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Corporate News
The Issue of Newspaper Ownership Revisited

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in
the Department
of
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for the Degree of Master of Arts at
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ABSTRACT

Corporate News: The Issue of Newspaper Ownership Revisited

David Harnes

The rise of the corporate form of organization within the Canadian newspaper industry has raised concerns over the quality and diversity of information available to the public. In doing so, two competing theories have sought to explain the effects of such change on the editorial product being produced. In particular, the critical model has suggested that the economic imperatives of a corporate newspaper are incompatible with the production requirements of a high quality editorial product. Conversely, the corporate model maintains that such newspapers are better positioned to express alternate viewpoints and, as a result of their dominant market position, will place greater emphasis on the quality of its editorial product.

These positions, however, have developed from two fundamentally different conceptions of what constitutes corporate ownership and, as a result, have been unable to effectively engage one another. In an effort to bridge this gap, this paper examines the nature of newspaper ownership in Canada. Through an analysis of the dominant newspaper institutions, it shows that the majority of Canadian newspapers exhibit many of the characteristics of corporate organization. Accordingly, it argues for a renewed debate on the effects of corporate ownership based upon a more accurate understanding of the newspapers involved.

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- CHAPTER ONE -

Introduction

The current debate surrounding the ownership of newspapers in Canada can be defined primarily by the two dominant theories seeking to explain the effects of corporate ownership on the quality and diversity of information available to the public. The first, maintains that the corporate form of organization is detrimental to both the quality and diversity of information available to the public. It has suggested that the economic imperatives of newspaper operation are incompatible with the goals of a free and democratic press. Conversely, the second theory has argued that the corporate newspaper has a greater capacity to express alternative viewpoints and, as a result of its dominant market position, will place a greater emphasis on the quality of its editorial product.

The gulf that currently exists between these two theories is the result of two fundamentally different conceptions regarding the nature of corporate ownership in the Canadian newspaper industry. On the one hand, corporate newspapers are thought to reflect the traditional owner/operator structures of entrepreneurial newspapers simply extrapolated to a larger organization. On the other, the corporate newspaper is defined primarily by the characteristics of a bureaucratic organization. The resulting situation is one in which these two competing theories have lacked the common denominator necessary to engage one another directly.

In the growing literature on newspaper ownership, there has been no systematic discussion of the particular ownership structures or principals of corporate governance that exist in Canada. Even a detailed analysis of internal control mechanisms within the industry are hard to find. This gap in the literature seems somewhat surprising given that the majority of the contemporary criticism is based upon some form of ownership analysis. It is also unfortunate since, as this paper suggests, it has prevented these two

positions from engaging one another and thereby enriching the debate over corporate control of the press.

The issue of corporate control has traditionally been defined in terms of economic ownership and management systems. In doing so, little attention has been paid to the precise nature of such control contributing to the incongruity within the debate. Recognizing this problem, Graham Murdock sought to clarify the issues of control stating that:

Allocative control consists of the power to define the overall goals and scope of the corporation and determine the general way it deploys its productive resources. Operational control on the other hand, works at a lower level and is confined to decisions about the effective use of resources already allocated (Murdock 1982: 122).

This, he has suggested, does not mean that control at the operational level is deprived of any creative involvement. Instead, he argued that operational controllers are likely to experience a great deal of autonomy resulting in substantial control over day-to-day activities (Murdock 1982: 122). This distinction has raised an important question as to the role of individual newspapers within the parent corporation.

It is therefore the purpose of this paper to examine the structure of newspaper ownership in Canada in order to determine more precisely the nature of control. More specifically, it will argue that the dominant newspaper organizations in Canada exhibit many of the characteristics associated with the corporate form of organization and, as a result, may be explained more accurately by the corporate model presented below. This project is significant to the field of media studies in that it seeks to bridge the gap between two very important, yet isolated, perspectives on the ownership of newspapers in Canada. It is important to emphasize here that my goal is simply to establish the grounds for an enriched debate and not to discuss conclusively the effects of corporate

ownership on the quality and diversity of information. Although a degree of this may result from an examination of the two positions, it is by no means an exhaustive analysis of the issues.

Background

In the past several decades one of the most controversial developments within the Canadian newspaper industry has been the growth of the corporate newspaper. Ownership concentration has changed much of the newspaper industry from the owner-operator structure of independent newspapers to a system of professional managers and chain employees. In the decade between the Special Senate Committee on Mass Media (1970) and the Royal Commission on Newspapers (1981), the percentage of circulation that independent newspapers controlled had already declined from 39.6 percent to 25.7 percent. This shift has coincided with a rise in the corporate form of organization including both chain and conglomerate structures. In doing so, there has been an increased division of labor relegating many of the decision-making processes to the specialists and experts of individual departments (Demers 1996: 3).

The decline of independent owners in favor of the corporate newspaper has been controversial because many believe that the corporate form of organization is destroying good journalism and endangering democracy. Indeed, conventional wisdom has suggested that the corporate newspaper, with its emphasis on profits, is more likely to be part of a large corporate organization and, as a result, be less concerned with the local community it purports to serve. More specifically, the corporate newspaper has been accused of placing a greater emphasis on short-term profits than any long-term goals and, as a result, has failed to provide the diversity of ideas necessary to the functioning of a democratic society. The understanding here is that an emphasis on short-term profits will inherently lead to a reduction in the services necessary for the production of a high quality news product.

In 1970, the Special Senate Committee on Mass Media stated that "this country should no longer tolerate a situation where the public interest in so vital a field as information is dependent on the greed or goodwill of an extremely privileged group of businessmen" (Cited in RCN 1981: 17). Over a decade later, the Royal Commission on Newspapers (1981) echoed these concerns when it stated that:

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. The decline can be traced, at least in some measure, to the normative influence of corporatism, applied to an exercise that is essentially individualistic and intuitive. Innovation, creativity, even a desirable degree of eccentricity give way to the pressures of uniformity (RCN 1981: 178-9).

In commenting on the shift in control over the newspaper industry, John Miller, a professor of journalism and former deputy managing editor of the Toronto Star, has stated that:

The old mission that sustained newspapers for two hundred years - to act as a check against arbitrary power and to serve the public in the interests of democracy - is being imperiled by a second and third generation of corporate managers who are judged and compensated on the profits they generate rather than what they do to guarantee the survival of the newspaper (Miller 1998: 22).

Taken as a whole, the criticism of the past 30 years depicts a situation so contrary to the principles of a free press, and its role in a democratic society, that any reasonable person ought not to accept its continuance. Yet, despite the now voluminous

work that exists, there seems to be little evidence to suggest that the corporate form of organization, in newspapers or otherwise, will be regulated in the foreseeable future. Ironically, the concentration of ownership within the Canadian newspaper industry has continued just as many had predicted, while the corporate newspaper has continued to operate with great success.

American academic David Demers has recognized this paradox and questioned whether the corporate newspaper is truly "incompatible with democratic processes and institutions, or can it, under certain circumstances, expose injustices, lessen inequalities and promote social change?" (Demers 1996: 7). Through a comprehensive study of the US daily newspaper industry, Demers has argued that "the criticism against the corporate newspaper is more myth than fact" (Demers 1996: 7). Accordingly, he has argued that by overlooking the origins of the corporate form of organization, many critics have misunderstood changes in the newspaper industry. Given the similarities between the Canadian and US newspaper industries, this argument has raised questions about the nature of newspaper ownership in Canada.

Issues of the Debate

The fundamental issues within the ownership debate stem from the belief that the corporate newspaper is detrimental to both the quality and diversity of information available to the public. It has been argued that the corporate newspaper's domination of individual markets has provided little incentive to improve the quality of the editorial product. Moreover, it has been suggested that the extraneous commercial interests of the corporate newspaper can work to limit the diversity of opinion expressed on certain issues. Fundamental to these critiques is the idea that newspapers have a responsibility to the societies they serve, and that a quality news product and full range of opinion are necessary components thereof.

Diversity of Ideas

The diversity of ideas first became an issue of concern with the rise of liberal democracy and the conception of people as rational social actors. The seventeenth century writings of John Milton contributed greatly to this understanding with such concepts as the 'market-place of ideas' and the 'self-righting' process. The basis of his argument, as summarized by Fred Siebert, suggested that "men, by exercising reason, can distinguish between right and wrong, good and bad, and that to exercise this talent man should have unlimited access to the ideas and thoughts of other men" (Siebert 1956: 44). Truth was thought to be definite and demonstrable, and would emerge through the process of unrestricted debate. Accordingly, Milton believed that even if false ideas were to enter the debate, truth would eventually emerge through the self-righting process (Siebert 1956: 46).

In the nineteenth century, the work of John Stuart Mill helped to advance this concept of free expression by expanding upon the importance of dissenting views. In his famous work *On Liberty* he explained that:

If all mankind minus one, were of one opinion, and only one person were of the contrary opinion, mankind would be no more justified in silencing that one person, than he, if he had the power, would be justified in silencing mankind. Were an opinion a personal possession of no value except to the owner; if to be obstructed in the enjoyment of it were simply a private injury, it would make some difference whether the injury was inflicted on a few persons or on many. But the particular evil of silencing the expression of an opinion is, that it is robbing the human race; posterity as well as the existing generation; those who dissent from the opinion, still more than those who hold it. If the opinion is right they are deprived of the opportunity of exchanging error for truth; if wrong, they lose, what is almost as great a benefit, the clearer perception and livelier impression of truth, produced by its collision with error (Mill 1859: 76).

