, “Who Loves Ya?” *Report on Business* magazine, April 1999.

Hamilton Spectator, the *Kitchener-Waterloo Record*, the *Guelph Mercury* and the *Cambridge Reporter*.⁴⁶ Only the *London Free Press* was to stay in the Sun Media fold. *Free Press* publisher John Paton delivered this terse reading of the company line: “The Quebecor-Sun Media deal is a great deal for the chain and the shareholders.” Godfrey, too, chose to focus on the fact that “the last impediment” to the Quebecor deal had been dealt with. He took the opportunity for one last kick at the *Toronto Star*: “For the employees, particularly those at the *Toronto Sun*, this is a great day, because it means that the spectre of working for their long-time competitor has finally disappeared.”⁴⁷ Behind the scenes, Godfrey admitted later, he was apoplectic.⁴⁸ He had a right to be, Honderich says, because he had been had.

They had the great announcement in the atrium, as they always do. And they went for a great celebratory lunch. And they made the great speech about the next Bertelsmann of Canada—which is the phrase that Parrish always used in our discussions. He had the image of becoming the Bertelsmann of Canada, the great German media company. The word he always used was Bertelsmann. And they had the lunch and, literally, when they got back to their hotel, the Quebecor folks phoned us and said, We’ll sell you the four papers—which is a pretty calculated move. Discussions then began very quickly, with Cavell, Pierre Karl Péladeau, and Galloway and myself, in the Royal York Hotel. And we went for about a week, 10 days of discussions: what papers were going to be involved; how it was going to work. Back and forth. We just assumed, through all that, that Godfrey knew. But it came to the end and Cavell said, “I think it’s time I let Paul in as to what happened.” And I said, “You mean he doesn’t know? Aren’t you worried?” And Cavell in a famous move I’ll never forget, just flicked his hand as if he was knocking off a mosquito, and said, “I don’t worry about the likes of Paul Godfrey.” ... And [Godfrey] was livid and furious, and I can understand why. Because Paul Godfrey—and I have a lot of respect for him as a businessman; he

⁴⁶ The *Reporter* ran as a daily for a while, then it was converted to a community paper. Finally, Torstar folded the paper, in June 2003.

⁴⁷ Free Press news services, with files from Hank Daniszewski, “Torstar buys four Sun Media newspapers,” *London Free Press*, Dec. 22, 1998.

⁴⁸ Interview with Paul Godfrey.

built this thing up. But tabs are one thing and, all of sudden, here he had four broadsheet newspapers. This was building respectability for [Sun Media] and the regional strength and the whole thing. And, all of a sudden, it was being traded off, without his knowledge, consent or intervention. So, he had every reason to be furious. The word I've used on this one is that it was the first time in many a year that Paul Godfrey came to fully understand the meaning of the word "employee."⁴⁹

The next chapter looks at how Quebecor has lurched from one media strategy to another, to emerge six years after the takeover as even more of a Quebec media powerhouse and worldwide printer, while Sun Media has, more or less, stagnated. In other words, how Quebecor has evolved mostly back to what it was before it acquired Sun Media, and Sun Media has become a cash-cow for a company whose interests seem ever more removed from the English-Canadian media it so triumphantly invaded in 1998.

⁴⁹ Interview with John Honderich.

Chapter 6: Quebecor and the Sun since the purchase

This chapter looks at the sometimes strange evolution of Quebecor, after its purchase of Sun Media, from a) a printing company with forestry interests and media holdings mainly in Quebec to b) the world's largest printer, Canada's second largest newspaper chain, and an "integrated" media company with a strong interest in the Worldwide Web, to c) the world's largest printer and Quebec's most powerful media company, with scattered interests in English Canada and an abiding but mild interest in online commerce. Though, at the time of writing, it has been just 5½ years since the acquisition of Sun Media, and the ascent of Pierre Karl Péladeau to the top job at Quebecor, the reorganization of the company—its acquisitions, shifting focuses and growing debt—has been dramatic and at times eccentric.

For Quebecor, this period has been marked by retreat and consolidation (in the pulp and paper industry, the English media and the Internet), expansion (in television and the cable business in Quebec) and controversy (charges of benefiting from a nationalist political agenda, a parade of managers leaving the company, waves of layoffs across its acquisitions, charges of unfair practices by U.S. labour groups, clashes with other media companies).

For Sun Media, the period has been one of demoralization (particularly at the Toronto flagship paper) and stagnation or deterioration of circulation. Layoffs and labour unrest in the English media holdings started the day after Quebecor took control of Sun Media, and culminated in late 2003 with the accreditation of a union at

the *Toronto Sun*—something that would have been unthinkable before Quebecor acquired the company.

On Monday, March 1, 1999, Quebecor officially became the owner of Sun Media. The next day, the new proprietor eliminated 180 jobs—100 of which were, at the time, inhabited by human beings. Perhaps in a show of goodwill, Quebecor split the cuts evenly between Sun Media and the parent company—50 people laid off from each. As the *Toronto Sun* reported,

A dark cloud passed over the paper as the company fired 100 people, including two senior executives. On the first business day in the fold of publishing giant Quebecor Inc, which concluded its nearly \$1 billion acquisition Monday, Sun Media president Paul Godfrey said a total of 180 jobs were cut across the board. “One hundred of those represent actual people,” he said. “The balance are from attrition and elimination of unfilled positions.”¹

The two executives in question were *Toronto Sun* editor-in-chief Peter O’Sullivan and Sun Media chief financial officer Bruce Jackson. If any messages were to be taken from this, they were that no one was safe and the tradition of the “Sun family” had come to an end. Sullivan was a veteran editor who had been with the company on and off since the late 1970s and had been part of the team that moved to Houston after the acquisition of the *Post*. Jackman had been with the paper for 15 years, and had been a member of the management buyout team in 1996.

Sun Media president and CEO Paul Godfrey, holding to his official line, took the opportunity to argue again that things would have been worse if the *Toronto Star* had purchased the chain: “They talked about \$50 million in synergies. I know that money would have come on the backs of people of Sun Media.”²

¹ Ian Harvey, “Sun media slashes jobs,” *Toronto Sun*, March 3, 1999.

² Ibid.

Evidence that Godfrey's words rang hollow to Sun employees came a little more than a month later, when stories appeared in the media that the Southern Ontario Newspaper Guild and the Graphic Communications International Union had begun organizing drives at the paper.³ The Sun organization had long been a target for union organizers, especially in Toronto, where, until the founding of the *National Post*, it was the only non-union shop in the city. The philosophy of the original *Sun* management was that management and employees could work more effectively together without the intervention of a union, provided there were common goals and mutual trust. For the most part, employees bought into it, largely because management provided one of the best benefits packages in the media, competitive salaries, good opportunities for advancement and assorted perks, such as a three-month sabbatical after 10 years of service. There was also the perception—not entirely unjustified—that working at the Sun was more fun and more fulfilling than labouring in one of the grey, humorless newsrooms across town. This could be described alternatively as welfare capitalism or paternalism, and there's little question that things would have been less rosy if the dreaded unions hadn't been living across the street at the *Star* and the *Globe*. Either way, it's clear the early management understood that the only way to keep a union out was to treat employees well enough that they saw no need to unionize. Sun company co-founder Doug Creighton says that feeling began to evaporate almost as soon as Quebecor took over.

[W]hen Quebecor took it over, and first got the rattling in people's bones, the feeling that it wasn't going to be like it used to be. And it isn't. And morale went down the tubes fairly rapidly. I think the employees have reached a stage where they're saying, "Look. We had a good time. It was great. In the old days. In the first 20 years

³ Rob Ferguson, "Layoffs spark union drive at Toronto Sun," *Toronto Star*, April 17, 1999.

really.” But I think they recognize that’s gone and there’s another ownership—and a different philosophy.⁴

April 29, 1999, Quebecor held its general meeting, and announced that, while it had been slashing jobs, the company had been running up profits. First quarter net earnings for Quebecor were \$23.8 million, a 12.3 increase over the \$21.2 million it had earned in the same quarter a year earlier. Earnings were up in every branch of the company: by 20 percent for the printing division; 31 percent for the company’s Donohue paper Inc.; almost double in the communications division, thanks to the acquisition of Sun Media.⁵ Jean Neveu, a corporate loyalist who had been temporarily holding the position of president and CEO since the death of Pierre Péladeau 16 months earlier, announced:

Nineteen ninety-eight was a year where, faithful to the credo of Pierre Péladeau, we worked hard to surpass our achievements of previous years. We became the second largest newspaper publisher in Canada in 1999 with the acquisition of Sun Media. We expanded our global printing operations from 11 to 14 countries. And we became the second largest newsprint producer in the U.S., and the third largest in North America.⁶

The company also was carrying a large debt from its “nearly \$1 billion” takeover of Sun Media, and had shareholders to please. So a pattern of cost slashing in tandem with high profits was a pattern with which the new Quebecor employees were to become familiar.

At the same meeting, Pierre Karl Péladeau, the company founder’s 37-year-old second son, was named president and CEO of Quebecor. Pierre Péladeau had two

⁴ Telephone Interview with J. Douglas Creighton, co-founder of the *Toronto Sun*, Feb. 2, 2002.

⁵ “Quebecor’s first quarter earnings per share up 16 percent,” Quebecor news release issued via Canadian Corporate News, April 29, 1999.

⁶ Ibid.

sons active in the top echelons of the company—Pierre Karl and Erik, 42. Since the elder Péladeau's death, it had been expected that the top job would go to onetime Marxist Pierre Karl, a graduate of l'Université de Québec a Montréal in philosophy and of the University of Paris in law. Though father and son had frequently clashed, it was widely viewed that Pierre had been grooming his second son for succession through the 1990s. In the early 1990s, Pierre Karl ran media operations for his father, and had developed a reputation for being hot-headed and difficult. In 1994, after six of seven Quebecor media executives quit or were fired,⁷ Pierre sent his son to Europe to head up the printing operations there. Under Pierre Karl's leadership, the European operation had grown by leaps and bounds. During this period, he became known as a bottom-line manager with a bit of a genius for trimming the fat from the operations he was acquiring for his father's company. When Pierre Karl took over as head of Quebecor, *Forbes* magazine described him as bad tempered, rude, vindictive, cheap, driven and haunted by his father—and brilliant:

He strides through his U.S. offices blowing smoke from his Montecristo cigar and relishing the fact that no one dares to remind him of non-smoking laws. He curses at his executives in French and English, throwing an occasional chair across the room to drive his point home. He punishes salesmen for extravagant spending by withholding their travel reimbursement checks for six weeks. Pierre Karl Péladeau, the new head of Quebecor Inc., is something of a terror. But allow him some bad-boy antics: His Montreal-based, but internationally ambitious, firm had sales last year of \$5.6 billion and is upstaging the competition wherever it goes. A relentless acquirer and ruthless cost-cutter, this 37-year-old has built Quebecor into Europe's largest commercial printer—from scratch, in only four years. Within a year he turned the company's newspaper business from a mostly Quebec province chain into a national one rivaling Conrad Black's. He now vows to pass U.S. giant R. R. Donnelley & Sons as the world's largest printer ... Another brash ambition: to start up tabloids in U.S. cities where

⁷ Bernard Condon, "Angry Son," *Forbes* magazine, April 19, 1999.

there are none. Pierre Karl is the second son of Pierre Péladeau, the outspoken, temperamental French Canadian who ran Quebecor until his death 16 months ago. Since then Pierre Karl has been hard at work showing Quebecor's 43,000 workers that things will be run differently now.⁸

By “run differently,” the magazine was alluding to the father’s human touch and visionary approach to business, versus the son’s cold anger and focus on the bottom line. The article went on to quote André Gourd, a former head of Quebecor’s media group as saying: “You just want to say, ‘Look, Pierre Karl, your father’s dead. You can set the bar anywhere. Relax. Try to enjoy life. Don’t be so mad at the world.’”⁹

Though 1999 was a fairly quiet year for Quebecor—in comparison with the previous year and the ones to follow—the company made four moves that would do much to define how it would evolve under Pierre Karl Péladeau.

In July, Péladeau lived up to his promise to make Quebecor the world’s largest printer, when his company paid \$2.7 billion for the American commercial printing company World Colour Press, whose customers included *Time*, *Newsweek* and *National Geographic* magazines, several department store chains, the *Reader’s Digest* books division and a number of U.S. telephone companies. The acquisition made Quebecor “the world’s largest printer by sales volume, ranking No. 1 in the United States, Europe and Canada, and No. 2 in South America.”¹⁰

In August, all of Quebecor’s English and French media holdings were folded into one division, to be called Sun Media. In the announcement of the reformation of

⁸ Condon, “Angry Son,”

⁹ Ibid.

¹⁰ “U.S. buy to make Quebecor world’s top printer,” Reuters, July 12, 1999.

the company, Quebecor explained that Sun Media was “the second largest newspaper company in Canada” with eight urban dailies (Calgary, Edmonton, Winnipeg, London, Toronto, Ottawa, Montreal and Quebec City) and eight community dailies, representing 21 percent of the national circulation. Its properties also included 152 weeklies, 19 specialty publications, 29.9 percent of the Toronto all-news cable channel, CablePulse News, and 6,250 “dedicated employees.”¹¹

Then, in the fall, the company began to reorganize its online presence. First, in October, Sun Media president and CEO Godfrey announced the formation of Sun Media’s New Media division, based on its Web portal Canoe, and intended to develop online classifieds and a chain of city-information (*FYI*) sites across Canada. John Paton, a onetime *Toronto Sun* reporter who had risen to be publisher of the *London Free Press*, was named vice-president, New Media.¹² In the fall, the company also launched archambeault.ca, which specialized in record and book sales, as well as a French-language version of Canoe—Canoë. It also merged its communications technology operation Intellia with the Informission Group to “create a leading publicly traded e-commerce solution company that will combine strategy, technology integration, IP solutions and creativity on the Internet.”¹³

Meanwhile, the company announced gross revenues of \$2.7 billion for the third quarter of 1999, a 23 percent growth in income that the company attributed to its acquisitions of Sun Media and World Colour Press. Net income on that was \$335.5 million, compared to \$113.7 million a year earlier. At the time, the company

¹¹ “Announcement: Sun Media Corporation, a Quebecor company,” *Edmonton Sun*, Aug. 8, 1999.