This libertarian concept of free expression was attained in practice partially by entrenching press freedoms into the rule of law. This was achieved primarily over the seventeenth, eighteenth, and nineteenth centuries through the various debates and legal challenges of which two stand out; the issue of seditious libel; and the right to publish government proceedings (Siebert 1956: 48).

In the eighteenth century, British and American governments sought to control criticism of their activities by prosecuting for seditious libel. It was believed that words which injured the government should be punishable whether they were true or not, and this could be determined by order of jury under the Libel Act of 1792 (US). In 1835, however, Canadian publisher Joseph Howe set a precedent in having a jury recognize the primacy of truth as a defense for seditious libel. Truth was then seen as a legitimate defense and enacted into British law in 1843.

The right to cover government proceedings stemmed from the belief that newspapers were a necessary component in the democratic process, and that the actions of government ought to be covered. Siebert has explained that:

The newspapers of the time contended that since Parliament represented the interests of the people its debates should be open to the public. The press as a medium for reaching the public therefore had a right as well as a duty to inform the public of what took place in Parliament; consequently Parliament had no right to place restrictions on the exercise of this function (Siebert 1956: 49).

Today, freedom of the press is recognized in Canada by the Charter of Rights and Freedoms as one of the fundamental freedoms but is tempered by such laws as libel, contempt of court, hate literature, blasphemy, obscenity, and the deliberate spreading of false news. In discussing the role of press freedoms in a liberal

democracy, Robert Hackett has suggested that "such restraints are intended to balance freedom of the press with other rights and needs" (Hackett 1991: 88).

One consequence of this type of legislation was a greater move toward social responsibility. In fact, Theodore Peterson has suggested that the threat of such legislation worked to encourage newspaper publishers to begin linking press freedoms with social responsibility (Peterson 1956: 77). In doing so, many publishers and editors began to formulate journalistic guidelines and codes of ethical behavior. The earliest of these codes was adopted by the American Society of Newspaper Editors in 1923. Entitled the 'Canons of Journalism', it called upon newspapers to "practice responsibility to the general welfare, sincerity, truthfulness, impartially, fair play, decency, and respect for the individual's privacy" (Peterson 1956: 85). In Canada, similar principles were adopted in 1977 by the Canadian Daily Newspaper Publishers Association (CDNPA).*

A further consequence of both this type of legislation and the resulting codes of ethical behavior is that of the legitimizing effect or ideological function they perform. In discussing this relationship, Hackett has explained that "the legal framework preserves a certain autonomy of the press from the state, while at the same time, it subtly brings the press within the orbit of the dominant social order" (Hackett 1991: 89). This process is what Hackett has referred to as the ideological aspect of news discourse (Hackett 1991: 76-85). That is to say, the process by which the dominant news organizations are legitimized as objective reporters of daily events.

In accordance with the various journalistic guidelines, outlined by any large news organization, journalists will tend to follow a standardized set of news-gathering routines and presentational forms that are generally recognized as fair, accurate, and objective. In the tradition of John Stuart Mill, many journalists have been inclined to

* The original name of the association was the Canadian Daily Newspaper Association (CDNA). In 1954, it became the Canadian Daily Newspaper Publishers Association (CDNPA) until a name change again in 1990 when 'Publishers' was dropped. Following a merger with the Newspaper Marketing Bureau in 1996, the organization became the Canadian Newspaper Association (CNA).

balance two sides of an issue no matter how widely-held, or not, is each view. By doing so, it has been argued that journalists are able to enhance their claim to professional status while, at the same time, protect themselves from audience criticism, sponsor intimidation, and the threat of legal action (Hackett 1991; Wolzien 1996). In fact, it has been argued that the notions of balance and objectivity were developed out of a commercialization of the press, resulting in the decline of political partisanship. In discussing these developments, Fred Siebert has stated that "the growth of advertising and the drive to increase circulations contributed to the general acceptance of the ideal of objectivity" (Siebert 1956: 60). Although it may be questionable whether the goals of balance and impartiality can be reconciled with that of factual accuracy, these guidelines have nonetheless served to help legitimize newspapers as a medium of record within the dominant social order.

Overall, the various principles, laws, and functions of the press have led to an understanding and concern for the diversity of ideas. Although the issue of diversity has traditionally been one concerned with the potential for government intervention, it has since been recognized that the economic structure of the news media themselves may also work to inhibit true press freedoms. Moreover, the concentrated power of newspaper owners in Canada has raised additional questions regarding the diversity of ideas available to the public. In fact, it was such considerations which led to the appointment of the Royal Commission on Newspapers, and to the development of an economic model for explaining change in the newspaper industry.

Journalistic Quality

The issue of journalistic quality is based largely upon a newspaper's ability to fulfill its traditional social responsibility of providing the information necessary to participate in the democratic process. The information produced by newspapers must represent not only a diverse set of viewpoints, but must also be accurate, timely, and

relevant to the decision-making process. The increased competition for both audiences and advertisers experienced in recent years has given rise to the concern for journalistic quality.

It has been argued that the pursuit for larger circulations has led newspapers to adopt market-driven news values resulting in a more sensational, superficial, and irrelevant news product. In 1981, for example, a research paper for the Royal Commission on Newspapers found that "journalistic competition often resulted in pressures to dramatize, simplify, or trivialize the news in a quest to increase circulation" (Fletcher 1981: 40). More recently, Richard Kaplar, vice-president of the Media Institute, has stated that "everyone is scrambling for a smaller share of the pie and is forced to engage in more sensationalism or to become tabloid-like to grab what is left" (Cited in *Globe & Mail*: 10 Oct. 98).

It has been added that the cost-cutting measures imposed by the large corporate newspapers have contributed to this erosion by substituting their in-depth investigative journalism for its less expensive counterpart commonly known as tabloid, hot-stuff, or disco-journalism. Robert Hackett, for example, has argued that news strategies have been imposed by corporations with "no tradition of caring about principles, all driven by short-term rates of return" (Cited in *Globe & Mail*: 10 Oct. 98). Similarly, John Miller has expressed that it is "as if newspapers have broken their bargain with democracy in turning away from editorial excellence and public service and towards profit, marketing and cost-cutting" (Miller 1998: 15). These concerns have led to a questioning of the relationship between newspapers and the society they purport to serve. Geoffrey Cowan, dean of the Annenberg School of Communication has argued that "the press is losing its credibility and its reputation for balance and fairness through undersourced and inaccurate reporting" (Cited in *Globe & Mail*: 10 Oct. 98). Echoing these concerns, the *Columbia Journalism Review* recently warned that the increase of

sensational news coverage "could lead to a fatal erosion of the ancient bond between journalists and the public" (McQueen 1998).

A questioning of the relationship between newspapers and society has raised the issue of what would be suitable criteria for determining journalistic quality. Indeed, the use of social responsibility as a benchmark for the measurement of quality has raised concerns regarding its relevance to the analysis of media. It has been argued, for example, that the very concept of social responsibility, as ill-defined and unenforceable as it may be, has been used largely by industry organizations to mitigate the threat of government regulation (Peterson 1956: 77). This can be seen in some of the self-imposed journalistic guidelines and codes of ethical behavior adopted throughout the industry.

In 1923, the American Society of Newspaper Editors adopted a code of ethical behavior which called upon its member newspapers to "practice responsibility to the general welfare, sincerity, truthfulness, impartially, fair play, decency, and respect for the individual's privacy" (Peterson 1956: 85). These principles were further explored in 1947 where the Hutchins Commission on the Freedom of the Press recognized the notion of social responsibility in the United States. In Canada, similar principles were adopted by the Canadian Daily Newspaper Publishers Association in 1977. In its 'Statement of Principles' it described a newspaper's responsibility by stating that "the operation of a newspaper is in effect a public trust, no less binding because it is not formally conferred, and its overriding responsibility is to the society which protects and provides its freedom" (CDNPA 1977: iii).

Interestingly enough, in early 1995, the Canadian Daily Newspaper Association (CDNA) voted 6-1 in favor of abolishing the Statement of Principles suggesting that it was out of date and could be prejudicial to its members. The counsel for Thomson Newspapers, Michael Doody, described the Statement as dangerous because it placed "responsibilities and liabilities on each of the associations eighty-two member

newspapers" (Cited in Miller 1998: 118). However, in response to the ensuing public controversy the board of directors voted to overturn the decision and opted for a revision that was unanimously endorsed in September of that year (Miler 1998: 122).

Further to this, the Royal Commission on Newspapers (1981) observed an inverse relationship between any type of public service and corporate profit. It stated that the dilemma experienced by many newspapers is that the "proprietor must make a trade-off between his service responsibility, expressed in editorial costs, and the profitability of the business" (RCN 1981: 89). This situation can become further complicated in cases where the business is publicly owned and/or remunerates its top managers based upon economic performance.

Overall, the issue of journalistic quality is based upon a newspaper's ability to fulfill its traditional service responsibility. In order to produce information that is relevant to the democratic process, the editorial product must be of a 'reasonable quality' as recognized in accordance with current industry standards. The concerns raised by the increasing competition for both audiences and advertisers is that newspapers are focusing more upon business profitability than public service. As a result, the rise of the corporate newspaper has been viewed by some as detrimental to the quality of newspaper journalism and the principles of a free press.

Critical View of the Corporate Newspaper

Almost all of the recent criticism directed towards the newspaper industry in Canada stems from the basic premise that corporations will emphasize profit over public service. In particular, many of the questions concerning the quality and diversity of information being presented to the public can be traced to the economic logic of capital accumulation. This model for understanding change in the newspaper industry is based upon the central assumptions of critical theory which regard 'common interests' as the organizing principle of society. Robert Hackett has explained that "both Marxist

and non-Marxist versions of the critical paradigm share the view that North American society is stratified, that the ruling group has interests in common that separate them from, and put them in potential opposition to, the majority of the population" (Hackett 1991: 56).