¹² Philip Lee-Shanok, “Sun Media boosts Internet presence,” *Toronto Sun*, Oct. 16, 1999.

¹³ “Quebecor’s growth continues—Strategic investments in new media,” Quebecor news release issued via Canadian Corporate News, Oct. 26, 1999.

employed 60,000 people in 15 countries.¹⁴ It was in the third-quarter announcement that Péladeau made the policy statement mentioned in the introduction to this thesis:

Our position as the world's largest printer and the second largest newspaper group in Canada gives us tremendous opportunity to leverage our assets through new media. Our recent investments in this area reflect an organized strategy to provide value-added e-commerce solutions and Internet traffic to the benefit of our companies and their customers.¹⁵

Finally, In December, former Progressive Conservative Prime Minister Brian Mulroney was named chairman of Sun Media. Mulroney, a senior partner with the law firm Ogilvy Renault, had, since 1997, been a director of Quebecor and Quebecor Printing, and had worked as legal counsel for Pierre Péladeau in the 1960s (see Chapter 1).¹⁶

Oddly, one other harbinger of things to come barely made it into the English media—and when it did, it came eight months after the fact. Buried towards the end of a story about Mulroney's appointment was this strange passage:

Editorial staffers at *Le Journal* staged a protest this year to express their concern about the integration of the French-language Montreal daily into Toronto-based Sun Media. "Did Quebecor acquire Sun Media? Or did Sun Media Corp. take over the *Journal de Montréal*?" Mr. [André] Dalcourt [president of the union le Syndicat des Travailleurs de l'information du *Journal de Montréal*] asked in a statement March 17. The union has also objected to management demands that reporters give special attention to TQS, the private, French-language television network that is also in the Quebecor group.¹⁷

¹⁴ "Quebecor's growth continues—Strategic investments in new media."

¹⁵ Ibid.

¹⁶ Kevin Dougherty, "Mulroney named Sun Media chairman," *Globe and Mail*, Dec. 24, 1999.

¹⁷ Ibid.

So the company finished its first year with Pierre Karl Péladeau at the helm as the enormously profitable proprietor of the world's largest printer, and with a stated intention of building a new-media empire on the back of its old-media holdings. It also had a Prime Minister-turned-corporate fixer on the payroll and a unionized portion of its staff that was beginning to sound alarms about the company's plans to use its media holdings for cross-promotional purposes. With its music and book divisions, magazines, low-rent TV network and large-circulation newspapers in Quebec, the company was in a position to turn its media holdings into a marketing juggernaut. How the Sun Media holdings outside Quebec fit into the framework—except as a cash cow—was less clear. As for the statement about leveraging assets through new media, as former *Toronto Sun* publisher Hartley Steward says,

All that stuff ... was written when people actually did believe that there was actually going to be a major movement from newspapers to the Internet. Now, it never really did happen. Canoe is a giant failure. Canoe was going to be floated and make them millions of dollars. And everybody says that's why they really bought Sun Media, and it may be why they really bought the *Sun*—for way too much money. In those days, they really did believe that was the future. And if you had a vehicle like Canoe, and some people who could run it, eventually all the readers from the newspapers would be over there. All the advertisers from the newspapers would transfer over to your Internet vehicle. I remember Wayne Parrish used to drive me crazy. He used to refer to the “new media” and the “old media,” so much so, that it was like we were a bunch of dinosaurs. I made him stop doing it in front of staff, because it was such a derogatory way he said it. The fact is, I never thought it was going to work the way they thought it was going to work.¹⁸

By “floated,” what Steward is referring to is Quebecor's intention of issuing an Initial Public Offering of stock, or IPO—the Holy Grail of the dot-com gravy train, which, unfortunately, had already begin to run out of track when Quebecor jumped

¹⁸ Telephone interview with former *Toronto Sun* publisher Hartley Steward, Jan. 11, 2002.

aboard. The idea was you built a high-tech company—mainly on wires, cables, processors, monitors, and a lot of jargon and hot air—up to a must-have item, took it public and became an instant billionaire. It was the stock market equivalent of Florida bottom land, but almost everyone looked at this swamp and saw beachfront property. Quebecor was no exception.

Quebecor's love affair with Canoe lasted about a year, says Greg Oliver, a former associate producer of Canoe's *Slam* sports site, and one of the members of the founding team of the Web portal. Through the early part of Quebecor's stewardship, the focus was entirely on "tools." The thinking—as far as it's possible to impose coherence on it—seems to have been that "tools" gave a "portal" "facility." This, says John Paton, the former head of Canoe, allows a site to create "deep verticals."¹⁹ In English, this means that you build all kinds of services into your site—job search, used-car listings, general classifieds, matchmakers, lottery results and so on—that will allow your users to customize their Web experience. The jargon Paton used was typical of the time, though. Like religious neophytes, bureaucrats, social scientists and teenagers, Internet zealots used language to create exclusivity, and convey the impression that they were part of a brotherhood of illuminati. Unfortunately, a lot of otherwise sensible people bought into it, without ever questioning the prevailing wisdom. At first, Pierre Karl Péladeau appeared to be one of those people, Oliver says.

He would be in our office all the time. And when he was back in Montreal, he would just, on a whim, go down to Canoë, and ask, "Why aren't you doing this?" And he'd expect them to get it done. So, they were hiring bodies left, right and centre. That was all part

¹⁹ Interview with Quebecor's then vice president in charge of Canoe, John Paton, in his office, June 9, 2000.

of the ramping up process, to go to IPO. ... Through it all, it was the content that brought people to the site, but the powers that be at the Quebecor level never really understood content. That's the biggest problem. Even today, they have great content, great people managing it. They hire the right kind of people to do the work, the grunt work. They hire journalism people, people who understand what other people are going to want to read, and can write and edit and do headlines and stuff. And they're much better choices than some computer geek to run your site. These are people who understand what the news is. And how to sell it. What takes precedence over something else. Why you change things up, and keep them fresh. That's the only real advantage you can have any more. I mean, with the tools and stuff, they've been surpassed everywhere.²⁰

If 1999 gave the impression that Quebecor was a company moving quietly forward under the stewardship of a fiscally cautious manager, the year 2000 exploded it. In the second year of the new regime, Quebecor made two huge deals that together represented a big step away from the vertical-integration strategy of the past and toward a future as the dominant cross-media player in Quebec.

In January, Rogers Communications Inc. of Toronto made a bid for Quebec's largest cable service, Groupe Vidéotron Ltée, which had been welcomed by the majority-owner Chagnon family. At first, the deal appeared to be one of those dull exchanges that would pass through the business pages in a procession of dry procedural reports. But, almost as soon as the deal was announced, the Caisse de dépôt et placement du Québec—the powerful provincial pension fund that had been involved in Pierre Péladeau's purchases of Maxwell Graphics—filed suit to block the deal. The Caisse controlled 19 percent of Vidéotron and its investment contract included a right of veto over any major moves the company might make, and that included a sale. The Caisse blocked the sale to Rogers, and recruited Quebecor to

²⁰ Interview with Greg Oliver, former associate editor of *Slam Sports*, *Canoe*, Feb. 14, 2002.

jump in as a rival bidder. The political overtones made the situation acrimonious almost from the start. President and CEO of the Toronto-based cable giant, Ted Rogers, vowed at the 2000 annual meeting to “do what needs to be done” to win the fight for the company.²¹ Vidéotron CEO Claude Chagnon accused a Caisse officer—who had been fired by Vidéotron—of pursuing a vendetta against the cable company. This came after the Caisse got a Quebec Superior Court injunction barring the Chagnons from voting for the Rogers deal at a Vidéotron shareholders’ meeting.²² The battle became a provincial *cause célèbre*. The struggle for the company was being portrayed, as former Quebec premier Jacques Parizeau put it, as a fight to keep Toronto from “buying Montreal.” The struggle, he said, was about the issue of “cultural identity in the market place.”²³ A Bloc Québécois MP, “speaking on condition of anonymity,” had this to say about the motives of the Caisse:

The Quebec government has invested a lot of money into the high-tech industries of Montreal to maintain French in the new economy. It has fought like hell to keep the Internet from being all-English. Letting the cable business get bought out by an English-Canadian company with an owner like Ted Rogers is like Canada letting AT&T or Time-Warner buy up the cable companies there. ... Once the Caisse buys Vidéotron, it won’t sell it off to people who don’t care about Quebec’s culture.²⁴

The Chagnon-controlled board fought back, blocking the Quebecor bid at a meeting April 4 and, through their lawyer, accusing the Caisse of acting in bad

²¹ Dawn Walton, “Rogers vows fight for Vidéotron,” *Globe and Mail*, Jan. 22, 2000.

²² “Vidéotron chief executive Chagnon calls Caisse-Quebecor counter-offer an act of vengeance,” *Canadian Press*, March 30, 2000.

²³ Tu Thanh Ha and Susanne Craig, “Parizeau enters Vidéotron battle,” *Globe and Mail*, March 29, 2000.

²⁴ “Quebec nationalism becomes an issue in Quebecor’s bid for Vidéotron,” *Canadian Communications Reports*, March 30, 2000.

faith.²⁵ Later in April, minority shareholders took the Caisse and the Chagnon family to court, charging that the two parties broke provincial securities laws when they failed to disclose the Caisse's power of veto.²⁶

Vidéotron was, as Canoe head John Paton says, "an opportunistic deal,"²⁷ and no doubt one that seemed too good to pass up. Péladeau wrote in the *Globe and Mail*, that he saw it as "a business opportunity that provides us with a foundation on which we can build into the New Economy in Canada and around the world." It was not, he wrote, a political plot or a separatist offensive to block *les anglos* from buying a Quebec company.²⁸

Meanwhile, to raise money to pay down debt, in February, Quebecor agreed to tender its 19.6 percent equity interest in Donohue Paper to the paper giant, Abitibi-Consolidated Inc., in return for \$291 million and an 11 percent share of Abitibi.²⁹ The deal went through in May, and two Quebecor executives—Péladeau and Donohue chairman Charles-Albert Poissant—took seats on the Abitibi board.³⁰ Also in February, Quebecor—which had sold off 30 percent of Sun Media a few months earlier, in the form of 10 percent each to the Royal Bank, the Caisse and the Ontario Municipal Employees Retirement Board—announced that it planned to take Sun Media and the Web site Canoe public to raise money for new media investment.³¹

²⁵ Bertrand Marotte, "Vidéotron board formally rejects Quebecor bid," *Globe and Mail*, April 5, 2000.

²⁶ Bertrand Marotte, "Vidéotron minority holders challenge veto deal in court," *Globe and Mail*, April 17, 2000.

²⁷ Interview with John Paton.

²⁸ Pierre Karl Péladeau, "Media off base on Quebecor deal," *Globe and Mail*, Aug. 21, 2000.

²⁹ Ann Gibson and Tu Thanh Ha, "Abitibi snaps up rival Donohue," *Globe and Mail*, Feb. 12, 2000.

³⁰ "Donohue turns page," Canadian Press, May 8, 2000.

³¹ Susanne Craig and Tu Thanh Ha, "Quebecor to take Sun Media Public," *Globe and Mail*, Feb 12, 2000.

In September, after seven months of legal wrangling and public recriminations, Rogers Communication walked away from Vidéotron. The Toronto company decided it couldn't afford to match the Quebecor-Caisse offer of \$45 per share. In the end, Quebecor paid \$5.4 billion for Vidéotron³²—\$2.2 billion of that supplied by the Caisse de dépôt et placement du Québec.³³ What Quebecor had purchased was 1.5 million Quebec video subscribers, a state-of-the-art cable network and TVA, Quebec's largest public TV network and owner of the province's biggest magazine publisher. With its magazine holdings, newspapers, Internet presence, TV and music stores and distribution networks, and ownership of the province's other private TV network, Télévision Quatre Saisons (TQS), the company enjoyed almost total control over Quebec's mass media and popular culture.

It had expanded by one giant leap in Quebec, but outside the province, Quebecor was making no headway in fulfilling the global vision of its leader. In summer of 2000, Péladeau said Quebecor was interested in acquiring the two tabloids—the *Vancouver Province* and *Halifax Daily News*—among the papers Hollinger Inc. had put up for sale. He also admitted that his company had looked at acquiring CTV, but had backed off rather than get into a bidding war with the richer BCE.³⁴ As a result, BCE acquired CTV for \$2.3 billion—less than half of what Péladeau ended up paying for Vidéotron. After Vidéotron, Quebecor didn't find itself in a position to advance its beachhead in English Canada—until 2004. When

³² Gordon Pitts, *Kings of Convergence*, (Doubleday Canada, 2002), p. 82. The reported price of Quebecor's purchase of Vidéotron ranges from \$4.9 billion to \$5.9 billion. I choose to go with this amount because it's the one that took hold a couple of months after the deal was done, and stuck.

³³ Pierre Karl Péladeau, "Media off base on Quebecor deal."

³⁴ Konrad Yakabuski, "The Conversion of Pierre Karl Péladeau," *Report on Business* magazine, June, 2000.

the Hollinger papers were sold off in 2000, Canwest walked away with the lion's share of them, including the two tabloids that would have been the best fit with the Sun Media holdings. And, a year later, when Canwest sold off the *Daily News*, it was the Montreal-based publishing company Groupe Trancontinental that stepped forward, not the big-media Quebecor. Also, Quebecor's plan to take Canoe and Sun Media public had been thwarted by the sudden collapse of the high-tech stocks in spring and summer of 2000, and the fact that its most valuable property in English Canada was caught in a four-way newspaper war, and not doing terribly well. An Audit Bureau of Circulation report from late fall of 2000 revealed that the *Sun* had taken the worst beating in Toronto's newspaper war, losing five percent of its circulation.³⁵ As former Canoe president Wayne Parrish says, "They had huge aspirations for a valuation for Canoe, and when the bottom fell out of NASDAQ and the IPO fell apart, it wasn't as compelling any more. And, by then, there was another fish to fry, and that was Videotron."³⁶

Through 2000, the signs were getting larger that Péladeau was becoming disenchanted with the Internet. Canoe was widely respected in journalistic circles and among readers, and had been among the first news sites to regularly break news stories and do hourly updates of breaking news stories. And it had a business plan to build classified and catalogue-sale Web commerce around its extensive collection of archive, reference and news sites. Yet, in 2000, it was still losing money to the tune of \$8.1 million for the second quarter of the year, and Quebecor had begun to trim the division down. Four top employees of the French-language site Canoë had been

³⁵ Keith Damsell, "Sun fares worst in newspaper war: study," *Globe and Mail*, Nov. 7, 2000.