Critical theorists regard the press not as an independent institution, but rather as a legitimizing agent of the social order subordinate to the ruling elements of society. In this view, the press is seen to reproduce the dominant ideology by framing issues and events from the perspective of the corporate leaders, relegating dissent to places of lesser importance (Hackett 1991: 59). Although the particular way in which the dominant ideology is reproduced remains an issue of debate, the majority of the criticism today can be characterized by its focus on the economic logic of the newspaper industry.

The understanding that emerges from the economic model is one in which market relations and the principles of capital accumulation dictate all that occurs. Short-term profits are placed before any long-term planning to the detriment of the editorial product, while staff at all levels are provided with incentives to maximize the prosperity of the corporation. John Miller has described this as part of a new corporate ethos "which substitutes marketing hype and new technology for editorial renewal" (Miller 1998: 10). In some cases, this emphasis on short-term profits can be traced to the public ownership of shares in the corporation. Short-term economic pressures from investors has led publicly owned newspapers to place the goals of profit before any long-term planning and investment. As a result, this has required corporations to either increase revenue or reduce expenditures (or some combination of both) in order to satisfy their shareholder demands.

In 1981, the Royal Commission on Newspapers described the industry as mature in the economic sense, meaning simply that market saturation was near total. Barring any substantial increase in the population, the newspaper industry was thought

to have little potential for growth. In fact, newspaper readership in Canada has not kept pace with population growth resulting in a gradual decline. The consequence of this for a corporation seeking to maximize profits has meant that both expenses and competition would have to be reduced if market-share could not be increased. At the industry level this has been achieved through the various mergers and acquisitions witnessed since the time of the Commission.

The logic of ownership concentration is based upon economies of scale where the expense of operating several newspapers together is less than the sum of their independent costs. One of the foremost ways in which this can be achieved is to reduce both the editorial and administrative staff at the independent newspapers in favor of chain employees. This type of restructuring has provided one of the basic components of the argument against ownership concentration which has suggested that a reduction in the number of editorial staff has led to a reduction in the quality of the editorial product. Similarly, it has been argued that a reduction in the number and variety of newspaper owners has led to a lessening in the diversity of opinion available to the public.

The Royal Commission on Newspapers, for example, was established to examine the concentration of ownership and control within the newspaper industry following the simultaneous closure of two Canadian dailies (Record of Federal Royal Commissions: 317). It found that ownership and control of most newspapers was highly concentrated under interests whose business concerns extended beyond the activities of any particular newspaper. As a result, the Commission argued that the extraneous commercial interests of the industry ought to be regulated in order to ensure that freedom of the press and opinion continue to exist (RCN 1981: 237).

Another body of work that has criticized the corporate newspaper contends that the news media, in general, are structurally biased in favor of the 'corporate elite' and work to help legitimize a fundamentally unjust and undemocratic system. In a recent

book on corporate control and the news media, James Winter has argued that specific ownership, hiring, and management practices have caused the news media to present a unified (if not limited) picture of the world. In discussing newspapers specifically, he described how "owners hire publishers who reflect their views, and who in turn hire and promote managers, who then hire and promote editors and journalists" (Winter 1997: 86). From this perspective, the corporate newspaper is viewed as a platform from which its owners are able to espouse their views and promote specific social, political, and economic values.

In addition to the issues of diversity, another body of work has suggested that the focus on profits serves to lessen the quality of the editorial product. In particular, charges of sensationalism and superficiality have been leveled against the corporate newspaper in its rush to maximize profits. John Miller has argued that the focus on short-term profits has led newspapers to ignore their traditional strengths of depth, complexity, analysis, and background, in favor of simplicity, hype, and ease of use. Continuing, he wrote that the newspaper's traditional social responsibility "has given way to a marketing agenda that emphasizes shorter stories, crime, violence, celebrity, conflict, and other unusual happenings" (Miller 1998: 19).

Overall, the critical theorists contend that market relations and the logic of capital accumulation are the prime determinants of change in the newspaper industry. In doing so, they have suggested that: (1) the structure of corporate ownership works to lessen diversity in the newspaper industry; and (2) that its focus on short-term profit is detrimental to the quality journalism required in the functioning of a democratic society. Although the critical perspective has contributed greatly toward our understanding of the commercial pressures within the newspaper industry itself, it has failed to address many of the non-economic factors which affect both the industry and the editorial product developed by the various newspapers involved.

Challenges to the Critical View

The critical perspective outlined above suggests that the corporate newspaper has been detrimental to quality journalism and the proper functioning of a democratic society. In doing so, various explanations have been offered as to the reasons for this effect. Inherent in the criticism of the corporate newspaper is the understanding of structural power and its function in the maintenance of the status-quo. This paper does not contest the fact that corporate newspapers wield a great deal of power and have, on occasion, abused that power. Nor does it dispute the assertion that newspapers, as part of the total media environment, contribute to the maintenance of a dominant ideology. It does however, suggest that the explanations offered thus far are based upon some questionable assumptions limiting their ability to accurately explain change in the newspaper industry.

Corporate Newspapers Theory

One of the primary alternatives to the critical perspective is David Demers' model of corporate newspapers. Based upon the principles of social system theory, Demers has sought to explain the stability and persistence of corporate newspapers. In doing so, he has challenged the conventional wisdom that the corporate newspaper is detrimental to quality journalism and democratic principles and has suggested that it can, under certain circumstances, be more critical of established institutions and authorities. Moreover, he has suggested that the corporate newspaper may actually work to increase diversity as social systems become more pluralistic (Demers 1996: 24).

This model does not contest the fact that corporate newspapers are an agent of social control. Rather, it suggests that *all* mainstream newspapers (independent, chain, or otherwise) perform this function by providing broad-based support for the dominant institutions in society. Moreover, Demers has argued that the more corporatized a

newspaper becomes, the less control over day-to-day operations its owners will have. Demers has referred to this transfer of power as the 'managerial revolution' which he has described as follows:

The managerial revolution, as this shift of power has been called, occurs in part because the division of labor increases the complexity of the operation, forcing owners to rely more heavily on highly skilled and knowledgeable experts. Individual owners also tend to lose control over day-to-day operations because the increasing capital required to operate large-scale organizations reduces over time the proportion owned by any single owner (Demers 1996: 20).

This model has also suggested that the managerial revolution provides corporate newspapers with a greater capacity to criticize the status-quo because they are generally more insulated from parochial political pressures. It has also suggested that corporate newspapers will place less emphasis on profit as an organizational goal, and focus more on the production of a quality news product. Demers has explained that because corporate newspapers are structurally organized to maximize profits, they will benefit from economies of scale and superior human and capital resources. In doing so, the corporate newspaper does not have to emphasize profit in its day-to-day operations as an organizational goal (Demers 1996: 21).

The corporate model presented here represents a significant departure from the existing criticism. One of its major developments has been an understanding of the way in which the corporate form of organization has developed in relation to society. Demers has argued that "the growth of the corporate newspaper is primarily a function of increasing structural pluralism, which may be defined as a growth in the number and variety of social groups in a community or social system" (Demers 1996: 22). He cites two reasons for this. The first development is that large-scale media organizations are encouraged by the increasing informational needs of a complex society. While urban

residents depend heavily upon one another for a variety of basic necessities, newspapers help to provide the information necessary for coordinated social action. As communities grow in both size and diversity, the task of coordinating social action becomes increasingly difficult. Second, is that the increasing complexity of information systems has led to a greater level of competition between the various media for limited resources (i.e. advertising and audiences) while intensifying the economies of scale which promote corporate growth (Demers 1996: 23).

Overall, the corporate model has suggested that newspapers which exhibit characteristics of the corporate form of organization will (1) place less emphasis on profits and more on product quality as an organizational goal; and (2) be more critical of mainstream authorities while providing broad-based support for established institutions. As such, Demers has characterized the corporate newspaper as "an organizational form that promotes change with control - change that from time to time accommodates the needs of alternative or challenging groups without radically altering the power structure in the short term" (Demers 1996: 22).

Total Media Environment

An additional challenge to the critical model stems from the methodological approach used by many critics. In particular, the reduction in diversity argument is based upon an analysis of the newspaper industry which views newspapers in isolation from other media. In doing so, it has failed to incorporate newspapers into a larger media environment, overlooking a major aspect of public communication (Page 1996: 7). In 1981, the Royal Commission on Newspapers recognized the issue of a changing media environment, but (perhaps for reasons of mandate restrictions) was unable to account for it. It acknowledged that since the beginning of the century the reader had "gradually become not merely a reader, but also a listener and viewer of news" (RCN 1981: 33). Moreover, the Royal Commission on Corporate Concentration reported in

1978 that individuals are "exposed to about 100 sources of information a week" (RCN 1981: 33). From this, one could logically conclude that over the past twenty years this number has increased dramatically and that information is now able to travel more easily to a greater number of people.

In a recent work on public deliberation, Benjamin Page has argued that a wide range of ideas are able to proliferate throughout the total media environment regardless of any particular ideological bias or slant. He stated that:

If extensive political information is available somewhere in the system, not everyone has to pay attention to it all the time; a lot of information, and reasonable conclusions from it, will trickle out through opinion leaders and cue givers to ordinary citizens, who can deliberate about it in their own small, face-to-face groups of family, friends, and co-workers.

(Page 1996: 7).

Page explained that people can and do follow well-informed opinion leaders to delineate and provide context to the issues of the day. "Ideas that originate in relatively obscure places - research organizations, tiny zines, or small-circulation journals - diffuse through word of mouth, the Internet, talk radio, and the like, and often leak into the mainstream media" (Page 1996: 124). In fact, this is what William Thorsell, editor-in-chief of the *Globe and Mail*, has described as a newspaper's ability to provide value for its readers. In discussing the problems associated with excessive information in the contemporary media environment, Thorsell explained that "the more information there is, the more valuable credible, unique and well-packaged information is for time-starved readers" (Thorsell 1998). As long as there is some competition among the opinion leaders, who share the values of various groups in society, people will be able to rely upon those whom they trust; even if the media are somewhat unbalanced and unrepresentative (Page 1996: 8).

Overall, the existing criticism of the newspaper industry is somewhat limited by its inability to explain the stability and persistence of the corporate newspaper. By focusing too narrowly on the economic issues of newspaper operation it has failed to understand changes in both the structure of newspaper ownership, and that of the total media environment. The inability to fully understand changes in the nature of newspaper ownership has contributed to a restricted methodological approach in the analysis of the newspaper industry. The understanding of corporate newspaper ownership as merely an extension of the owner/operator structure has led to analyses which often isolates newspapers from the total media environment. This question of methodology will have significant implications when dealing with issues of diversity and bias. Moreover, the internal relations of a newspaper organization are considerably different in the owner/operator structure than that of the corporate form of organization, raising questions about the goals, motives, and relative power of the various actors involved. A contributing factor to the discrepancy in methodological approach may lie in the way that the structure of newspaper ownership has traditionally been defined. Indeed, many critical theorists have simply extrapolated the ownership structures of independent newspapers to represent the corporate form of organization. In doing so, they have overlooked a significant aspect of ownership concentration resulting in a misunderstanding of corporate newspapers.

Definition of the Corporate Newspaper

Although the term 'corporate newspaper' is increasingly being used in discussions of corporate ownership and control, its meaning has not been consistent. Those discussing the business aspects of the newspaper industry have tended to view it as a legal entity defining a specific type of limited liability ownership. That is to say, a business distinct from that of sole proprietorship or partnership. Conversely, those involved in the sociology of news have used it to describe a large complex organization

with a hierarchy of authority and sophisticated division of labor (Demers 1996: 7-8). In both instances, it has been used synonymously for chain and conglomerate structures of ownership.

The assumption here is that the term corporate newspaper denotes a specific type of organizational structure. Demers has referred to this as the modern form of corporate organization characterized by certain bureaucratic functions and rational behavior. By this he is referring to the standardization which results from reducing the production and distribution of a newspaper into various routines "so as to find the most efficient and effective way to reach a goal" (Demers 1996: 8). Here, Demers is drawing heavily from the work of sociologist Max Weber for his definition of the bureaucratic form of organization, which he summarizes as follows:

Under a Weberian model, the corporate newspaper may be seen as an organization that is characterized by a complex hierarchy of authority, a highly developed division of labor and role specialization, formalized rules and procedures, employment and promotion based on technical qualifications, formalistic impersonality, and greater rationality in decision-making (Demers 1996: 10).

Demers adds that although bureaucracies are often defined in terms of other forms of organizations (i.e. corporate vs. entrepreneurial newspapers) they should in fact be understood as existing on a continuum. That is to say, that any particular newspaper may be seen to exist on a continuous scale in terms of the degree to which it exhibits the characteristics of a corporate organization. Demers has explained that "it is important to point out that all newspapers exhibit a mixture of the characteristics associated with entrepreneurial and corporate organizational forms" (Demers 1996: 11).

The most commonly used method of defining the corporate newspaper has been that of the chain and conglomerate structures. A newspaper chain is an organization of

newspapers generally operating in different markets. As an organizational structure, chains are able to share the various administrative costs of news gathering and production in order to reduce the overlap from individual newspapers. Demers has described chain newspapers as having a "more complex hierarchy of authority and division of labor" than those that are independently owned (Demers 1996: 11). Another aspect of newspaper concentration is the process by which chains and independent newspapers become components of media and mixed-media conglomerates. The conglomerate structure differs from a chain in that newspapers become only one of a diverse set of interests held by the parent company. The situation in Canada was described quite accurately by the Royal Commission on Newspapers in its 1981 report. It stated that:

Canada's largest daily newspaper, the Toronto Star, accounts for only 37.6 per cent of the revenue of the Torstar conglomerate. Southam newspapers are moving toward a minority position in Southam Inc. The Canadian Thomson newspapers are but a small part of the multinational, mixed conglomerate operations of the Thomson interests. Similarly, the Gesca papers are small in relation to the vast and varied operations of Desmarais' Power Corporation of Canada. The Irving newspapers in New Brunswick are a fraction of the Irving interests in New Brunswick, Eastern Canada and internationally (RCN 1981: 13).

Although chain and conglomerate structures of newspaper ownership may exhibit many of the characteristics ascribed to the corporate newspaper, their use as a framework for analysis is somewhat problematic. Demers has explained that prior to the 1980s, chain ownership and daily circulation were directly related to one another due to the basic economies of scale which allowed newspaper chains to purchase larger more profitable newspapers. In the 1990s, however, chain newspapers have become so diffuse throughout the industry, that as a concept for analysis, they are no longer able

to differentiate between complex and non-complex organizations (Demers 1996: 12). It seems therefore, that the most accurate definition for understanding and analyzing newspapers within the contemporary media environment is that of the corporate newspaper; an organization that exhibits a complex hierarchy of authority, increased role specialization, a highly developed division of labor, and a number of formalized rules and procedures.

Methodology and Limitations

In order to effectively challenge the existing criticism of the newspaper industry in Canada, this paper utilizes a two stage methodology. As it is necessary to establish the precise nature of ownership in Canada, the first stage examines the various structures and operational characteristics within the newspaper industry. By this, I am referring to the private, quasi-private, and public structures of ownership including their breakdown of shareholder interests and the corresponding systems of management used. This information was obtained through the annual reports and corporate data of the individual companies involved and will help to establish the degree to which newspapers in Canada exhibit the characteristics of the corporate form of organization.

The second stage of this analysis examines the specific arguments offered in defense of the current criticism. Namely, the effects of corporate ownership on the quality and diversity of information. In particular, issues of structural organization (i.e. economies of scale, lack of competition, and marketplace knowledge), management control, community involvement, extraneous commercial interests, and the use of chain employees are explored. This method of inquiry was able to establish the relationship between the newspaper industry in Canada and the corporate form of organization, bringing Demers' theoretical model into the Canadian context. In doing so, it then becomes possible to examine the issues of diversity and journalistic quality based upon

formal theory and systematic analysis, as opposed to the anecdotes and intuition which currently exist.

Organization of Paper

This paper is organized into both theoretical and practical sections. Chapter 2 provides an overview of the critical perspectives on corporate newspapers. In doing so, it defines the arguments of journalistic quality and declining diversity. Chapter 3 then presents the corporate model of newspaper ownership including a brief discussion of its theoretical and methodological underpinnings. Chapter 4 outlines the empirical data surrounding the dominant newspaper organizations in Canada, highlighting the issue-specific areas which are contested within the debate. The companies examined include Hollinger/Southam, Quebecor/Sun Media, Thomson Newspapers, Torstar, Power, and Irving. Chapter 5 then concludes the paper with a summary of the arguments including a discussion of their relative merits for the examination of corporate newspapers.

- CHAPTER TWO -

Introduction

In the debate over newspaper ownership in Canada, proponents of the critical model have suggested that the corporate newspaper is detrimental to the quality and diversity of information available to the public. In doing so, they have offered the following arguments to support such claims. On the issue of quality, they have maintained that: (1) the corporate newspaper's domination of individual markets has provided little financial incentive to maintain or improve upon the quality of the editorial product; and (2) is that the corporate newspaper's orientation towards the larger markets has resulted in a reduction in local news production. On the issue of diversity, they have argued that: (1) the extraneous commercial interests of the corporate form of organization work to limit the range of debate on issues of conflicting interest; and (2) that the corporate newspaper's focus on profit favors chain employees and the sharing of information, thereby reducing the overall number of people reporting on public affairs.

Although the critical model remains virtually unchallenged in Canada, there is growing evidence to suggest that it may be incomplete as an explanation of news production. For example, the industry restructuring of the past decade has produced news organizations which seem to be more focused on the business of publishing while, at the same time, expanding into new markets. Moreover, a significant number of newspapers are being bought and sold on the basis of logistic compatibility with the parent organization. As a result, most of the newspapers in Canada are beginning to exhibit the characteristics associated with the corporate form of organization. It is therefore the purpose of this chapter to present these arguments in detail, highlighting both the theoretical and methodological underpinnings of the model. To this end, the

issues of quality and diversity are dealt with in turn in order to isolate the varying perspectives within each debate.

Journalistic Quality

The issue of declining journalistic quality can be divided into two distinct arguments. The first, is that the corporate newspaper will tend to dominate a specific market through a lack of any direct competition. This, it is argued, will work to reduce the economic incentives necessary to promote reinvestment in the editorial product. It has also been suggested that the way in which a corporate newspaper will seek to maximize its profit is through the general impoverishment of its editorial content. The second is that, because the corporate newspaper is less likely to be involved in the local community, it will dedicate fewer resources to the production of local news. Here, it has been suggested that a focus on information-sharing and news services has resulted in a homogenization of news content within and between markets.