³⁶ Telephone interview with Wayne Parrish, former *Toronto Sun* General manager, *Toronto Sun* editor-in-chief, Sun Media executive and president of Canoe, July 3, 2003.

let go and the Web sites for the company's papers in Montreal and Quebec had been shut down, after conflict with the papers' unions over reuse of journalists' material online.³⁷

It also soon became apparent that absorbing Vidéotron would occupy most of the company's time and energy in the foreseeable future. About two weeks after it took control of Vidéotron, Quebecor put two divisions up for sale. First on the block was Vidéotron's telecom unit, the first of an estimated \$1 billion in non-core assets the company planned to unload to pay down debt.³⁸ Then, a few days later, the company announced it would sell its 76 percent stake in TQS, partly to raise money and partly in anticipation of what the federal broadcast regulator would require for it to approve Quebecor's acquisition of rival TVA.³⁹ In December, Péladeau addressed shareholder concern by announcing that Quebecor would make no more acquisitions over the next few years and would focus on "cutting costs and implementing strategy."⁴⁰ Estimated debt for the company at the time was \$8.5 billion, \$4 billion of that incurred by the purchase of Vidéotron.⁴¹

Péladeau's hotheaded management style also was causing concern among investors and observers. In 2000, it seemed at times as if executives were lining up at the door to leave Quebecor. Particularly hard hit was the old Sun Media corps of executives: Doug Knight, publisher and CEO of the *Toronto Sun* resigned in March; Paul Godfrey stepped down in June; Paton left in July. Meanwhile at the parent company, in March, executive vice president François Roy and executive vice

³⁷ Bertrand Marotte, "Questions raised over Quebecor's Web plans," *Globe and Mail*, Aug. 9, 2000.

³⁸ "Quebecor puts Vidéotron telecom unit on block," *Ottawa Citizen*, Sept. 21, 2000.

³⁹ Mary Lamy, "Quebecor puts network on the auction block," *Ottawa Citizen*, Sept. 28, 2000.

⁴⁰ Paula Arab, "Péladeau on defensive," *Canadian Press*, Dec. 8, 2000.

⁴¹ *Ibid.*

president of new media Philippe Marinier resigned. And in December, Michel Desbiens, a Quebecor senior executive who had been CEO of Donohue Inc., left the company.

The last was most interesting, because Desbiens was a key player in Quebecor's push to dictate to Abitibi how it should run its company. He had become chairman of Abitibi after it acquired Donohue but stepped down because of the boardroom conflict over how the company was to be run. Péladeau had been pushing to have Desbiens replace Abitibi CEO John Weaver. Péladeau's complaint was that Weaver was not doing enough to rein in costs at the company.⁴² Meanwhile over at Vidéotron, Quebecor was losing no time in bringing in its culture of cost cutting. In November, Quebecor ordered Vidéotron to slash 15 percent off its budget—\$112 million—by the following August. It also announced that it would fold Vidéotron's Internet company, Netgraphe, into Canoe, which had just had 65 members of its staff laid off.⁴³ Six days later, Vidéotron cut 113 jobs.⁴⁴

Going into 2001 hunkered down and determined to cut costs, Quebecor was beginning to look like the perfect modern multi-media conglomerate: heavily in debt and with no idea of how to turn convergence into cash, and even less understanding of how to attract and hold an audience. As media buyer Doug Checkeris says,

The problem with people like Quebecor: What are you putting together when you're putting together a Vidéotron and a *Sun* or *Le Journal*? Where do they come together? It's like Rogers. Rogers will say they've got this, they've got that. But where does it cohere? What do they own that you can't get at some other way—that you can't buy around. So, maybe, you can say, 'We know

⁴² Bertrand Marotte, "Key Quebecor board member resigns," *Globe and Mail*, Dec. 21, 2000.

⁴³ Allan Swift, "Quebecor flexes its muscles with new acquisitions," *Canadian Press*, Nov. 23, 2000.

⁴⁴ Mary Lamy, "Vidéotron cuts 113 jobs to meet Quebecor cost-cutting goals," *Ottawa Citizen*, Nov. 29, 2000.

more about our consumers.’ But it’s never about making our product better. But what becomes quite fascinating is that they still will be subject to someone coming along with an excellent idea, who actually cares about what the consumer cares about.⁴⁵

Yet things could have been worse. At year’s end, Quebecor reported a jump in profit, which it credited to good performance by its printing and newspaper publishing units. Profit for 2000 was \$1.08 billion, more than double the \$477 billion profit of 1999. Pierre Karl Péladeau called it “a banner year for Quebecor.”⁴⁶

One would think a company posting a billion-dollar profit would head into its next year energized and full of ambition to grow its businesses. But 2001 dawned grim and cold for Quebecor, and it didn’t get much better as the year wore on. In the third year of Pierre Karl Péladeau’s reign over the company, more than 3,000 jobs were cut across three divisions—and the hardest hit were the ones credited with the 2000 record profit: printing and newspapers. There were lawsuits from dismissed executives and angry suppliers and contractors, charges that debt was dragging the company down, and strategic retreats.

The first to feel the impact of head office frugality was Sun Media. In early February, some 20 jobs were eliminated at Canoe. This, the company announced, was part of a restructuring in which Canoe, Vidéotron, TVA and Netgraphe would be gathered together under the title Quebecor New Media.⁴⁷ Then, at the end of February, Quebecor went to work on Vidéotron Télécom Ltée, which it had put up for sale. Half of the company’s 850 jobs were being eliminated, the company said,

⁴⁵ Telephone interview with Doug Checkeris, senior buyer, The Media Company, Aug. 1, 2002.

⁴⁶ Guy Dixon, “Quebecor profit jumps in 2000,” *Globe and Mail*, Feb. 8, 2001.

⁴⁷ Bertrand Marotte, “Canoe Staff bracing for more cuts,” *Globe and Mail*, Feb. 10, 2001. The company never came to be. Instead it was all folded into Quebecor Media.

because of a slowdown in the telecommunications industry.⁴⁸ It was widely reported, however, that the reason for the cuts was that Quebecor wanted to “whip the financially ailing fibre-optic network into shape and fetch a decent price for it.”⁴⁹ Then, in May, the axe was dropped twice, first on Groupe Vidéotron, which lost 138 jobs. In a press release, the company described this as part of a “series of corrective measures” taken to boost productivity. The cuts affected 29 managers and 109 union jobs.⁵⁰ Then the blade fell on the cash cow, Sun Media. Blaming high newsprint prices (up to \$905 per ton from \$775 a ton in one year) and falling ad revenue, Pierre Francoeur, president and chief executive officer of Sun Media announced that 302 jobs would be cut from the Sun chain. It wasn’t that the company was unprofitable; it just wasn’t profitable enough. In the first quarter of 2001, its EBITDA was \$35.2 million, down 21 percent from \$42.6 million a year earlier.⁵¹ So 180 full-time employees, 34 part timers and 15 freelancers lost their jobs, and 73 vacant jobs were eliminated. Among the laid off were 86 staff at the *Toronto Sun* and 39 at the *London Free Press*, including the editor-in-chief and managing editor.⁵² There were rumblings of opportunism in the layoffs. Among those let go were people known to have been involved in union activity and, as one reporter in Toronto remarked at the time, “they mostly went after the experienced people, the ones with good salaries.”⁵³ It was clear that Quebecor wasn’t thinking in terms of long-term profitability or competitiveness—particularly in Toronto, where they slashed jobs at a paper fighting

⁴⁸ Allan Swift, “Quebecor Telecom to lose half of its 850 jobs, citing financial difficulties,” *Canadian Press*, Feb. 28, 2001.

⁴⁹ Bertrand Marotte, “Quebecor cuts staff at Vidéotron unit,” *Globe and Mail*, Feb. 28, 2001.

⁵⁰ Bertrand Marotte, “Vidéotron slashes jobs as media empire cuts back,” *Globe and Mail*, May 11, 2001.

⁵¹ Keith Damsell, “Sun Media chops 5% of work force,” *Globe and Mail*, May 15, 2001.

⁵² “News executives appointed as Free Press restructures,” *London Free Press*, May 15, 2001.

⁵³ Another journalist who prefers to remain anonymous, to protect future employment prospects.

a three-way newspaper war, against its old rival the *Star* and the sensationalistic and cheeky broadsheet *National Post* (which, as we saw in Chapter 3, would crash its circulation when it cut jobs and sections in the fall of 2000), as well as the free commuter paper, which was skimming off its base readership on the Toronto Transit Commission. Quebecor certainly wasn't thinking in terms of serving the readers. The approach—as it had been everywhere except *Le Journal de Montréal*—was to slash and burn, make profits by holding back costs, not by building a better product.

In the summer, Quebecor was hit by a double embarrassment at Vidéotron: a flurry of lawsuits filed by managers claiming they had been improperly dismissed, and another from suppliers and contractors enraged by the lethargic way the company paid its bills. The president of one Montreal company told the *Globe and Mail* that he had been owed \$200,000 for eight months, another filed a court statement charging that Vidéotron had refused to pay a \$242,107 bill. Quebecor blamed the problem on a management mess inherited from the previous owners.⁵⁴ At the same time, four former executives from three Quebecor divisions filed suits claiming they had been fired without proper compensation.⁵⁵

Then, in October, the job cutting started again, with the announcement that the company's core business, printing, was closing seven of its 160 plants and laying off 2,400 employees in 16 countries.⁵⁶ Finally, the year drew to a close with 70 positions eliminated at Netgraphe, 25 percent of its work force. This came in tandem with an announcement from Vidéotron that it would have to slash its costs by \$40 million a year. Vidéotron chairman Serge Gouin blamed the situation on the fact that the cable

⁵⁴ Bertrand Marotte, "Vidéotron assailed by suppliers," *Globe and Mail*, May 15, 2001.

⁵⁵ Bertrand Marotte, "Quebecor units facing four more lawsuits," *Globe and Mail*, May 16, 2001.

⁵⁶ Bertrand Marotte, "Quebecor World slashes jobs," *Globe and Mail*, Oct. 10, 2001.

business was no longer a monopoly. Satellite providers, such as Bell ExpressVu and Star Choice were drawing off subscribers.⁵⁷

At the same time, the exodus of executives continued at the company. The most high profile departures were key Quebecor vice-president and chief operating officer Monique Leroux—who had been with company just a year—in June, and *Toronto Sun* publisher Mark Stevens in April.

There were many exceptional factors affecting Quebecor's performance in 2001—newsprint costs, the end of the dot.com fantasy, the economic slump that followed the Sept. 11 terrorist attack on the World Trade Center, increased competition in Montreal, with the launch of two free papers, one by Group Transcontinental and another by Quebecor. Nevertheless, the impression being formed in the media was of a company in turmoil.

And that wasn't helped by the fact that even Quebecor World was slipping. For years, through exploits in Philadelphia and English Montreal and expensive acquisitions, the printing division had always been the rock, an engine of constant growth and spectacular profits. In 2001, even that changed. After Sept. 11, the company's profits crashed by 20 percent. "The shock experienced by the U.S. economy ... weakened consumer confidence and had a direct impact on many of our publishing and retail customers," Quebecor World president Charles Cavell explained.⁵⁸ By October, Class B non-voting shares in the parent company, Quebecor, had fallen \$1.06, and Quebecor World shares dropped \$3.77.⁵⁹

⁵⁷ Bertrand Marotte, "Quebecor cutbacks continue," *Globe and Mail*, Dec. 15, 2001.

⁵⁸ "Quebecor World 'dramatically affected' by Sept. 11: Q3 profits fall 20%," Canadian Press, Oct. 31, 2001.

⁵⁹ Bertrand Marotte, "Shares of Quebecor unit take hit," *Globe and Mail*, Oct. 11, 2001.

Yet, the company continued its expansionary ways, acquiring one of Mexico's leading commercial printers in August and the printing assets of Hachette Filipacchi, Europe's largest magazine publisher, which included a \$400 million contract to print the company's magazines.⁶⁰

The problem the company was wrestling with was balancing cash flow with some \$7 billion in debt. The debate in the business press was between observers who argued that the company was in a cash-flow deficit and those who argued that its problems were short term.⁶¹ One analyst's report even suggested that the company might have to sell control of the heart of its operations, the printing business. This brought an angry response from Quebecor executive Luc Lavoie: "There's not an ounce of truth to it. It's just bull."⁶²

Still, the company was shutting unprofitable enterprises and shedding non-core assets. In August, its Netgraphe subsidiary shut down the FYI classified advertising and city-information Web sites in Quebec, Montreal, Ottawa, Toronto, Winnipeg and Edmonton.⁶³ The Internet division also closed down its news site, canoe.fr, in France, after only a year. The company announced that it anticipated an operating loss of \$22 million for the year.⁶⁴

This also was the year Quebecor finally severed its ties with Pierre Péladeau's dream of controlling publication from the tree to the newsstand. In June, the company sold its stake in Abitibi for \$604 million.⁶⁵ And in September, the company sold off

⁶⁰ "Quebecor buys Hachette Filipacchi unit," Canadian Press, Sept 28, 2001.

⁶¹ Allan Swift, "Quebecor faces cash crunch," Canadian Press, Aug. 21, 2001.

⁶² Allan Swift, 'It's just bull,' Quebecor says of debt, Canadian Press, May 30, 2001.

⁶³ Steve Erwin, "Quebecor unit unplugs FYI sites," Canadian Press, Aug. 23, 2001.

⁶⁴ Sean Silcoff, "Quebecor shutter Web sites in Canada, France," *Globe and Mail*, Aug. 24, 2001.