In 1981, for example, the Royal Commission on Newspapers explained how "the proprietor must make a trade-off between his service responsibility, expressed in editorial costs, and the profitability of the business" (RCN 1981: 89). In doing so, the Commission understood the profit/service aspects of newspapers to be inversely related and, as a result, they focused on the highly profitable situation of monopoly newspapers. The Commission explained that:

Once a daily has achieved a local monopoly, as most now have, the nature and quality of its specific product - its news content - ceases to be a close determinant of its revenue. It has to become very much worse before large numbers of people stop buying a newspaper at all; and there are few additional readers to be attracted by improving the news product (RCN 1981: 89).

Although the conclusion of the Commission's report stated that we are still some way from that monopolistic extreme, they nonetheless maintain the position that journalistic quality is in decline. The report concluded that newspapers in a monopoly situation do not have to incur heavy editorial costs in order to compete for readers. As a result, they suggested that the primary method by which newspapers can maximize profit, is to reduce their editorial costs (RCN 1981: 220).

A concern raised by the Commission's logic is that it may have underestimated the actual level of competition experienced by many newspapers. Just prior to their investigation, US academic Benjamin Compaine argued that the majority of newspapers generally incur a greater level of competition than the term 'local monopoly' implies (Compaine 1979). In citing a research paper conducted for the US Federal Trade Commission, Compaine outlined the 'umbrella' model for newspaper competition. He stated that:

The 'umbrella' model recognizes that while few cities have more than one daily newspaper, these newspapers nevertheless compete with other newspapers. That is, most regions of the country have a metropolitan newspaper whose circulation extends well beyond the central city. The circulation falls off as the distance increases, but within this circulation area are 'satellite cities' each with its own daily circulation that goes beyond its borders. Dailies in these level two cities may have circulation in smaller communities, which may in turn have their own local dailies (Compaine 1979: 37).

Moreover, he described how both regional and national newspapers competed not only with one another, but also with the various broadcast media for advertising at the national level (Compaine 1979: 37). Taken as a whole, he suggested that there was simply no empirical evidence to support the claim that "either chain-owned newspapers

or newspapers in single-firm cities as a group, provide poorer service to readers or advertisers than independent or competing newspapers" (Compaine 1979: 48).

Another body of work which has questioned the journalistic quality of corporate newspapers is that by journalism professor John Miller. In his recent book on the newspaper industry in Canada, Miller has argued that newspapers have become greedy, lazy, elitist and remote. They have become "out of touch with our lives and filled with information that we somehow value less and less" (Miller 1998: 9). He has argued that a "new corporate ethos" which puts short-term profit ahead of long-term thinking "is helping to place print journalism on the endangered list" (Miller 1998: 10). Here, he has explained how the economic recession of the early 1990s began to affect the newspaper industry just as many were investing in new press technology. This, he argued, forced various newspapers "into the clutches of large corporate owners" who were beholden to the interests of their shareholders (Miller 1998: 13).

The result of this change in ownership, Miller has argued, was that the editorial product of corporate newspapers was being controlled more by the business managers of marketing departments than by journalists or editors. Miller explained how the cost savings of ownership concentration has been invested "not into training or hiring or figuring out how to better cover the news, but into marketing, which is a business school concept that treats news coverage as a commodity to be manipulated and sold as cheaply as possible" (Miller 1998: 9). This trend towards market-survey journalism was recognized by the Commission in 1981 when it reported that a recent study had advised newspapers to enter into "a new social contract" with their readers. The effect of this, they argued, was an acceleration of a trend already under way; "a trend toward more 'lifestyle' reporting, trivialization of news, and in extreme cases to what has been dubbed disco-journalism" (RCN 1981: 173).

The trouble with market-survey journalism, as many have now observed, is that readers are often unaware of what they want in advance. The Commission described

this phenomenon as "a closed feedback loop in which editors, reporters, readers, and advertisers all hold hands in an inward looking circle" (RCN 1981: 172). Miller has cited a number of industry statistics in order to illustrate the effects of this approach. In particular, he stated that:

Since the recession took hold in early 1990, a disturbing total of 622 000 customers have stopped buying newspapers in this country. That's a drop of 11 percent or 3.7 million fewer papers being sold per week by an industry that depends financially on being able to deliver customers to advertisers (Miller 1998: 10).

Continuing, he pointed to the 27 percent drop in advertising revenue (\$2.2 to \$1.6 billion annually) during the period from 1990 to 1995. Although this decline has rebounded somewhat in the time since, Miller has suggested that, by-and-large, advertisers are looking elsewhere (Miller 1998: 10). At a time when the informational needs of many people are becoming increasingly sophisticated, Miller maintains that newspapers ought to be refining their craft. Instead, they are providing "shorter stories, eye-catching graphics, lots of color, and a breezy style more suited to the telling of gossip than the significant news of the day" (Miller 1998: 9). Furthermore, he has described the 'paralyzing effect' brought on by recent advances in communication technology. Reflecting upon the work of Neil Postman, Miller explained how "too much information, delivered too quickly (by television, photocopier, fax, computer, direct mail), comes at us indiscriminately, without context or discernible value" (Miller 1998: 12). In short, he has suggested that instead of adding to the 'information glut' with marketing hype and new technology, newspapers ought to return to a more local, explanatory, and literary style of journalism (Miller 1998: 259).

Despite the intuitive appeal of Miller's hypothesis, his argument is questionable on grounds of methodology. He has listed a number of specific incidents, anecdotes,

and statistics, in order to illustrate the various aspects of his argument. He has then extrapolated the individual situations to represent the totality of the industry. The problem with this approach is that it is overly dependent upon the ideological position of the researcher and can be used to defend a variety of different perspectives.

Elsewhere in the debate, William Thorsell, Editor-in-Chief of the *Globe and Mail*, has addressed the issue of journalistic quality in a similar fashion and arrived at somewhat different conclusions. Citing the same industry trends as Miller, he has stated that:

It is true that newspapers continue to lose some share of a growing pie of marketing dollars, and daily readership among adults continues to erode somewhat, but newspapers remain the largest single medium for advertising, and by far the largest single provider of popular news and information. In the face of a dynamic technological and demographic marketplace, newspapers are showing impressive strength, despite their inevitable relative decline (Thorsell 1997).

Thorsell goes on to describe the recent changes in editorial content at a variety of newspapers throughout the industry. In doing so, he has made their reason for change quite explicit. He stated that: "It should be noted that most of the investments in all these newspapers are aimed at higher quality journalism, rather than the tidbit stuff - another contradiction of earlier predictions of demise" (Thorsell 1997). Further to this, Thorsell also recognized the problems associated with the 'information glut' in public communication. Accordingly, he suggested that a newspaper's value resides in its ability to provide credible, unique, and well-packaged information.

The difference between these two positions can be found in their understanding of what constitutes a quality newspaper. Indeed, as Thorsell has jokingly remarked, "What's good for The Goose Bay Nugget is not necessarily good for The Gander Star"

(Thorsell 1998). Thorsell seems to accept changes within the total media environment and, as a result, welcomes a new role for newspapers. He has argued that: "It is the generating, selecting and arranging information by order of significance, and then delivering it in a medium of enormous flexibility and ease of use, that gives newspapers such persistent utility in the face of change" (Thorsell 1997). Miller, on the other hand, has looked to the community journalism of yesteryear and advocates a return to a more local, explanatory, and literary type of journalism (Miller 1998: 259). In doing so, however, he seems to neglect changes in both the market for, and operation of, a newspaper within the contemporary media environment. What constituted a quality newspaper 30 years ago is somewhat different from what does today. Overall, the difference in these positions stems from their understanding of a newspaper's role in society and, as a result, they both utilize whatever facts seem necessary to advance their respective positions.

The critical perspective on the issue of journalistic quality can be summarized as follows. First, the corporate newspaper is thought to place less emphasis on product quality as a result of declining competition and their dominant market position. It was explained how the service/profit relationship of newspaper economics has traditionally been understood as inverse, focusing the debate on excessive corporate profits. This position was challenged, however, in that the critical model has underestimated the actual level of competition experienced by many newspapers. Second, because the corporate newspaper is less likely to be involved in the local community, it will dedicate fewer resources to the production of local news. Here, it has been suggested the new corporate ethos associated with corporate newspapers was responsible for an emphasis on short-term profit and a type of market-survey journalism. This position was questioned in that much of the criticism directed toward the quality of corporate newspapers lacked sufficient evidence and was therefore contestable on grounds of methodology.

Declining Diversity

The issue of diversity is comprised of two primary arguments which question the ability of a corporate newspaper to provide the information necessary to participate in a democratic society. First, the outside business interests of the corporate newspaper are thought to limit the range of public debate on issues of conflicting interest. Here, it has been suggested that the narrow ideological perspectives of the 'corporate elite' can be systematically reproduced through various ownership, hiring, and management practices. Second, the corporate newspaper's focus on profit is thought to favor chain employees and the sharing of information. It has been argued that a reduction in the number of people reporting on public affairs works to lessen diversity by reducing the number and variety of differing perspectives.

One of the most exhaustive examinations of diversity in the Canadian newspaper industry was that of the Royal Commission on Newspapers (1981). Chaired by Tom Kent, the Commission was established after the 'rationalization' of 1980, in which a series of takeovers, mergers, and agreements led to the closure of two Canadian dailies.* Through a detailed analysis of the newspaper industry, the Commission examined the effects of ownership concentration and corporate control on the quality and diversity of information available to the public. Its primary thesis was that the economics of newspaper publishing has worked to encourage the concentration of newspaper ownership and monopoly situations. This, it argued, is contrary to the public interest in that it lessens diversity and concentrates power into conglomerate structures with extraneous commercial interests. They explained that:

The advertiser wants to reach his potential customers at the lowest possible cost per customer.

He is not interested in the readership, or viewing or listing, of people who are unlikely to buy

his product. For many of the advertisers, to whom newspapers are especially useful, the

* On August 27, 1980 the Ottawa Journal and Winnipeg Tribune ceased operations following the purchase of the FP newspaper chain by the Thomson organization.

potential customers are a whole urban community. One newspaper covering the general household readership gives them better value for their dollar than two competing newspapers possibly can (RCN 1981: 216).

In recent years, the trend toward monopoly newspapers has been reinforced by the increased competition from broadcast media. Reflecting upon the work of the Commission, Kent explained the nature of this process:

When newspapers were the only mass media, their advertising volumes could support two or more dailies in many communities. The electronic media have narrowed the range of products for which newspapers are the efficient medium: real estate, used automobiles, jobs, groceries, and so on. Such advertisers want a broad community reach, and they can get it most economically if the community has only one newspaper to read. If there are two, the one that gets ahead is increasingly favored by advertisers. It can then afford to spend more on the circulation war with its competitor. The advantage widens. The second paper becomes unprofitable (Kent 1992: 24).

In testimony before the Commission, newspaper representatives argued that the competition from broadcast media affects not only the economics of newspaper publishing, but also works to increase the diversity of opinion available to the public. Although the Commission recognized the dominance of broadcast media in the delivery of information to the public, it rejected their argument for two primary reasons. First, they argued that newspapers were the 'medium of record' able to provide more depth, detail, and historical reference. And second, they maintained that "newspapers are still the main originators, gatherers, and summarizers of news" (RCN 1981: 216). Taken as a whole, the position put forward by the Commission was that newspapers are "the principal external influence on the agenda of public affairs" (RCN 1981: 216).

Although the conclusions offered by the Commission have considerable merit, they fail to adequately address the issue of inter-media competition. As a result, they work to naturalize the assumption that newspapers operate independently from other forms of mass media and are unaffected by the news product of such institutions. This position seems surprising given that the Commission recognized the phenomenon of 'pack journalism' and its subsequent effects on journalistic autonomy and the homogenization of information (RCN 1981: 143).

Interestingly enough, the Commission has outlined the process by which the various forms of news media may be affected by each other. They explained how "print journalists tend to follow the cameras, microphones, and lights toward television's story and, in many cases, to form part of the cast of extras that eventually appear in the television report" (RCN 1981: 143). Although the Commission has maintained that newspapers would continue to set the agenda of public affairs, they nonetheless questioned the influence from other media: "With the print journalists in Ottawa following on the heels of broadcast journalists, with editors in TV newsrooms using newspapers as a guide to newscast line-ups, the process of 'pack journalism' reaches a circular absurdity" (RCN 1981: 143). It would seem, therefore, that the evidence put forward by the Commission itself suggests that competition from broadcast media may have an effect beyond that of simply industry economics.

To be sure, a more recent example is offered by US academic Benjamin Page. In his recent work on public deliberation, Page has outlined the process by which fact and opinion are able to transcend the boundaries of individual media. In discussing the issue of diversity within the total media environment he wrote that:

Competition is a power force; true and useful ideas, once they are enunciated somewhere, have a way of spreading willy-nilly everywhere. Ideas that originate in relatively obscure places - research organizations, tiny zines, or small-circulation journals - diffuse through word of

mouth, the Internet, talk radio, and the like, and often leak into the mainstream media. That is, the same permeability and multiplicity of communication channels that can permit a popular uprising against out-of-touch mainstream media more often serve to keep those media reasonably in touch with, and responsive to, the public (Page 1996: 124).

Page has also described how the rise of electronic communication technology may work to "increase the diversity of available ideas and the speed and ease with which they fly about and compete with each other" (Page 1996: 124). In a reference similar to the Commission's, Page has also recognized the role of 'elite newspapers' in determining the public agenda. The difference for Page is that newspaper dominance and inter-media competition are not mutually exclusive concepts.

In addition to the economics of newspaper publishing, the Commission argued that too much of the decision-making power within the newspaper industry was being conferred upon too few people. This, it suggested, was detrimental to diversity in that the various member newspapers could be used to advance the outside business interests of the corporation. In discussing the relationship between corporate control and the editorial product, they stated that:

A conglomerate controlling many newspapers may never use them politically to serve the other interests or prejudices of its principal officers. But it can. Who knows when and how it may? A corporation owning many newspapers may not discourage or downgrade editors or reporters who critically investigate, say, the oil industry in which the corporation has interests. But again, it can. Certainly it does not knowingly choose editors who will be critical of corporation policies (RCN 1981: 221).

The concern here is that the outside activities of the corporation will have undue influence over the editorial product of its member newspapers. It is assumed here that

newspaper executives can exercise control over the selection and presentation of information to the possible detriment of the editorial product (Hackett 1991: 63). Unfortunately, the only evidence offered by the Commission to support this claim was that of an 'incident' which occurred during their time of study.* As outlined below, much of the corporate interference argument is characterized by similar anecdotal evidence raising question to the methodology used by such critics.

In recent years, the issue of ownership bias has been championed primarily by communications professor James Winter. In a recent book on corporate control of the news media, he has argued that the ideological perspective of the 'corporate elite' is systematically reproduced through the various ownership, hiring, and management practices. (Winter 1997: xv). In doing so, he suggested that the outside business interests and interlocking directorships of conglomerate ownership has raised the potential for a conflict of interest in reporting the news (Winter 1997: xiii).

The main causal factors, of ownership, hiring, and management practices, were also identified during the time of the Commission. In discussing the issue of corporate influence on member newspapers, they explained how "head office appoints the publishers, who appoint everyone else. They control budgets and, in some cases, control expenditures in fine detail. They operate with a string of interchangeable publishers and understood administrative norms" (RCN 1981: 224). Implicit to both positions is that most appointments are based more upon an ideological congruency with newspaper owners than any type of professional qualifications.

This approach to news media analysis, since labeled radical instrumentalism, has focused on individual owners as the primary locus of power. In doing so, it has suggested that the 'corporate elite' work to advance a more conservative ideology

* The Commission stated that: "a senior officer of Torstar Corporation killed the informative story written by the staff of the Toronto Star about Torstar's acquisition of most of the larger weekly newspapers in metropolitan Toronto which it did not already own. The jettisoned news story was replaced by a brief statement, uninformative to the point of being misleading, issued by the corporation" (RCN 1981: 224).

which favors the existing arrangements of institutional power by limiting the range of public debate (Hackett 1991: 62). The proponents of radical instrumentalism view the press as a platform from which its owners are able to espouse their views and reinforce the political and economic system which has provided their position of privilege. Although anecdotal evidence may exist to support such claims, it has been argued that this behavior is atypical in the operation of a corporate newspaper (Hackett 1991, Demers 1996).

Robert Hackett, for example, has identified four underlying factors which question the ability of radical instrumentalism to accurately explain the process of news production. First, he noted that "because they focus on the conscious manipulation or control of the media by owners, radical instrumentalists often fail to distinguish between bias and ideology" (Hackett 1991: 63). The perception of journalistic objectivity may act as an ideological function of the corporate newspaper by reinforcing community standards and journalistic tradition.

Second, radical instrumentalism generally underestimates the potential for political dissent under the current structures of ownership. Indeed, as Demers has pointed out, "investigative reporting and news coverage of social movements often promote change and reform, frequently to the displeasure of conservatives and sometimes to the benefit of underprivileged groups" (Demers 1996: 311).

Third, radical instrumentalism has led to "extreme (and limited) views of the audience as either a potentially liberating force or a collection of dupes passively swallowing propaganda" (Hackett 1991: 63). Here, it has underestimated the role of the audience as a market force necessary to the operation of a newspaper.

Fourth, and perhaps most important to the issue of diversity, is that radical instrumentalism assumes that newspaper owners will "exercise real, discretionary control over the selection and presentation of information to the public, and uses that control deliberately to shape the news in accordance with ownership interests and

ideology" (Hackett 1991: 63). The question of discretionary control is central to the issue of diversity in that the motivation and/or cost of intervention is in direct conflict with the operational goals of the corporate newspaper. Indeed, it has been suggested that owners who attempt to use their newspapers in order to impose their own views are indulging in an expensive luxury. They risk sacrificing not only morale and efficiency within the news organization, but also the attention and trust of mass audiences (Hackett 1991: 278).

Hackett has further suggested that "news organizations in which journalists have considerable workaday autonomy are likely to be more efficient than those in which owners exercise ongoing editorial surveillance" (Hackett 1991: 64). To be sure, Demers has explained how the corporate newspaper will generally provide a greater level of journalistic autonomy than their entrepreneurial counterparts. In doing so, he has argued that journalists are able to become 'experts' in their various areas of operation through the increased role specialization utilized by corporate newspapers (Demers 1996: 261).

In 1981, a research paper conducted for the Commission confirmed the impact of journalistic autonomy on the end-news product. More specifically, it found that the various standards and traditions of news workers seemed to have a greater impact on the editorial product than any overt ownership biases. It concluded that "the interests and ideological preferences of the [newspaper] owners appear to be far less influential than community norms, which editors seeking maximum circulation are reluctant to challenge, and journalistic traditions" (Fletcher 1981: 113). Moreover, it found some evidence to suggest that chain ownership is able to provide newspapers with greater independence from community pressures and coverage from news services that individual papers could not afford (Fletcher 1981: 113). In short, the paper suggested that there was "no correlation between chain ownership and editorial performance" in the operation of a daily newspaper (Fletcher 1981: 113). As a result, the editorial

product of a corporate newspaper would seem less likely to reflect the ideological preferences of its individual owners than to reproduce various aspects of a corporate culture.