⁶⁵ Bertrand Marotte, "Quebecor sells its stake in Abitibi," *Globe and Mail*, June 8, 2001.

its holdings in TQS to Cogeco and Bell Globemedia for \$178 million,⁶⁶ clearing the way for it to acquire the larger and more powerful TVA as part of its Vidéotron acquisition. Through the spring, Quebecor had been in hearings with the federal broadcast regulator in which Péléadeau had reversed his position of a year earlier. No longer was he saying that the Vidéotron takeover was merely good business. At the CRTC hearings in Hull, he wrapped himself in the *fleur de lis* and called the transaction a “projet de société.” “[I]ts success will secure a preponderant place for French-speaking Canada in the digital and multimedia universe,” he said.⁶⁷ He also promised to fold his media holdings, including Sun Media, Netgraphe and TVA into a new division to be called Quebecor Media Inc. In July, the CRTC approved TVA’s licence renewal—approving Quebecor’s ownership—under the condition that Quebecor keep the TVA newsroom separate from its print news-gathering organizations, and demanded that Quebecor spend \$48.9 million to improve local programming—\$14 million more than the company had offered in its application to the commission.⁶⁸ It’s a reflection of just how much power Quebecor has in its home province that the CRTC imposed no such restrictions on Canwest-Global and BCE Inc., both of which have partially integrated their print and broadcast newsgathering operations.

In just two years, Quebecor’s focus had shifted drastically, from aspirations of being a global media force and new media pioneer, to focus on traditional media in Quebec, with an outpost of Canadian holdings that didn’t

⁶⁶ Cogeco, Bell Globemedia to buy TQS, Canadian Press, Sept. 18, 2001.

⁶⁷ Bertrand Marotte, “Quebecor pitches to CRTC,” *Globe and Mail*, March 27, 2001.

⁶⁸ Keith Damsell, “Quebecor-TVA deal approved,” *Globe and Mail*, July 6, 2001.

necessarily make sense in this new context, aside from generating profits to help sustain the company's true business. Greg Oliver says the mood at Canoe went very quickly from euphoria to despair in 1999-2001.

At first, they were the white knight. ... They made us some money—including me—by buying us at a ridiculously inflated price, which of course they did later with Rogers, too, when they bought Vidéotron. It's a company that doesn't necessarily make sense. They do things out of impulse sometimes, or because they think they should, rather than whether it makes business sense, or it fits with their synergy. [O]nce Montreal was up and going, the Canoe site, it quickly became apparent that a lot of the resources were going to be poured into there, because they were in the same offices as P. K. P. He'd wander down and do things. So that started to change things. You weren't the darling any more. And they always talked about us as being the flagship. It was almost as if we were a satellite organization now, instead of the centre. ... A lot of VPs and things like that were installed in Montreal, instead of Toronto. ... And, so, therefore, when the cuts came, they weren't really a surprise.⁶⁹

By now, no one was surprised when Quebecor chose to make staff cuts. Just two years earlier, Quebecor had looked like a company poised to finally bridge the divide between the English and French medias, and become the first truly nation-wide company of its kind. By 2002, it was a slightly altered version of what it had always been: a Quebec media titan and a minor player in Canada, riding the strength of worldwide printing operations. True, with Vidéotron, it had acquired the "pipes," at one time the Holy Grail of convergence. But it was becoming more and more obvious that having both content and delivery systems was anything but a guarantee of success. And at the rate, the company was cutting back its newspaper and Internet operations, Quebecor had pipes but not much content. Where it was delivering

⁶⁹ Interview with Greg Oliver.

content through “pipes” it was doing so with old media—television signals by cable. In fact, companies like CHUM, the *Toronto Star*, Groupe Transcontinental (which had trumped Quebecor by buying the *Halifax Daily News* and then attacked it on its home turf by starting a free commuter paper, with exclusive right to distribute on the Métro system) were showing that media clustering (owning select properties in distinct market areas or market niches) might be the strategy of the future. Convergence was beginning to look like an evolutionary dead end.

In 2002, Quebecor’s disillusionment with the Internet was proving to be chronic. In April, the company, more or less, gave up on having a unique Web presence and laid off all of its editorial employees at Canoe—part of a wave of 67 layoffs across its Netgraphe division.⁷⁰ The company wasn’t alone in deciding to scale back on its Web presence. A year earlier, Rogers and Canwest had cut back on their Web sites and several U.S. operations had scaled back and laid off staff. It was at around this time, too, that the *Winnipeg Free Press* began to experiment with a subscriber-based Web site (see Chapter 4). As Quebecor executive Luc Lavoie said, “The advertising community does not believe that the advertising we have on these portals has any impact. Are they right or are they wrong? It’s too late to decide on this. There’s no light at the end of the tunnel.”⁷¹

The picture wasn’t much brighter elsewhere in Quebecor’s media holdings. The Audit Bureau of Circulations released its figures in January, and they showed that the papers that had been cutting back—the *Toronto Sun* and the *National Post*—were losing the circulation war in Toronto. The *Sun*’s circulation was down by six

⁷⁰ Robert Thompson, “Quebecor lightens sinking Canoe,” *National Post*, April 17, 2002.

⁷¹ Untitled story from Canadian Press, April 17, 2002.

percent, and that of its main competitor, the *Toronto Star*, was up one percent. (Meanwhile, the *Post* had fallen by a disastrous 18 percent as the *Globe* had risen by seven percent.) Average weekday paid circulation had dropped from 233,920 a year earlier to 223,426.⁷² Still, the chain proved to be a money-maker for the company, with \$224.9 million in revenue and a 28.6 percent profit margin for the first two quarters of the year. Staff, meanwhile, showed their disenchantment with the new owners by taking a big step towards unionization. By year's end, more than half of the employees had signed union cards—and the drive to organize the paper had only begun in November.⁷³

Quebecor's focus in 2002, however, was on two other fronts: reorganizing its giant worldwide printing operation, which had been hit hard by the post Sept. 11 slump and was for the first time operating at a loss, and trying to impose some kind of order on its new Quebec broadcasting and media empire—something that was proving to be a major embarrassment to the company.

Early in the year, Quebecor World reported a huge fourth-quarter loss of \$154.1 million for the last three months of 2001, compared to a profit of \$106.3 million a year earlier. The company had managed to post a profit for the year, CEO Charles Cavell reported, even through the economic slowdown of the early months. But the walls had caved in after the attack on the World Trade Center. "We proved up to the end of August we were recession-resistant," he said "but we were not terrorist proof." He announced that the company would lay off 600 workers and close 10 more

⁷² Keith Damsell, "National Post circulation tumbles 18%," *Globe and Mail*, Jan. 9, 2002.

⁷³ "Most in Sun's newsroom sign union cards," *Canadian Press*, Dec. 2, 2002.

of its plants around the world.⁷⁴ Aside from some difficulties with protectionist labour laws in France—a “bright red socialist entity,” Cavell called the country—the Quebecor World restructuring was quietly completed by April.⁷⁵

Over at the company’s new Vidéotron division, however, things were about to get very ugly on two fronts, as management moved to find the \$40 million in cost cuts Quebecor had demanded. In February, the company announced a plan to contract out its residential cable-connection service. This would mean the company could eliminate 26 percent of its 3,000 jobs and save about \$15 million per year, and 650 people would lose their jobs. At the same time, Quebecor put out a call for contractors to take over Vidéotron’s computer systems division, which employed 124.⁷⁶

In May, Vidéotron was on strike. After a vote May 2, in which 99 percent of the members voted in favour of a walkout, Yves Lalonde, president of CUPE 2815, said in a news release, “The key point here is they’re talking about breaking up the company pure and simple. After buying Vidéotron for top dollar, with the help of the Caisse de dépôt, Pierre Karl Péladeau now wants to sell off the parts.”⁷⁷ For employees of Sun media, it was a familiar complaint. As Oliver says,

Quebecor is crippled by the debt load, and whether they can ever get out of it is probably very suspect. It’s huge. It’s a ridiculous debt load and it’s their own fault, and they’re not going to see any benefits from the whole Vidéotron thing for a long time, if ever. They just haven’t managed it right. It’s got to leave a lot of bad tastes in mouths. I guess the only people laughing now are the people at Caisse de dépôt. They’ll be making out like bandits for a

⁷⁴ “Quebecor World to cut 600 jobs following loss,” *Globe and Mail*, Feb. 5, 2002.

⁷⁵ Bertrand Marotte, “Quebecor World cuts costly,” *Globe and Mail*, April 4, 2002.

⁷⁶ Bertrand Marotte, “Quebecor unit considers deals to let it cut jobs,” *Globe and Mail*, Feb. 28, 2002.

⁷⁷ “Vidéotron employees strike,” CUPE news release, www.cupe.ca/mediaroom/newsreleases/showitem.asp?id=5245&cl=1.

long time to come, on the interest alone—from the silliness of Quebecor.⁷⁸

The old Quebecor had been a company built on frugality, on careful attention to the cost and value of properties. The new one was becoming known as a company that bought properties with regard to neither their cost nor value to the organization. Moreover, Pierre Péladeau had been a man who valued peaceful labour relations. His son was confrontational almost to the point of self-destruction. Pierre Karl Péladeau was distancing himself from the legacy of his father—but it's doubtful if this was the way he wanted to do it.

Vidéotron employees went out May 8, and stayed out for the rest of the year, through a period of constantly escalating confrontation. In June, Quebecor filed a \$5 million lawsuit against the union for sabotaging its cable system, and the union put up picket lines at the offices of *Le Journal de Montréal* and TVA.⁷⁹ On June 30—a day before Quebec's traditional moving day, when cable companies would be busy connecting new lines—Vidéotron complained that fibre optic lines had been cut in Sorel and Quebec City, cutting service to 30,000 customers. The company was claiming that union sabotage had cost it some \$4 million.⁸⁰ By early August, Vidéotron was racing to re-connect more than a quarter of a million subscribers, who had lost their cable service to vandalism, and was complaining that union activity had driven 60,000 customers to the satellite services, ExpressVu and Star Choice.⁸¹ The strike dragged on for more than a year, until finally in May 2003, the company and

⁷⁸ Interview with Greg Oliver.

⁷⁹ "Videotron strikers picket at Montreal newspaper owned by media empire," *Canadian Press*, June 29, 2002.

⁸⁰ "More vandalism plagues Vidéotron," *Globe and Mail*, July 1, 2002.

⁸¹ Bertrand Marotte, "Strike at Vidéotron takes toll," *Globe and Mail*, Aug. 9, 2002.

the union settled. Quebecor agreed not to contract out the work. In exchange, the union agreed to the elimination of 248 jobs and a workweek increase from 35 to 37.5 hours with no increase in pay.⁸²

Running parallel to this was a pair of strange conflicts between Quebecor and BCE and the federal broadcast regulator, which started in April, when Péladeau complained to the CRTC of unfair competition by Bell ExpressVu. Vidéotron had lost an estimated 65,000 customers to the satellite providers since the Quebecor takeover. Péladeau was charging that BCE was “cross-subsidizing” ExpressVu, the larger satellite provider, by allowing ExpressVu to draw from the cash flow of its sister company, Bell Canada.⁸³ This was followed in June with a \$13.4 million lawsuit filed by Vidéotron against RDS, the French all-sports channel owned by BCE subsidiary Bell Globemedia. The cable company alleged that Bell ExpressVu was being charged less to carry the popular sports channel than was Vidéotron. The cable company took it upon itself to cut in half the fee it paid for RDS. At the same time, Vidéotron had requested that the CRTC deregulate it in areas where it was unprofitable to provide full service to customers.⁸⁴ Then in July, the television providers—the Bell Canada subsidiary CTV, CHUM and Alliance-Atlantis—went to the CRTC to complain that Vidéotron had unilaterally halved its fee payments to them and to demand that Quebecor resume normal payments and pay back-fees. The dispute was part of Quebecor’s ongoing war with BCE Inc., though it was unclear where CHUM and Alliance-Atlantis fit in—especially since Quebecor declined to

⁸² Guy Charron, “Canada: Lessons of the Vidéotron strike,” *World Socialist Worker*, www.wsws.org/articles/2003/may2003/vid-m31_prn.shtml, May 31, 2003.

⁸³ Bertrand Marotte, “Quebecor alleges unfair actions,” *Globe and Mail*, April 5, 2002.

⁸⁴ Bertrand Marotte, “Media Giants feud escalates as suit filed,” *Globe and Mail*, June 6, 2002.

comment on the situation. What was clear was that Quebecor was carrying an \$8 billion debt, losing money on its printing division and embroiled in a costly strike at Vidéotron, and halving its payments was saving it \$4 million a year in its dealings with CTV alone.⁸⁵ In August, BCE took Vidéotron to court, charging Vidéotron had underreported its subscriber base to pay less for programming. Then, in September, Quebecor refused to obey an order from the CRTC to pay the money it had been withholding. A month later, the federal regulator dismissed Quebecor's unfair-competition complaint against BCE, and ordered Vidéotron to cut the fees it was charging competitors to use its wires in apartment buildings—almost 10 times the going rate.⁸⁶ Meanwhile, Quebecor had one more oddball Vidéotron-related conflict going on. In September it had filed a \$23.2 million suit against Claude Chagnon, the former CEO of the cable company before the Quebecor takeover. Quebecor was alleging that Chagnon had profited from insider trading, when he took a stock options package in early 2000. Péladeau was appearing more and more like someone looking for someone to blame for his own expensive mistake in buying Vidéotron.

"According to industry estimates," analyst Matthew Ingram wrote, "Quebecor paid between 17.5 and 19.5 times cash flow [for Vidéotron], compared with a market average of 15 times, which suggests that it probably overpaid by \$1 billion. ... Quebecor's underperformance is a result of the inflated dreams—and inflated debt—that Mr. Péladeau has saddled it with ..."⁸⁷

To add further embarrassment, in the fall, Quebecor made an offering of stock in its printing division. Almost immediately, it was revealed that the company had

⁸⁵ Keith Damsell, "Broadcasters cry foul over Vidéotron fee move," *Globe and Mail*, July 12, 2002.

⁸⁶ Bertrand Marotte, "CRTC orders Quebecor to cut cable fees," *Globe and Mail*, Oct. 10, 2002.

⁸⁷ Matthew Ingram, "More to Quebecor suit than meets the eye," *Globe and Mail*, Sept. 20, 2002.

neglected to disclose that two major executives were poised to leave Quebecor World as the shares were put on the market—CEO Charles Cavell and chief financial officer Christian Paupe. The departure of the widely respected and trusted Cavell and the top financial officer of the company would, of course, seriously affect the value of the stock. So, once again, Quebecor landed in the headlines in an unflattering context—with such major shareholders as the Ontario Teachers Pension Fund cancelling stock orders. Even more embarrassing, by November, 20 percent of the stock was unsold⁸⁸—despite the fact that the printing company was reporting a profit increase of 39 percent in the third quarter of that year.⁸⁹

Going into 2003, the *Globe and Mail*'s "Report on Business" section slyly commented, "What seems like an executive's nightmare is just another day at the office for P. K. P. ... This may be the year it all catches up to the charismatic leader. A whopping \$860.4 million debt payment is due over the next 12 months. Including a \$429 million bridge loan due in April." It had become an accepted fact that making debt payments was the main business of the chief executives of Quebecor.

Though things have stabilized somewhat for the company over the past two years—no more crazy lawsuits or battles with the CRTC, and cable lines are no longer being sliced in Quebec—the financial outlook until very recently remained almost constantly grim. Like many companies that played the acquisitions game, Quebecor is struggling to reconcile its cash flow with its debt. Like many of those companies, the word "convergence" has all but disappeared from its vocabulary.

⁸⁸ Andrew Willis and Bertrand Marotte, "Quebecor World shares unsold," *Globe and Mail*, Nov. 28, 2002.

⁸⁹ "Quebecor unit profit jumps 39%," *Globe and Mail*, Oct. 29, 2002.

Through it all, the company has been slowly climbing back, though not at a rate that would make shareholders lust after its stock.

Vidéotron, for the most part, has disappeared from the headlines. In May 2003, the strike was settled. In September, the company announced that it was moving to refinance the Vidéotron debt by raising money to pay off the existing debt of \$740 million and placing it in longer term debt, with easier payment schedules.⁹⁰

As of May 2004, first-quarter profit for the year had fallen by more than 50 percent over 2003—which itself was a year of falling profits. The company showed \$5.12 million profit, compared with \$11 million a year earlier, but things were not entirely bleak, and the bright spots in Quebecor's report were shining from the black holes of the previous two years. There were the first signs of turnaround at Quebecor World, which had been struggling through 2002-2003. It posted a first-quarter profit of \$35.8 million. And Vidéotron showed a profit of \$72.7 million, an 11.7 percent increase over the first quarter of 2003, and that was coming from increased demand for high-speed Internet. At the stockholder's meeting, Péladeau announced that there would be no IPO for Quebecor media, as had been announced a year earlier.⁹¹ The Pipes were beginning to pay off, even if the content never had.

Meanwhile at Sun Media, proof that the corporate culture had altered radically from the "old days" came in January 2003, when 71 percent of Sun editorial workers voted in favor of unionization.⁹² The Sun union began negotiation for its first contract later in the year, with the model being *Le Journal de Montréal*—where they have a

⁹⁰ Bertrand Marotte, "Vidéotron takes steps to ease debt pressures," *Globe and Mail*, Sept. 25, 2003.

⁹¹ Bertrand Marotte, "Quebecor profit falls by half as units lag," *Globe and Mail*, May 7, 2004.

⁹² "Toronto Sun editorial employees vote 71 percent in favor of a union," Canadian Press, Jan. 29, 2003.

four-day work week, generous vacation and overtime pay and a clause that protects journalistic independence.⁹³ *Sun* employees signed their first contract in May 2004, a four-year pact that would bring them close to par with their colleagues at the *Toronto Star*, the rights to layoff by seniority (a considerable comfort to a staff used to being taken out to the woodshed every time the parent company suffers a setback), a grievance procedure, overtime pay and protection for journalistic integrity.⁹⁴

Another sign of changing times at the *Sun*—symbolic but poignant— was the death of much-loved founder Douglas Creighton on Jan. 7, 2004. He was 75 and had been suffering from Parkinson's disease.

A month later, the new publisher of the *Toronto Sun*, Briton Neil Fowler—recruited in summer of 2003—announced a relaunch of the paper, designed to try to win back some of the ground it had lost in the city. One employee described the new style as “very Brit. It is going to look like the London tabs. They want more showbiz stuff and they want it to be bright.”⁹⁵

As for Pierre Karl Péladeau, in early 2003, he more or less admitted in an interview with Bloomberg News that he had been a liability to his company, as far as shareholder value was concerned. In response to a question about Quebecor's shares falling by 32 percent in the five years he had been in control, he admitted that there “is a P. K. P. factor”—referring to the “Péladeau discount” to which analysts had begun to refer when talking about Quebecor stock. He did not, however, offer to step down, as so many heads of convergence-bound companies had. Instead, he told

⁹³ Martin Patriquin, “Sun's new union to draw on Journal deal,” *Globe and Mail*, April 16, 2003.

⁹⁴ “Sun editorial employees vote 96% in favour of tentative deal,” Communications Energy and Paperworkers Union news release, May 13, 2004, www.sunfamily.ca/bargainingupdate22.html.

⁹⁵ Paul Brent, “Toronto Sun out to copy British tabs,” *National Post*, Feb. 21, 2004.

Bloomberg, he would “show investors that the ‘P. K. P. factor’ isn’t detrimental to the company. That’s done quarter after quarter by paying down debt and boosting earnings.”⁹⁶ In April, former Prime Minister and newly installed Quebecor World chairman Brian Mulroney—a man who has been described in the press as a father figure to Péladeau—used his gift for oratory to defend the beleaguered CEO at a shareholders meeting. Mulroney more or less told shareholders that Péladeau was not a temperamental micromanager, as charged, but a top executive who put pressure on his executives out of concern for the welfare of the shareholder.⁹⁷ It might have seemed a strange way for Mulroney to launch his career as chairman, but in March 2003, Péladeau had stepped down from his job as CEO of Quebecor Media Inc. and took the top job at the Quebecor World printing arm of the company. (He maintained his position as chief executive of the parent company, Quebecor.) And it was obvious that Mulroney was acting to address the controversy that was sure to follow Péladeau into his new position. As company spokesman Luc Lavoie said, the move made sense because the printing company was in trouble and Péladeau had learned the print division from the ground up in the 1990s.⁹⁸

Also in March, another long-running P. K. P.-factor story came to an end, when Quebec Superior Court ruled in favor of three Vidéotron executives who had charged in 2001 that they had been unfairly dismissed from the company. The court was told that Péladeau had thrown the three out of a meeting, excluded them from all

⁹⁶ Frederic Tomesco, “Péladeaus hold all the cards,” *Bloomberg News*, Feb. 25, 2003.

⁹⁷ Bertrand Marotte, “Mulroney assails Péladeau critics,” *Globe and Mail*, April 3, 2003.

⁹⁸ Richard Blackwell, “Péladeau takes over printing arm,” *Globe and Mail*, March 13, 2003.

decision-making and then summarily fired them. They were granted severance settlements totaling \$900,000.⁹⁹

Still, as many expected, Péladeau continued to generate controversy. First there was the matter of him leaving his wife for TV personality and producer Julie Snyder, who ran the hugely popular musical reality series *Star Académie* for Péladeau's TVA network. Thus, he became even more of a *bête noire* to the non-Quebecor provincial media, as part of a power couple that personified the vulgarization of Quebec culture. *Star Académie* had been one of Quebecor's few big convergence successes, promoted in the Quebecor papers, connected to the Internet, and producing a compilation CD sold through the company's Archambeault music distribution division. To journalists mobilized to help promote the series, however, it was another threat to their professional integrity. In November 2003, editorial staff at *Le Journal de Montréal* filed a grievance with their union, charging that pages of daily content devoted to *Star Académie* and other TVA reality shows should have been labelled advertorial, and not run as editorial content. At the same time, the president of TQS complained to the paper about its failure to do any coverage of that network's reality series.¹⁰⁰

Then, in 2004, Péladeau reached a new height of notoriety, and became a symbol of the inhuman face of globalization. The AFL-CIO had accused Quebecor of unfair labour practices.¹⁰¹ The huge union was one of the supporters of Justice@Quebecor, a campaign to persuade the company to sign a global agreement

⁹⁹ Bertrand Marotte, "Vidéotron owes executives, court rules," *Globe and Mail*, March 22, 2004.

¹⁰⁰ Danny Kucharsky, "Quebec journalists file complaint about convergence content," *Marketing*, Nov. 24, 2003.

¹⁰¹ Richard Bloom, "Kerry makes direct appeal to Péladeau," *Globe and Mail*, June 18, 2004.

on labor standards that would respect workers' rights to form a union. It had been formed at a "global solidarity conference" of Quebecor workers and labor leaders from 14 countries in Memphis, Tenn., in December 2003. The home page of its Web site states:

One key demand of the global Justice@Quebecor campaign is the recognition of workers' rights to form a union. Throughout the world, Quebecor has used a variety of anti-worker tactics to keep workers from having a voice on the job. In the United States, the company has threatened, harassed, and intimidated workers in response to their attempts to form a union. A global agreement would address these and other issues Quebecor workers face in the United States and throughout the world.¹⁰²

Finally, in June 2004, U.S. Democratic candidate for the U.S. presidency John Kerry appealed to Péladeau to "lift the atmosphere of fear" among workers at U.S. plants who were trying to unionize. He made statements at Quebecor World plants in the U.S. and wrote a letter to Péladeau and Mulroney.¹⁰³ The company's response was to issue a statement denying any wrongdoing.

At the time of writing, the company has made a small move to expand again in the English market. In August 2004, Quebecor announced that two of its companies, TVA and Sun Media were buying the money-losing TV station Toronto 1 from CHUM Ltd. for \$46 million. Under the deal, TVA would pay \$34.5 million and Sun Media would put up \$3.5 million and its 30 percent share of CablePulse 24, the Toronto all-day news channel it co-owns with CHUM.¹⁰⁴ The company's debt now

¹⁰² www.Justice@Quebecor.org

¹⁰³ Bloom, "Kerry makes direct appeal to Péladeau."

¹⁰⁴ Richard Blackwell, "Quebecor signs deal to buy Toronto 1 station," *Globe and Mail*, Aug. 21, 2004.

stands at around \$5.5 billion,¹⁰⁵ and Quebecor, once again, appears to have its sights set on media expansion outside Quebec.

In the next chapter, we will step back and take a more general view of the road Quebecor has travelled in the past five years, where that has taken it, and in what direction it can go. As well, we will look at the company's post-Sun Media takeover mission statement in terms of how the company has or has not lived up to it, and the effect it has had on journalism in Canada.

¹⁰⁵ Telephone interview with Quebecor CEO Pierre Karl Péladeau, Sept. 2, 2004.

Conclusions: What might have been and what could be

It's appropriate to conclude this thesis by harkening back to the words from Pierre Karl Péladeau that I used to open it:

Our position as the world's largest printer and the second largest newspaper group in Canada gives us tremendous opportunity to leverage our assets through new media. Our recent investments in this area reflect an organized strategy to provide value-added e-commerce solutions and Internet traffic to the benefit of our companies and their customers.¹

Péladeau's statement begs for interpretation, because it leaves out the links among the things to which it refers. "Our position as the world's largest printer" can only mean that the income from the old, dying technology will be put to use to build an empire of the new. There is no other way to connect printing and the Internet, unless you plan to concentrate on producing computer manuals. The reference to "the second largest newspaper group" is obvious: Put content on your site and they will come. And, with Canoe, that worked. The site was the first and the best as far as breaking news, archives, sports statistics and "tools" were concerned. Former Canoe producer John Sakamoto cites the death of Princess Diana in August 1997 as the event that did for the Internet what the Kennedy Assassination did for television. It was when the Internet changed from being an adjunct to newspapers, to a unique device for handling breaking news.

It was a huge event of international significance and it happened at a time of day—in our time it was around midnight—on a Saturday night that didn't lend itself necessarily to being conveniently covered by newspapers. It was past a lot of people's deadlines. The

¹ "Quebecor's growth continues—Strategic investments in new media," Quebecor news release issued via Canadian Corporate News, Oct. 26, 1999.

story happened at a time when most papers would have stopped publishing the next day's edition. I guess the other part of that is that a lot of people felt a lot of grief and the way they expressed that was by e-mailing in to Web sites to share their feelings. And that's not something you can easily do—at least not immediately—with a newspaper.²

Unfortunately, Canoe was as bad at earning money as it was good at journalism and making use of Web technology. Today, the only Canadian newspaper Web site that handles breaking news as well as Canoe used to, and offers it to Web users for free, is the *Globe and Mail's*. However, the *Globe* provides the brand for a number of money-making sites, such as Workopolis, and several subscriber sites for investors and businessmen. In other words, it's a respected and universally trusted source of general, political and business news—unlike most of the *Suns* and a lot of the CanWest papers. So, it's a loss leader for a cluster of subscription sites that make money. So far, this is the only business model that has worked for news organizations. (Some public broadcasters, such as the CBC, also run successful news sites, but they're not obliged to make a profit. As well, private broadcasters also use news as a loss leader, linked to myriad pages that promote shows and other merchandise. Even the CBC uses its site to sell its own CDs and DVDs.)

CanWest's Canada.com, has become a limited site, offering the headlines of the day and selected readings from the chain's papers. Anyone wanting to go deeper has to have a password, which one gets by being a CanWest daily-paper subscriber. In the same way, the *Winnipeg Free Press* has made its site free to newspaper subscribers and pay-per-view for out-of-towners.

² Telephone interview with John Sakamoto, former executive producer of Jam Showbiz, Canoe, Jan 16, 2002.

Pierre Karl Péladeau says Quebecor's Internet properties are making money, and he cites the type of Web properties that typically make money, interactive services—specifically Jobboom And Réseau Contact. Canoe and Canoë also make money, he says.³ But, as far as editorial staff is concerned, they're shells of what they once were.

Then, there's the part of the statement about leveraging "our assets through new media." This area might have paid off in a very big way, had Quebecor stuck to its plan for the FYI city sites and used its *Penny Saver* publications to move classified advertising to the Internet. The successes of such sites as eBay and Amazon-com have shown that people like shopping on the Internet. The things that have always made catalogue shopping popular—ease and convenience—are married to immediacy, privacy and efficiency: You don't have to go out. You don't have to settle for the products a merchant chooses to put on his or her shelves. You can use computer technology to search through only the items in which you're interested. The problem, as newspaper publishers have discovered, is that moving classifieds to the Internet amputates the most profitable part of their print product. So there certainly has been little incentive for them to move very far in that direction. Also part of their problem was that they were thinking nationally when they should have been thinking locally. There's no point in offering CDs and DVDs or stereo equipment through your Web site, when Future Shop, Best Buy, Amazon and eBay are just a click away. As Wayne Parrish said in Chapter 4:

To be a middle-man in that world, where you didn't sell anything, where you only facilitated sales, and yet you had no particular competitive advantage to doing that. You didn't have technology.