An additional factor thought to contribute to a reduction in the diversity of ideas is the increased use of news services and chain employees. It has been argued that the corporate newspaper's focus on short-term profit has worked to lessen the number of people reporting on public affairs. In discussing the rationale of his process, the Commission explained that:

One of the effects of maximizing profits is to reduce the share of editorial material produced by staff. In-house writing is a source of expense because it requires reporters to go out in search of news, managers to plan and supervise assignments, and specialists in local affairs: all of which are unnecessary when a paper relies upon news agencies (RCN 1981: 110).

A news agency or wire service may work to expand the news-gathering capabilities of an individual newspaper while at the same time providing a reduction in the cost of news production. In discussing the print-media component of Canadian Press (CP), Robert Hackett has outlined the nature of its operation:

Its member papers supply CP with news reports from their respective districts. CP staffers in Toronto (or Montreal, in the case of French-language reports) then select stories for broader regional or national circulation, revise the copy, and put it on the wires to other member newspapers (excluding those that compete with the originating newspaper). In addition, CP has its own corps of about 200 reporters generating about 60 percent of the Canadian news which CP distributes (Hackett 1991: 94).

The consequences of news service-service reliance are two-fold. On the one hand, news services provide their member newspapers with coverage of daily events well beyond the local reach of most newspapers. In doing so, they provide savings for the individual newspapers while rounding out their editorial product to include national and international news. On the other hand, however, news wire copy is said to be bland or superficial in its analysis of events resulting from the need to appeal to all of their member newspapers.

The critical perspective on the issue of diversity can be summarized as follows. First, the outside business interests of the corporate newspaper are thought to limit the range of public debate on issues of conflicting interest. Here, it was outlined how the economics of newspaper publishing and the various ownership, hiring, and management practices can work to lessen diversity by limiting public debate to a narrow ideological perspective. This position was challenged, however, in that journalistic tradition, worker autonomy, and newspaper economics may offer alternate explanations more compatible with the operation of a corporate newspaper. Moreover, it was shown how this position has overlooked changes within the total media environment thereby neglecting a major aspect of public communication. It was further argued that much of the supporting evidence for the corporate control thesis was circumstantial and that it failed to explain the correlation between corporate ownership and editorial performance. Second, the corporate newspaper's focus on short-term profit is thought to privilege the use of news services and chain employees. It has been argued that a reduction in the number of people reporting on public affairs works to lessen diversity by reducing the number and variety of differing perspectives.

Summary

Through a discussion of the relevant literature in the area, this chapter has outlined the dominant criticisms of corporate newspapers in Canada. More specifically,

the issues of quality and diversity were dealt with in order to highlight the various perspectives within the debate. As such, the critical model can be summarized as follows. On the issue of quality, they maintained that: (1) the corporate newspaper's domination of individual markets has provided little financial incentive to maintain or improve upon the quality of the editorial product; and (2) is that the corporate newspaper's orientation towards the larger markets has resulted in a reduction in local news production.

On the issue of diversity, they have argued that: (1) the extraneous commercial interests of the corporate form of organization can work to limit the range of debate on issues of conflicting interest; and (2) is that the corporate newspaper's focus on profit will favor the use of news services and chain employees, thereby reducing the overall number of people reporting on public affairs. Moreover, it is believed that the various ownership, hiring, and management practices of the corporate newspaper can work to limit the range of public debate in order to advance an ideological perspective congruent with that of the 'corporate elite'. Although many of these positions were challenged on grounds of methodology, they nonetheless constitute the critical model on corporate newspapers.

- CHAPTER THREE -

Introduction

In contrast to the critical position, proponents of the corporate model have suggested that the corporate newspaper will place a greater emphasis on product quality as an organizational goal, and be more critical of mainstream institutions. In particular, the following arguments have been put forward to support such claims. On the issue of quality, they have suggested that (1) because the corporate newspaper is structurally organized to maximize profits (i.e. economies of scale, lack of competition, and greater knowledge of the marketplace), they are able to focus on quality as an organizational goal; and (2) that the diversified structure of corporate ownership will often result in management-controlled institutions. The logic here is that increased role specialization enables owners to focus on profit allowing managers to concentrate on the quality of the editorial product. In the area of diversity, they have argued that (1) because the corporate newspaper is less involved in the local community it is free from parochial political pressures; and (2) that the size and structure of corporate newspapers have reduced their dependency upon any single advertiser thereby reducing the potential for outside interference.

Although the corporate model has been relatively underdeveloped in Canada, there is growing evidence to suggest that it may be suitable for application here. The ownership concentration of the past decade, for example, has produced a newspaper industry that now exhibits many of the characteristics of the corporate form of organization. More specifically, the standardization of format and increasing role specialization witnessed in recent years has raised questions about the nature of newspaper operation. It is therefore the purpose of this chapter to present this model in detail, highlighting both its theoretical and methodological foundations. To this end, a

brief discussion of systems theory is presented before addressing the issues of quality and diversity.

Social Systems Theory

From the perspective of systems theory, a social system is defined as a group of social actors involved in a relationship of interdependency. This relationship occurs when the ability of one actor to achieve a goal is dependent upon the actions of another (Demers 1996: 83). A good example here is the relationship between politicians and the mass media. Politicians depend on the media to disseminate information to the public, while the mass media depend on politicians to provide that information. Systems theory attempts to explain social systems in terms of institutional power, arrangements, and beliefs, and has been used in the study of media systems. Indeed, as Demers has pointed out, systems theory has been used since the turn of the century for mass communications research in general, and news media analysis in particular (Demers 1996: 84). At the same time, however, it has often been used at the micro level for the analysis of media messages and, as a result, has been unable to fully explain the role of media within society.

Since this time, social systems theory has been criticized for being out-dated and inherently limiting in its overall approach. Demers has described this as resulting from an association of contemporary systems theory to that of the functionalism of such early theorists as Durkheim, Lazarsfeld, and Parsons (Demers 1996: 84). Indeed, much of the criticism leveled against systems theory would seem to emanate from the early structural functionalist models. However, as Demers has pointed out, the systems perspective does not necessarily imply a theoretical conservatism. Through concepts such as social action, choice, and the construction of social reality, it is generally opposed to positivism, determinism, and reductionism (Demers 1996: 84). Continuing, he has explained that one of the fundamental shortcomings of earlier models was their

inability to recognize the totality of a social system. They often focused too narrowly on a type of value consensus, and willingly accepted the existing arrangements of institutional power as a pre-determined reality (Demers 1996: 96). Demers maintains that the problems associated with some of the earlier models have been overcome and incorporated into a contemporary version of systems theory.

Contemporary Systems Theory

Reflecting the work of Marvin Olsen (1968), Demers has highlighted the three main factors which distinguish contemporary systems theory from that of the earlier models. First, it places primary emphasis on the totality of the system: that is to say, the whole is assumed to be greater than the sum of its parts. Second, in order to define a social system, a boundary must exist to separate it from its environment. These boundaries ought to be understood as fluid and overlapping, as if in a constant state of flux. Third, the various parts of a system must be interdependent or interrelated to some degree or another, although their ordering may change freely within the system itself. Demers has summarized these characteristics by stating that "as long as the parts of a system have some amount of functional autonomy, they can be analyzed as systems in their own right or as sub-systems of another system" (Demers 1996: 96). Furthermore, Demers has described the behavior of social actors as goal-oriented; that is, not determined by outside factors. He explained that:

In most situations social actors have the choice of violating a social value or norm; however, the penalties or sanctions associated with such an action reduce the probability of non-conforming behavior. At the same time, rewards associated with following the norms increase the probability that people will obey. Thus, behavior in such circumstances is not determined, but the probability that action will be consistent with the dominant norms or value increases as the sanctions or rewards associated with the action increase (Demers 1996: 97).

Another important aspect of contemporary systems theory is that it no longer takes for granted the development of institutions. Drawing upon the work of Eisenstadt, Demers has argued that the process of institution building is determined by; (1) the distribution of resources among competing groups; (2) the number and type of elites available for the structuring of such resources; and (3) the ideology or nature of the elites involved in such institution building (Demers 1996: 97-8). The examination of elites is important to systems theory because, as Demers has pointed out, "they deal most directly with the regulation of power" (Demers 1996: 98).

Power is understood to be exercised through a combination of organizational and coercive measures including the perceived understanding of the social order (i.e. through the mass media). Although various coalitions of elites may work to determine the nature of the social system, these arrangements are often temporary and unstable. According to Demers, conflict is inherent in any such situation due to the scarcity of resources, the plurality of actors, multiplicity of institutional principles and cultural orientations (Demers 1996: 98). The various actors involved will continuously struggle for ownership and control, thereby contributing to the instability and fluidity of the social system. In doing so, their quest for power may work towards furthering the development of the bureaucratic organization. Demers has explained that, in much the same way that owners will seek growth in order to dominate a market, corporate managers will seek growth in order to expand their base of power within an organization (Demers 1996: 101).

Mass Media and Systems Theory

Within the general framework presented above, Demers has outlined the basic characteristics of mass media as viewed from a systems perspective. In doing so, he has suggested that the media be viewed as "an institution, or subsystem, which, among other things, processes and disseminates information that contributes to maintenance of

the social system as a whole, other subsystems, or the media subsystem itself" (Demers 1996: 101). This definition helps to illustrate the media's role as an agent of social control which, as Demers has pointed out, is central to the development and maintenance of power. He stated that: "As collectors and disseminators of knowledge, mass media play an important role in the maintenance of social power" (Demers 1996: 101).