³ Telephone interview with Quebecor CEO Pierre Karl Péladeau, Sept. 2, 2004.

You didn't own the customers. They were your customers' customers. It never quite made sense.⁴

Finally, Péladeau says: "Our recent investments in this area reflect an organized strategy to provide value-added e-commerce solutions and Internet traffic to the benefit of our companies and their customers." As Media analyst Doug Checkeris points out, the problem with this is that "it's not necessarily a customer-focused strategy. It doesn't lead with the customer."⁵ It also fails to take into account the rate at which technology is demolishing the mass media. Specialty channels and Internet sites create forums for the most limited enthusiasms. This creates smaller and smaller audiences, and forces producers to find ever cheaper ways to produce television shows and content. Handheld devices offer more and more options, from instant messaging to optical and storage drives that can play feature films. Devices such as the iPod give users 20-gigabyte hard drives, enough room to hold as many as 5,000 songs. (Just for fun, let's calculate how long it would take to listen to that many songs, allowing for an average run-time of four minutes: 13. 89 days. In a device that can fit in your shirt pocket.) Then, there's the digital video recorder—the receiver with a hard drive that cable and satellite companies are pushing at their customers. If ever there was a case of technology driving an industry to go against logic, this is it. This is a machine that promises to destroy television advertising as we know it, and severely hamper the ability of traditional broadcasters to earn money. This, in turn, is bound to at least temporarily hurt the cable and satellite companies that earn most of their money by selling ... television signals. If product placement becomes the only

⁴ Telephone interview with Wayne Parrish, former *Toronto Sun* General manager, *Toronto Sun* editor-in-chief, Sun Media executive and president of Canoe, July 3, 2003.

⁵ Telephone interview with Doug Checkeris, senior buyer, The Media Company, Aug. 1, 2002.

way to earn money to pay for programming, then the producers will be the ones who make the money on that. But the networks have moved away from producing their own shows. So, we have independent producers earning money through product placement and broadband Internet and specialty channels that can target the programming—and products—directly at the audience for which they're intended. Who needs traditional TV networks? And, eventually, will advertisers and producers even need cable?

Quebecor, like CanWest, BCE and CHUM, is very vulnerable to all the detrimental effects of the new technology. The company's TV holdings are all commercial-based and vulnerable to both audience fragmentation and the obsolescence of commercial advertising. And Toronto 1 is a money-losing station in a city that is saturated with network (CTV, CBC and Global outlets), ethnic broadcasting (Telelatino and Omnia), and independent stations (City-TV, Barrie's New VR, Hamilton's CHCH). It's very hard to see what kind of niche the station can find in this market. Like Rogers, Quebecor's Vidéotron division is vulnerable to competition from the Satellite providers, BCE and Shaw, and is in fierce competition with the phone companies—BCE again—for broadband cable subscribers. And, once broadband cable is universally available, that will open up another host of alternatives to traditional television.

As Checkeris says,

[I]t is more an organizational efficiency issue, which says you've got to find a way to reduce the cost of what you produce, because what you can gain for any single ad in the newspaper isn't going to grow fast enough to cover the costs. What you can garner for any

single television spot isn't going to be enough to cover the atrocious production costs.⁶

So far, one of the answers has been reality television. It's cheap to produce, and draws huge audiences. With shows like TVA's *Star Académie*, or CTV's *Canadian Idol*, or CanWest's *Pop Stars*, you attract ordinary people who perform for free because they want to be famous or win a prize, or tell their story. You use the entertainment sections of your daily papers to promote the series, and you set up interactive elements on your Web sites: chat rooms, audience votes, performers' blogs, realtime video. And you sell *Star Académie* CDs in Archambeault record stores. As Checkeris points out, Péladeau's 1999 comment is focused on the customer only as an afterthought. In that sense, Quebecor has followed through on its vision, if you can call it that. With *Star Académie*, the company uses two of its media to direct an audience toward a third. It is only on the third that the customer comes into play: the newspaper and the Internet are used to create an audience for TV, and that audience is then sold to advertisers. So far, it has been successful. The real test of this strategy will be whether it can be applied in any other combination—using TV to direct an audience to the Internet or print, for example—when the DVR is in wide enough use that the bottom has fallen out of TV advertising.

Some media observers have argued that the convergence trend was doomed from the start—particularly as companies like Quebecor and CanWest were trying to practise it. The main problem, says Barrie Zwicker, is that advertisers want a bargain, and when they're offered advertising space or time on a bundle of media, they immediately start negotiating for discounts.

⁶ Telephone interview with Doug Checkeris.

You're running a garden supplies outfit across Canada, called White Rose or whatever it is. And—God!—you can get all this airtime and ink and God knows what all over the place, and somehow you're going to sell more plants, fertilizer and hoses. But what you're going to do is you're going to say you want a discount. Traditionally in the media, there have been two kinds of discounts: volume and frequency. Everyone knows that. If a newspaper page costs \$10,000 for one day, one time, it doesn't cost \$5,000 for the half page. No. The half page costs \$7,500. And so on. Similarly, if you buy the page one day a week for 52 weeks, you don't pay \$10,000. You pay \$8,900 for each appearance. So, you've always had volume and frequency discounts. So, as soon as White Rose says ... "Well, yeah, we'd love to go in all these different places, but you know, we're not going to pay the going rate in your Internet site, the going rate in your TV program, the going rate in your newspapers. We want you to give us a discount, because we're going in volume." That's where the collision happens. And I don't see how they're going to get around it. They're going to have to discount to get the revenue. And as soon as they've done that, their revenue stream has shrunk. If they do it with one, they've got to do it with all. That's the big Achilles heel I see in the whole thing. That's not the only one, but it's the big one. And no one ever talks about that, that I've ever heard. I've done ad sales, and I know advertisers. They want a bargain. Typically, especially when times are tough, people go off the [advertising-rate] card. Here's what the Aspers and Pierre Karl and the rest of them are facing: Bad economic times when the big temptation is to go off the card anyway. Their ad salesmen are coming back and saying. "We've got to go off the card." The salesmen's commission depends on it. They'd rather sell an ad for 90 percent of what it's supposed to be and still get their commission on 90 percent than not sell an ad at all.⁷

By 2003, most of the big media players were backing away from convergence.

Vivendi, AOL and Time-Warner were in financial trouble. BCE was rumoured (and still is) to be considering selling off Bell Globemedia. CanWest's convergence consisted mainly of cross promotion and bundled ad sales. Attempts to "repurpose" content amounted to the occasional column written for the papers by a Global

⁷ Telephone Interview with Barrie Zwicker, media observer and onetime editor of *Content* magazine and *Sources*, Dec. 29, 2001.

Television personality and the appearances on Global of newspaper journalists—not much different from the regular appearances by print journalists that we see on CBC.

However, as late as February 2003, Pierre Karl Péladeau was still promoting convergence—though he had begun to refer to it as just another form of vertical integration, and argued that his father had “practically invented” vertical integration.⁸ To most people’s way of thinking, however, ownership of non-related media properties is horizontal integration. In Quebecor’s case, there is vertical integration with Vidéotron and TVA, and Vidéotron and the Internet, and with the newspapers and the printing division. The rest is horizontal. As far as “real” convergence is concerned—the idea that you spread costs and content across all media, provide the media as one integrated service, and spread profits across all platforms—that’s as vague a concept as it was in 1999. As media analyst David Ellis says,

Quebecor is certainly not alone in its struggle with this problem. There is a fundamental misunderstanding of this medium. The best other example is the Aspers, who just don’t have a clue what they’ve got themselves into, for all kinds of reasons. Never mind firing people whose editorials disagree with what head office says in Winnipeg. One of my favorite quips about convergence these days is that the Canadian idea of convergence is to converge all your editorials in a Prairie capital. And that’s about as far as they’ve been able to take it.⁹

Still, whether it is used to mean horizontal integration, vertical integration, mergers and acquisitions or cross-platform promotion, convergence is the catchall buzzword that refuses to die. For example, in January 2004, *Marketing* magazine ran a big feature on its “media player of the year”—Pierre Karl Péladeau. The reason?

⁸ Bertrand Marotte, “Péladeau champions convergence,” *Globe and Mail*, Feb. 26, 2003.

⁹ Interview with communications consultant, media analyst and author David Ellis, Aug. 7, 2002.

“Péladeau’s ability to orchestrate Quebecor’s media properties into a financially successful model of convergence.”

It’s due in large part to the success of a reality TV show that demonstrated convergence ... can actually work. The singing talent of *Star Académie*, the undisputed ratings hit of the 2003 television season in Quebec, has been cited as the crown jewel of convergence, and with good reason. It consistently garnered ratings in the 2.3 million range on Quebecor’s TVA network, with the finale topping three million viewers—numbers that would leave television execs in English Canada willing to sell their first-born and all subsequent children.¹⁰

Actually, those ratings figures are almost identical to the ones posted by CTV’s *Canadian Idol* series. It’s true that CTV has a potential audience about three times the size of TVA’s. That, however, is balanced by the fact that CTV—competing not just with CBC, Global and all the specialty channels, but ABC, NBC, CBS, Fox, UPN and WB, too—runs a much tougher course on a much faster track.

And that brings us to one other factor in that comparison, which in turn brings us to the Quebecor factor in English Canada: BCE wasn’t as willing to sacrifice the reputation of its other media properties—the *Globe and Mail* and its Web sites—to the mission of promoting *Idol*. There were stories in the *Globe and Mail*, but they were few and generally balanced with extensive coverage of programming on CBC, Global and the other networks. CTV did devote a lot of time on its current affairs programming—mainly *E-Talk Daily* and *Canada AM*—to promoting the show. But that’s what TV networks do. When the CBC has a major prime-time production, it uses its Newsworld morning show to promote it.

¹⁰ Danny Kucharsky, “Convergence Redeemers,” *Marketing*, Jan. 26, 2004.

No one at the *Globe and Mail* or CTV News filed a grievance about being forced to produce infotainment—as journalists did at *Le Journal de Montréal*.

Pierre Karl Péladeau has made no secret of his willingness to turn his media properties to the service of commerce. His model for convergence always has been to use the Web and the newspapers to promote product. In that sense, as Hartley Steward says, he—like the Aspers—has no concept of what makes a newspaper successful.

It's owned by people who don't care about newspapers. ... And they put no value on what you do. You spend your whole life learning to be a good journalist. You're proud of the fact that you can write. You're proud of the fact you can write a headline and produce a page to communicate with a reader and stir his interest. In your own mind, you're happy with yourself for having done that. So, take a bow. These guys put no value on that, because they don't know what you do. And they don't really care what you do. And they think it's just another commodity. It's easy. If this guy isn't doing it, then Fred will do it. There's 100 of these guys out on the street, and we can bring them in. Well, now, we've got Southam and the Sun chain owned by people like that. And this isn't even to denigrate them. If we bought Ford, how would we know who was valuable and who wasn't valuable—if you buy it just as a financial play, as a commodity.¹¹

Péladeau has said he's apolitical, and he has admitted that he doesn't have any beliefs in what newspapers should be or do.¹² Beyond that, and one comment about making all the newspapers the dominant ones in their market, he has had remarkably little to say about journalism and how it is practised at his properties. In his book *Kings of Convergence*, Gordon Pitts asks Péladeau about his “vision” for expanding

¹¹ Telephone interview with former *Toronto Sun* publisher Hartley Steward, Nov. 11, 2002.

¹² Interview with Pierre Karl Péladeau.

outside Quebec. Péladeau, Pitts reports, “practically squirms” as he tries to answer. In the end, he doesn’t answer, instead deflecting the conversation toward the word “vision,” which he says makes him nervous.¹³

As Pitts points out, there are two schools of thought about Péladeau: the Sun chain is just a money-making extension of a Quebec-centric media company; the Sun chain is the launch pad Péladeau will use to start his trans-Canada media company, once he gets his company’s debt under control. The acquisition of Toronto 1 would seem to validate the latter view. Yet, for the time being, there’s no doubt the Sun chain is a cash cow. After taking wave after wave of cutbacks in Ontario and suffering benign neglect in Alberta and Manitoba, the chain is hardly in a position to pose much of a threat to any of the CanWest papers with which it competes. In Calgary, through the *Herald* strike of 1999-2000, the *Sun* did nothing to expand its product and take readers away from the competition, the way the *Gazette* did in Montreal in 1979. In Toronto, waves of layoffs have left the *Sun* barely able to compete with the *Star* and *Metro*, the free commuter paper. In Ottawa, the 16-year-old paper is languishing at a circulation of around 50,000, about the same as it had in the early 1990s, after just a couple of years on the market.

It’s hard to see how any of that adds up to a launch pad into English Canada—especially if you consider the way Péladeau’s feuds with Rogers, BCE and Telus have isolated him from the network of dealmakers. The media in this country are basically an old boys’ club. For example, when the Hollinger papers were sold to CanWest, one of the stories that ran in all the papers was about how the deal was done on a personal level, between Conrad Black and Israel Asper. Péladeau’s legendary lack of

¹³ Gordon Pitts, *Kings of Convergence* (Doubleday Canada, 2002), p. 297. Also, see Appendix A.

people skills could prove to be a crippling factor in this area—even though he has the smooth and charming Brian Mulroney to run interference for him.

Rather than breaking down the divide between English and French media in Canada, the takeover of Sun Media has put a fine point on it. Sun Media executives jumped at Quebecor's offer for two reasons, because they were greedy and because they believed that this Quebec company would leave them alone to run their affairs.

As Parrish, one of the inside players in the deal, says,

[N]o I don't think we expected [Péladeau] to be as hands on as he turned out to be. That may well have been the case with Vidéotron. It may well have been the case with a number of printing acquisitions that Quebecor acquired under his direction in Europe in the five years previous to his coming to America. Pierre Karl is a hands-on kind of guy. We didn't have in North America the experience—no one had the experience of him coming in and doing that. And certainly the Vidéotron people might have had some sense of it from having seen what occurred with Sun Media. No, I think our thinking was if you did what was required in terms of reaching targets and so on, we would continue to run the company.¹⁴

Unfortunately, Quebecor has only been hands-on enough to undermine what was a strong franchise. The Sun chain has needed to grow to meet the challenge of the new type of broadsheet put out first by Hollinger under Conrad Black and now under CanWest under the Aspers. And it hasn't. Once, the *Sun* papers presented a colourful, eclectic and lively alternative to the liberal, humourless Southam papers. Now, in most of their markets, they're up against dailies that do all the things the Sun papers do—except the SUNshine girl, although sex is a major ingredient of the broadsheets now, too. After all the layoffs and with their budgets frozen, all the *Sun* papers have been able to do is redesign and retrench. They could have moved left to

¹⁴ Interview with Wayne Parrish.

counter the new right-wing bias in the media—certainly with the British Labour Party tabs and the blue-collar, pro-union *Chicago Sun-Times*, there are successful precedents in the field. They might have used Canoe and the *Sun* papers to sell as a bundled media package, the way the *Winnipeg Free Press* and CanWest papers are doing now. And they might have faced the Hollinger-CanWest charge head on by abandoning all pretense to being information and just moved their focus to daily entertainment. (Although, judging from the *Journal de Montréal* experience, that may happen when Quebecor has something for the *Suns* to promote.)

In Quebec, Quebecor is fighting a war on several fronts. Like CanWest with Global and BCE with CTV, it has to find a way to adapt to new technology that is increasingly fragmenting the audience and making it more difficult to sell advertising. It also is in a race with the phone companies to develop and sell broadband Internet access, as well as for cable customers. The one area that remains stable is the newspaper division. *Le Journal de Montréal* is still the largest paper in the province, and the other properties remain money-makers. And, for now at least, the company has found a cross-platform promotion strategy that produces results. What it needs to do is develop that to face the threat to television advertising posed by DVR technology, audience fragmentation and the certainty that reality TV, like all fads, will pass.

Outside Quebec, the situation is less clear. The printing division remains strong, though the fact that this is a shrinking industry is proved by the three quarters of straight losses the company suffered after the events of Sept. 11, 2001, and the fact that the company showed a net loss for 2001, 2002 and 2003. This has, however,

shrunk from \$251 million in 2001 to \$66 million for 2003.¹⁵ So, the company is recovering from the turbulence of the Sun Media and Vidéotron takeovers. As Péladeau says:

(W)e're happy that we're alive instead of being like all those businesses that just disappear or screw their shareholders and everyone, and burn so much money. We're happy that we're surviving. We're alive and kicking and we're doing well."¹⁶

The paperless world we were promised isn't even close to a reality and, as long as it has contracts to print catalogues and phone books, Quebecor World will probably remain the most valuable property in the company.

As for the English media, Quebecor passed up four opportunities to expand. It could have expanded the Sun chain when Thomson sold off its newspaper holdings, when Hollinger sold out to CanWest, and when CanWest sold off its smaller papers to Osprey and Groupe Transcontinental. It also passed on the chance to buy CTV and its group of specialty channels, which were sold to BCE for \$2.3 billion, while Quebecor paid \$5.4 billion for Vidéotron.

When I started this thesis, in 2000, I was looking at what I thought was a success story: a company that had stormed out of Quebec to seize the second-largest newspaper chain in the country and, through acquisition, had just become the world's largest printing company. Then came Vidéotron, the huge debt, the strange conflicts with government agencies and other media companies, the layoffs and the parade of departing executives. Then, it began to look more like some giant act of hubris, in which the son—an otherwise capable man—blinded by the need to outdo his father, made a series of rash decisions that followed no logic other than opportunism. Sun

¹⁵ "Highlights," *Quebecor Annual Reports, 2001, 2002, 2003* (Quebecor Inc., 2001, 2002, 2003).

¹⁶ Interview with Pierre Karl Péladeau.

Media was acquired because it was there; Sun management asked and Péladeau delivered. Viéotron was acquired because the Caisse de dépôt asked Quebecor to help stave off an incursion by *les anglais*.

Since then, in Quebec, a strategy has evolved. And it appears as if Péladeau is once again living up to his reputation as a brutal, fiscally prudent manager who gets results—acquired in the 1990s, when he was shaking the European printing operation into shape. A strategy has yet to emerge in English Canada—except to use the *Sun* papers as cash cows to help pay for the growth of convergence in Quebec. And the less of a competitive force the *Sun* papers become, the weaker journalism will be in general in all the cities in which they publish.

In the fall of 2004, Quebecor appears to be at a pivot point: the transition pains of Pierre Karl Péladeau's stewardship appear to be passed, and the company has entered a more stable period. If there is an interim verdict on the company, it would be that it has learned some rough lessons and emerged with a business plan that makes some financial sense in the short term—but has no intention of doing anything to improve the quality of the media in Canada or Quebec.

In other words Quebecor, as it always has, is emerging as a major Canadian business success story—and a failure as a media proprietor. Quebecor understands the pipes, the balance sheet and the sales pitch. But it has yet to grasp the intricacies of content.

Appendix A: A short conversation with Pierre Karl Péladeau

As I was finishing this thesis, and after several attempts to set up interviews with principals at Quebecor—and being politely refused or ignored—I called the company head office in Montreal and asked for “le Bureau M. Pierre Karl Péladeau.” I was surprised that, instead of being put through to a secretary or assistant, I was connected with Mr. Péladeau’s line, and got his voice-mail. I left a message, expecting that it would be the first of several that would go unanswered, and at least I would be able to list him in the bibliography as an “interview requested.”

A week later, while I was eating supper with my family, I got a call from Mr. Péladeau. He apologized for taking so long to get back to me, explained that he had been out of town, was very busy, and could give me a few minutes, if I wanted to talk to him right away. Working without notes or preparation—but with a tape recorder running—I managed to keep him on the line for about 40 minutes.

So, the following is not to be confused with an in-depth interview. Rather, it is a collection of random observations gathered in a hurry from the principal player in this story.

Because Mr. Péladeau was kind enough to take the time call me, I think the least I can do is let him have the last word. The following is an unedited transcript of our conversation.

—Sept. 3, 2004

Q: In his book, *Kings of Convergence*, Gordon Pitts asked you about your vision for Quebecor, and you mentioned that you didn’t feel comfortable with the term “Vision” ...

A: Yeah. I’m not sure I have, or that we should have, a vision. We try to do our best. We work for our shareholders. I think somewhere we need to make sure that our product will be as good as possible to make sure that everybody is happy: readers, advertisers. And that will keep our business going well.

Q: I skipped the logical first question for this interview: The big news with Quebecor in the past week has been the takeover of Toronto 1 from CHUM. Craig founded the station, and it was a money loser from the start, and Toronto is such a crowded market. I can see the benefit for CHUM to get the other 30 percent of CablePulse. But what’s the advantage to Quebecor? What makes Toronto 1 an attractive property for you?

A: As you know, we have been doing pretty well in the province of Quebec—our capacity to cross-promote our different channels. I think it was time for us to consider, and because it was available, doing something that will bring our company to where it belongs: growing this business through media. I should not say that you need to have an MBA. This is probably more simple than we can think. There was an opportunity, and we have been doing well in other markets, and therefore I think that we should start doing something (in Toronto). As you know, our media in Toronto are limited to the newspaper, the daily newspaper.

It's like in Montreal maybe six, seven years ago, when we bought another, I would say, underdog ...

Q: TQS?

A: Yes, TQS, with which we've been able to do pretty well. When we sold it to Cogeco, for which we were obliged because of the competition and the CRTC. I think that we did a pretty good job of bringing this to a break-even situation: increased ratings and a much better financial situation. How we did it? I think we've been seriously looking at this business in itself, being a broadcaster and secondly by making sure that we can bring other synergies from the group. Mainly, here, it was *Le Journal de Montréal*. Certainly, the *Toronto Sun* has a large audience in Toronto.

Q: Are you thinking of something similar to the way you cross-promoted *Star Académie*?

A: I would guess probably not at this stage, but I don't know what the future is all about, but certainly this is something that we will consider. First of all, we need to understand better where we want to go. I think it would not be—if we were to say we have a final plan on this, it would not be accurate.

Q: Looking at the recent history of your company since you took over, it seems to me that Quebecor has grown almost in a fit of absent mindedness. I mean, both the Sun Media and Vidéotron acquisitions were opportunistic acquisitions, weren't they. In the case of Sun Media, the *Toronto Star* wanted the *Sun* and they (Sun executives) came to you and said, 'We need a white knight.' And, with Vidéotron, le Caisse de dépôt et placement went to you and asked you to get involved. Is that correct to say?

A: Torstar was certainly a white-knight situation. Maybe you were aware, and we said that publicly previously, that we were considering to grow in the newspaper business. As you know, we've been quite successful for many years in printing: one of the few Canadian companies to a leadership worldwide position. And I thought that it would be of interest, not obviously to become a media titan—because you've got huge companies like AOL, Time-Warner, Bertelsmann, Sony, Disney, all the guys like this. But, I think it was time for us to grow in this business. I started having discussions with the Sun before the takeover, because we thought it would make sense to combine the same kind of products that we have here in Quebec as the Sun has. I would say that the takeover from Torstar accelerated all this, and even precipitated all this. We finalized it under the white-knight takeover.

With Vidéotron, it was different. Here's something that is not hostile, but I think probably was not in the best interest of Vidéotron shareholders, one of which was the Caisse de dépôt. It didn't go through competitive process. They had a sort of a deal between families, Rogers and the Chagnons, without, I would say, the appropriate process. We are living in 2000 now and it's not the 1960s any more. You have other shareholders and you're now governed by other things you need to do. And here's something they were trying to bypass. And some shareholders were not happy. They started an environment to have a more

competitive landscape. And it finished by the fact that the Caisse and Quebecor joined efforts to make another proposal. We had, in the past, a very successful relationship with Caisse de dépôt, and this is one of the best private transactions we did. We bought many printing companies with them in the early 1990s. We bought Maxwell Graphics in the U.S. in 1990 with them, and this was the inception of our significant growth worldwide. Now, it's the base of our largest market. They did very, very well. It was probably something that reporters were not interested to highlight, because it was a good(-news) story. But they did pretty well, and the relationship that we had through those years has made this partnership very strong. And they had confidence in an organization that was bringing value to them. So, given the size of our business, the media we were in, our expertise, they thought that we would probably be a good partner. And that's how the negotiations started. And we've been able—because of our efforts and our strong desire to succeed was there, we did the transaction with them.

Q: I grew up in Montreal, and like all Quebecers, I knew who your father was, and I knew Quebecor was a big company. And it has always surprised that outside Quebec, the company is almost unknown. I was shocked to read in a book on the media that listed the top tiers of media companies in the world, that the only Canadian companies listed were Rogers and Hollinger. And they had, I think, one-third or one-quarter the annual revenues of Quebecor at the time (it was one-third, see introduction).

A: Maybe we don't spend enough money on our spinning efforts.

Q: But there really are two solitudes when it comes to the media industries, aren't there? And your company is the only one that has, in any way, been able to bridge that gap. Has it been difficult to understand the English media, and to do something with that toehold that you have with Sun Media? A lot of people expected you to go after CTV, and a lot of people expected you, when Hollinger sold off the papers, to go after (the tabloids) the *Halifax Daily News* and the *Vancouver Province*. And these things didn't happen. I know you were bogged down with all the expense of buying Vidéotron ...

A: There are only so many things a man can do, I would say. We're in the middle of significant efforts to turn around a company that was in bad shape. And not only Vidéotron. But we had the telecom company. We had Internet companies like Netgraphe. The other one was VTL Telecom. There were many companies that were doing badly. And I always thought that before going second base, you need to go first base. First base was to fix this, and I think the job is pretty well done and we're enjoying all these efforts now. It was not easy. We had pretty bad press. A lot of Toronto newspapers had fun on us. But, at the end of the day, I think the results are there. It's not that we were looking to prove them wrong, but I think that today, they probably consider—well, maybe they don't even care, or that's the way that you sell newspapers, by emphasizing things that are out of touch with reality.

Q: There was a period where there was a lot of reporting from the *Globe*—particularly by Bertrand Marotte, who seemed to have a story a day for a while. It was that period, after you bought Vidéotron, the two horrible years you had: 2001 and 2002.

A: Yeah.

Q: And you actually admitted that your company had lost 32 percent of its shareholder value because of your management style. And there were the executives leaving, that parade of departures. And the *Globe* almost gleefully reporting it on a day-to-day basis.

A: We had a lot of coverage at that time.

Q: Is Quebecor over the hump?

A: Certainly Quebecor media did pretty well. But, obviously we had many events. That's true that there were many people leaving, and there was a strike that took place over at least 11 months (at Vidéotron, see Chapter 6), 3,000 people. We didn't have time to explain to them that the monopoly was over and in front of us we had significant competition, which is probably the worst competition that you would like to meet in life. This is a monopoly enjoying the biggest cash-flow that is available in Canada ...

Q: You're talking about BCE?

A: Yeah, BCE. Bell ExpressVu. They were basically competing with unfair practices—allowing people to buy dishes for nothing in Radio Shack. And allowing people to pirate the signals. So it was one of the worst competitive environments. And obviously you need to have the therapy that will shock, and that was what was required at that time. Obviously, you're not making a lot of friends, when you're forced to do strong things. People were leaving. And, yes, the stock market was reacting badly. But, today, I think our efforts have been fruitful and we're enjoying a better position. I consider Quebecor Media one of the best built companies, because we've been able to get some success together. People are working together very well now, closely, from the newspapers and magazines, to the cable company that is ... (takes other telephone call) ... So, the different components work pretty efficiently altogether. And there's no real comparables in Canada. We're doing well, and for the last 18 months, we've been putting more emphasis on our printing business. That was supposed to work well, but then we just found out it was not working as well as it was supposed to be. Management took their eyes off the ball, which had unfortunately had been putting the company in not the best shape.

Q: The printing division was badly hit by the fallout from Sept. 11, 2001 ...

A: Yes 9/11 was obviously not something the financial environment would like to meet. But, at the end of the day, it's there. It's there. So, what are you doing to run your business according to this event. You need to do something, not just blaming 9/11. And what we've been seeing is management blaming things that were not, obviously under control. But that doesn't mean that you should do nothing. You

react according to this environment. So, we've been working on this and I think we're doing pretty well now. We're fixing things one after the other. This is a sizable company. It has many locations throughout the world. That's why, unfortunately, I was unable to call you back. Because I was travelling. I'm making all attempts to be there, so that we will have a very successful company—as it used to be. Quebecor printing before was very successful.

Q: Is that the financial backbone of the company?

A: Not really, because we don't have access to cash flow. Quebecor World, being a public company, the only cash flow we have is the dividend that is paid. And it's not significant compared to the cash flow that this company generates, or the value of the company being one wholly owned by Quebecor, which is now sort of a holding company, because it owns 33 or 34 percent of Quebecor World and 55 percent of Quebecor Media. And there's nothing else than that.

Q: One of the things I have to ask you about is the thing that the newspapers loved to float out during 2001 and 2002: the \$8 billion debt. Where does the debt stand now?

A: I think it's about five-point-five.

Q: That's \$5.5 billion?

A: Yeah.

Q: How did you get it down?

A: Well, first of all, I think the \$8 billion was exaggerated. This is obviously something you would not have time, and probably the intention to explain. But the \$8 billion is consolidated. There is debt in Quebecor World, which is owned by Quebecor World. And Quebecor World is a \$6.5 billion US company and it generates about a \$1 billion of EBITDA in Canadian dollars every year. So, everything is proportionate to—if you have \$25 billion in debt, and you generate \$50 billion of EBITDA, you don't have a lot of debt. In absolute numbers, you've got a lot. I mean, if you don't have any debt and you've got \$50 billion of EBITDA that you generate, I think you're not running your business efficiently. One way to run your business is what we call using your balance sheet to grow it. And you use your balance sheet by borrowing money. That's the way business works. People were focusing on that (the \$8 billion) because that's a kind of a strong image. You are studying in journalism? Then you know how it works: a strong image. The \$8 billion seems a big number, but if you go to the explanation and if you're a financial analyst, you say, "Well, first of all you need to segregate. This goes there and this goes there." In fact, Quebecor has \$100 million of debt. One-zero-zero. That's nothing, eh? That's the debt of the holding. All the debt is located in the operating companies, and the operating companies generate significant amounts of cash. If I was to say to (*Globe and Mail* reporter) Bertrand Marotte, "Let's say that Vidéotron, as a cable company, has the best balance sheet of any Canadian cable company," he'll not believe me. But that's true.

Q: It also was reputed to have one of the most modern infrastructures in the country at the time that you bought it. Was the attraction of owning Vidéotron the fact that you were getting the “pipes”?

A: Not really. We were not looking for anything. We just discovered that it was for sale. There was a transaction that looked like it didn't go through a process. And here we are, considering something like this. It was a time when “content” and “pipes” were in the air. But, I said many times, to certain reporters, that I remember my father in 1990, or in '89 or '88, when I joined the company—I joined in '85 on a permanent basis. At that time, we were buying many companies. We were even looking to buy cable companies. It was something that was of interest for us, because we were in the communication business. Unfortunately there were at that time probably buyers that were ready to pay more. In fact a lot of them today are Cogeco or Vidéotron—the remaining players in the cable industry in Canada. So, there's nothing new there. When it was available, it was available. We bought Maxwell Graphics like this in the U.S. We bought Donohue like this. It was available because it went through a privatization process from the government. Maxwell was available, because he (Robert Maxwell) was forced to sell his printing company, because he took over \$3 billion of acquisition by buying at that time a company called McMillan and another called OAG. We bought (the printer, Jean) Didier, in France when banks called us and told us they would like us to have an interest in this. I bought (the large magazine printer) Corby in the U.K. because the CEO called me and said, “We're in bad shape and we need a partner. We would like you to consider this.” I looked at it, and we bought it. I think that life is not so complicated. An opportunity shows up and you do it or you don't. Maybe we'll go for the last question, okay?

Q: Okay. When you took over Quebecor in 1999, there was a lot of emphasis on online. I talked to people at Canoe, who said you learned about it and you were fascinated, and you couldn't get enough of it. And you released strategy statements saying we're very well positioned to build a new media empire on the old. At the time, your focus seemed to be more building the media empire. Has your thinking changed between then and now?

A: First, I joined the company in '85, and we were mostly doing acquisitions—I was doing mostly acquisitions and never really operated anything. We did acquisitions in the printing industry. We did other acquisitions: newspapers, weeklies, things like that. And then I was appointed chief operating officer on the media side of the business. Before being called Quebecor Media, it was called Groupe Quebecor. So, there was the newspapers there, the weeklies, the magazines. Not as sizable, obviously, as it is today. And, then, I left to go to Europe and work on starting to grow the company elsewhere than North America, in the printing industry. And I came back when my dad passed away. I ran a year and a half as chief operating officer of the printing operation, and I orchestrated the transaction with World Colour, because I was looking to find management and an opportunity of a transaction to be appointed Quebecor chief executive officer.

From there, I thought we should try to grow our other segments of businesses, which were media and which didn't really grow. Quebecor started as maybe 30 percent of our revenues, and it became, I don't know, 95 percent. That's how we started the discussions with Sun Media group and this is the roots of Quebecor Media being larger now with our newspaper business, TV, cable and Internet. And when we bought the Sun, Canoe was there. And it's true that I was not familiar with the Internet. I don't think at that time I even worked with e-mail. I was a printer. I'm not going to say I was fascinated, but I was certainly curious to understand a little bit more. To me, it was new, and I think that it's just natural that you try to understand a little bit better what you manage. For me, it was not mysterious but it was something that I didn't have the appropriate knowledge. I guess I was probably not able to understand it at the beginning: "Yeah, that's funny. It looks like it's interesting." But once again, this is a business. I know at the beginning, Canoe people were not very nice with me. I don't know if they are today ...

Q: They're all gone now.

A: I know that probably a lot of those guys were feeding the (*Globe and Mail* Quebecor watcher) Bertrand Marottes of this world, because I was reading between the lines. There were "anonymous sources"? That's something I believe should never be used in a newspaper, or by a reporter who believes he's serious. How can you trust those anonymous sources? The guy's not there. Or you don't have the courage, or whatever. It can be in the imagination of the reporter. He wants to create an anonymous source. It's a little bit of a problem. Canoe, some of the people there were considering that we needed to grow this business exponentially, and hire 100, 200, 300 people. And I was saying, "I'm not against, but explain to me why, and how we're going to pay all these people."

Q: Has the Internet ever made any profit?

A: Our Internet business is doing well. We have certain things that are highly profitable.

Q: What kind of things?

A: Well, the two specialized sites that are very strong in Quebec are Jobboom, it's a Monster.ca.

Q: Like Workopolis?

A: Yeah, but it's much better than Workopolis. And another one is called Réseau Contact. It's matchmaking. It also works very well. Even our portals are doing well, Canoe and French Canoe—Canoë—with TVA and all that stuff. Netgraphe is making money.

Q: Do you still believe in convergence? I read somewhere that you said you still believe in convergence, but then you added, "But, look, it's all horizontal integration. It's nothing new."

A: Absolutely. Yeah, there's nothing new there. Convergence was just some word. People said: "Yeah, we're going to talk about integration in the media business and we're going to call that 'convergence.'" But integration had been a process in every business in the world. So, why would you qualify it as something different than integration. It was one who was probably a consultant somewhere said, "We're going to call it that: 'Convergence.' It's going to be sexy and we're going to be able to raise a huge amount of money." But this is where we are, and we're doing well on the Internet. But we didn't buy this huge project of hiring 400 people. And, obviously some people wouldn't like it. I can understand that they're sour a little bit, because we didn't buy that. But, we're happy that we're alive instead of being like all those businesses that just disappear or screw their shareholders and everyone, and burn so much money. We're happy that we're surviving. We're alive and kicking, and we're doing well.

Q: I promise this will be the last question. Do you have any strong feelings about what journalism should be and what newspapers should do?

A: No. Not really. I've always said that I'm not considering myself as an expert in journalism. I like to read newspapers, obviously, but I don't consider myself an expert. I leave this to our people who are paid to do that job. And they're much better at it than I am.

Q: In a way, I'm sure that when Godfrey and those guys saw you and Cavell coming down the highway, they thought you were going to give them bags of money and then go away and leave them to run their papers. Some of them have told me that they had no idea how hands-on Quebecor would be.¹ Is that fair to say?

A: I don't know. I guess probably not absolutely. I understand that they were clever enough to find out that I could not just write a cheque and then say, "Come to see me next year." We carry shareholder responsibility. It's our role to make sure we manage appropriately what we bought for the shareholders. If you're not doing this, you do other things. You play golf. Once you consider your role—you're not just here to get your pay cheque every week but to dedicate and devote your time to the success of the company. If it's not working according to what you believe to be the success. And the success—not all the time but most of the time—is the financial success. Without any financial success, there's no company. There's no job. There's no product. There's nothing. So it's hard. You leave people doing their jobs, what they believe are the right things to do. If it's not working well, then I think you've got the responsibility to come in and say, "I think we need to reposition, to redirect, or do the things differently."

¹ Interviews with Hartley Steward, former *Toronto Sun* Publisher, and Wayne Parrish, formerly of Sun Media and Canoe.

Appendix B: A Quebecor Timeline

- 1950 Pierre Péladeau buys *Le Journal de Rosemont*.
- 1951 Péladeau buys *L'Est montréalais* and founds *Le Guide de l'est*, *Le Guide Saint Michel* and *Le Guide de Saint-Laurent*.
- 1953 The papers are consolidated into the group, Les Publications indépendantes.
- 1954 Péladeau buys the presses of the defunct *Le Canada* newspaper and founds his first printing company, l'imprimerie Hebdo.
- 1955 Entertainment weekly *Nouvelles et Potins* founded.
- 1961 Acquisition of *Le Journal des vedettes*.
- 1962 Montreal Offset founded.
- 1962 Acquisition of *Radiomonde*, *La Revue Populaire* and *Le Samedi*.
- 1963 Launch of *Photo-Vedettes* and *Le Grand Journal illustré*.
- 1964 *Le Journal de Montréal* founded.
- 1964 Distribution service Messageries Dynamiques founded.
- 1965 Quebecor founded.
- 1967 Founding of *Le Journal de Québec*.
- 1967 Acquisition of *Le Grand Journal*.
- 1969 Purchase of *Echos Vedettes*.
- 1969 Purchase of Dumont printing.
- 1971 Acquisition of first non-Quebec printer, Graphic Web of Ontario.
- 1971 Toronto *Telegram* folds and *Sun* is founded.
- 1972 Quebecor Inc. listed on New York and Montreal stock exchanges.
- 1973 Quebecor buys Etco Photo Colour.

- 1974 Takeover of Wilson Publishing in Ontario, Montreal *Sunday Express* and *Vivre* magazine.
- 1975 Purchase of Les Presses de la Cité.
- 1976 Purchase of Service de Musique Trans-Canada.
- 1977 *Philadelphia Journal* launched.
- 1978 Book publisher Éditions Quebecor founded.
- 1978 *Edmonton Sun* founded.
- 1979 Holding company Groupe Quebecor set up.
- 1980 *Filles d'aujourd'hui* magazine started; several regional papers acquired.
- 1980 Sun group purchases *Albertan* newspaper and turns it into *Calgary Sun*.
- 1981 Pierre Péladeau closes *Philadelphia Journal*.
- 1982 Purchase of St-Romuald Offset.
- 1983 Purchase of independent tabloid newspaper, *Winnipeg Sun*, Québec-Livres and the Hachette International Canada Inc.
- 1984 Purchase of regional Quebec newspapers.
- 1982 Maclean-Hunter buys 50 percent share of Sun group.
- 1985 Quebecor Printing buys first plant outside Canada, Pendell of Michigan.
- 1985 Quebecor closes *Sunday Express*.
- 1987 Purchase, with Robert Maxwell, of Donohue paper.
- 1987 Purchase of *Sherbrooke Record*.
- 1988 Purchase of BCE printing plants.
- 1988 Sun group buys the Bowes chain of community papers.
- 1988 Sun group buys *Financial Post*, turns it into a tabloid and takes it daily.
- 1988 Sun group buys *Ottawa Sunday Herald* and turns it into the *Ottawa Sun*.

- 1988 Pierre Péladeau founds *Montreal Daily News*.
- 1989 *Montreal Daily News* folds.
- 1990 Purchase of Maxwell Graphics, with aid of Caisse de dépôt et placement du Québec.
- 1991 Purchase of Graphicsas Monte Alban in Mexico.
- 1993 First European acquisition: France's Fécomme printing.
- 1994 Rogers buys Maclean-Hunter, which includes the Sun chain.
- 1995 Quebecor buys Jean Didier printing company of France; Purchase of Hunter Print in England and Tej printing in India; Purchase of St Remy Press.
- 1996 Purchase of Groupe Lopès, Inter-Routage and Altair in France and Spain.
- 1996 Management-led group buys 65% stake in Sun Publishing, creating Sun Media.
- 1997 Purchase of Télévision Quatre Saisons, and printing plants in Chile, Argentina, and U.K.
- 1997 Pierre Péladeau dies.
- 1997 Sun Media buys *London Free Press* and Netmar community publications.
- 1998 Sun Media buys *Hamilton Spectator*, *Kitchener-Waterloo Record*, *Guelph Mercury* and *Cambridge Reporter* from Hollinger. As part of deal, Hollinger acquires *Financial Post* and turns it into *National Post*.
- 1998 Torstar launches hostile takeover bid for Sun Media.
- 1998 Quebecor outbids Torstar and buys Sun Media.
- 1998 Quebecor sells *Hamilton Spectator*, *Kitchener-Waterloo Record*, *Guelph Mercury* and *Cambridge Reporter* to Torstar.
- 1999 Merger of Quebecor Printing and World Colour Press to create Quebecor World.
- 1999 Intellia and Informission merged into Nurun Inc.

- 2000 Sale of Donohue to Abitibi.
- 2000 Purchase of Groupe Vidéotron.
- 2001 Sale of TQS to Cogeco.
- 2002 Purchase of Hachette Filipacchi printing in Europe.
- 2004 Purchase of Toronto 1 from CHUM for \$46 million and 30 per cent stake in CablePulse 24.

—Sources: *Quebecor: A Living History*
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