Reflecting upon the work of Donohue, Tichenor and Olien (1973), Demers has suggested that the maintenance function of the mass media is achieved primarily through the process of distribution control. That is, the selection and omission of information as a method of control, as opposed to a bias in coverage. While overt censorship may be the most obvious form of distribution control, the downplaying of conflict news is perhaps a more common example. And as Demers has pointed out, this process becomes increasingly discreet as the system becomes more pluralistic. By way of illustration, he described how newspapers in small towns are less likely to criticize the local elites or institutions than those in large communities. This occurs because: (1) the variety and number of interest groups in small communities is more limited; and (2) the cultural environment does not openly encourage or tolerate a wide range of opinion and behavior. He has written that, "[s]ocial actors in such systems are expected to conform to a more narrow set of norms and values than actors in large, complex situations. As a rule of thumb, a diversity of opinion is not encouraged in a small organizational environment" (Demers 1996: 102).

Media operating within the larger, more complex communities are more likely to be critical of political elites, which may reflect the number and variety of special interest groups found to be in competition for the more limited social, political, and economic resources. Demers has pointed out that this criticism often focuses upon the actions of individual actors within the system, and not the institutions which make up the system itself. He has explained that "media depend heavily on the centers of power for the

news, and such dependence lends support to dominant institutions, ideologies and value systems" (Demers 1996: 103). As a result, they are able to contribute to the maintenance of the existing social system while appearing to be critical of those in power. The individual actors may be expendable, but a challenge to the basic structure and institutions of the system is much more problematic (Demers 1996: 104).

This has occurred in part because the mass media rely heavily upon the dominant institutions in society for a steady and reliable supply of information. One consequence, however, is that issues and events are generally framed from the perspective of the more dominant groups in society. Another, is that this interdependence of social actors contributes to legitimizing the mass media as a credible information provider. Demers has pointed out that the mass media will generally promote the interests of elite groups and dominant values because the very legitimacy of the media depend on serving such interests (Demers 1996: 107).

Although the content of mass media will generally support the status quo, it can, under certain circumstances, promote social change. Demers has explained that "as a system becomes more pluralistic, media content contains more social conflict and is more critical of the status quo. Such content does not guarantee change, but it is an antecedent condition" (Demers 1996: 107). Demers cites two reasons for why this occurs. First, a pluralistic system will generally display more social conflict because it represents a greater diversity of social actors whose goals may be unfulfilled by the existing social relations. Second, media institutions in pluralistic communities will often enjoy a greater level of autonomy from the established groups of power (Demers 1996: 108).

Demers has identified two factors which contribute to this media autonomy. The first, is a shift from the owner-operator structures of entrepreneurial newspapers to the use of professional managers. He has argued that the "increasing complexity associated with news production has forced owners to rely more heavily on specialists" (Demers

1996: 108). The second, is that the dispersion of ownership, since the turn of the century, has decreased the control any single owner has over the media institution. This has been largely due to the capital requirements of a modern news organization which encourages greater outside investment and the public trading of stock.

Overall, the mass media's role in society, as perceived from a systems perspective, can be summarized as follows: (1) that social actors are assumed to have needs including that of information; (2) that these needs are shaped by the interests of those in power, historical conditions, and the dominant values in society; (3) as a social system becomes more pluralistic, information needs will increase and, as a result, so too will the number and variety of mass media; (4) mass media content will generally promote the interests of elite groups and dominant institutions and will occasionally, under certain circumstances, promote social change; and (5) as the coverage of any social conflict increases so too does the potential for social change. From a systems perspective, then, the argument can be made that media content contributes to social order by supporting the interests of dominant groups in society, while maintaining the perception of dissent through a criticism of individual political elites.

The Origins of the Corporate Newspaper

The origins of the corporate newspaper are perhaps best understood as a function of increased structural pluralism. This occurs for two primary reasons. First, the informational needs of a social system increase as the system becomes more pluralistic. Demers has explained that "information and formalized communication processes are extremely crucial for coordinating and controlling social action in systems that are highly differentiated" (Demers 1996: 151). Second, the competition associated with more pluralistic communities will increase the pressures placed on limited resources. In the case of newspapers, this would be the potential audience and advertising revenue. As a result, the pressures related to competition will work to

promote an increased efficiency through social and technological innovation that will inherently favor large, more complex organizations (Demers 1996: 151).

As a social system grows and becomes more pluralistic, its organizational needs will inherently become more complex. In doing so, a more complex division of labor is often required to facilitate an efficient use of resources and, thus, promote the use of a secondary information source. Demers has suggested that the type of secondary sources employed will depend upon the level of analysis. He has explained that:

Within organizations, such sources include, but are not limited to, the development of formalized goals and policy statements, written rules and procedures, job descriptions, interdepartmental memos and letters, bulletin boards, newsletters and e-mail. Within industry segments, specialized media, such as magazines and newsletters, emerge to help organizations cope with management problems and changes in the industry. And within communities or social systems as a whole, mass media, including newspapers, television and radio, provide information about system-wide problems and issues that cut across organizational boundaries and subsystems (Demers 1996: 160).

Demers has further established that regardless of the content or medium employed, the secondary sources of information will help to coordinate the activities of various social actors by fulfilling their informational needs. This is perhaps the most important aspect explaining the relationship between pluralism and the growth of the corporate newspaper. Indeed, Demers has argued that the growth of the corporate newspaper is directly related to "the demands for information brought on by urbanization and industrialization" (Demers 1996: 162). Residents of a highly industrialized, urban society will often depend heavily upon one another for even the most basic of essentials. In doing so, large numbers of people must cooperate in order to achieve common goals (Demers 1996: 162).

In addition to the informational needs of pluralistic communities, the heightened level of competition associated with such systems will also contribute to the growth of the corporate newspaper. This competition arises not only from within the newspaper industry itself, but also from other forms of mass communication such as radio and television. The competition associated with pluralistic systems stems from the belief that an increase in the number and type of social actors will place greater demands upon the limited resources available within the system. In the case of newspapers, these resources would be both the audiences and advertisers sought after by a mass medium.

Since the turn of the century, the number and variety of mass media in Canada has unquestionably increased. At the same time, the total number of newspapers, and the level of household penetration, has declined. That is to say, as the total media environment has grown, the proportion of information that newspapers provide has declined. Discussing this situation, Demers has explained that although the number of media may increase as the system becomes more pluralistic, not all media will grow equally (Demers 1996: 165). In response to the rise of new media technologies (i.e. radio and television), newspapers have been forced to adapt to the heightened level of competition.

Increased competition promotes the growth of a corporate organization primarily through economies of scale. Larger and more profitable organizations are able to reduce their unit costs, and increase profits, by purchasing the assets of smaller less profitable ones and combining their products. The newspaper industry is particularly susceptible to this as the cost of printing each copy normally declines as circulation increases.* Although this may help to explain the rise of the corporate newspaper, and the subsequent decline in the total number of dailies, the question of declining household penetration remains unanswered. Demers has explained that:

* In general the unit cost will decline as circulation increases. However, there will be modest increases as the size of the newspaper will tend to increase as circulation does. For a detailed explanation see Royal Commission on Newspapers (1981) p. 74-6.

Historically, intracity newspaper competition explains the decline of daily competition within cities. Economies of scale have driven inefficient competitors out of business. However, intracity daily competition fails to explain the decline in newspaper penetration since the late 1940s, since most dailies have faced no competition from another daily newspaper (Demers 1996: 166).

This can be explained, in part, by inter-media competition. That is to say, competition from radio and television. Although broadcast media are by no means a substitute for daily newspapers, they are able to provide enough overlap to elicit competition for the limited resources of audience and advertisers. In comparing newspapers, radio, and television, Demers has written that, "[a]ll three carry news reports about politics and the economy. All three offer entertainment programming or content. And all three can reach large, heterogeneous audiences which is attractive to advertisers" (Demers 1996: 166). Although the level of competition may be somewhat limited, it nonetheless helps to explain the decline in newspaper competition. The addition of a new medium does not necessarily change the informational needs of the community, and may not affect the audience's total level of consumption, but can alter their existing patterns of consumption.

The origins of the corporate newspaper can be summarized by following three hypotheses: (1) that the greater the structural pluralism, the greater the likelihood is that a newspaper will exhibit the characteristics of the corporate form of organization; (2) that the greater the structural pluralism, the greater the media competition will be; and (3) that the greater the competition from non-newspaper media, the greater the likelihood a newspaper will exhibit the characteristics of a corporate organization.

The Corporate Model of Newspaper Effects

The effects of the corporate newspaper can be seen in a number of different organizational and journalistic areas. In particular, the way that it affects journalistic quality and diversity of opinion is what provides the basis for this study. Contrary to the critical model, the alternate theory presented here contends that the corporate newspaper will place a greater emphasis on product quality and will be more critical of established institutions. As Demers has argued, this occurs primarily because of the increased role specialization associated with the corporate form of organization. He has stated that, "[s]pecialization enhances the authority of journalists vis-a-vis the owners and external power groups, promotes the development of professional standards, and insulates the news production process from parochial political pressures" (Demers 1996: 250). Although content critical of established institutions does not in itself produce social change, it may increase the probability by highlighting existing problems and lending credibility to alternate ideas (Demers 1996: 250).

Profits and the Corporate Form of Organization

One of the first blind spots of the critical model is the assumption that because corporate newspapers are more profitable, they will place a greater emphasis on profits as an organizational goal (Demers 1996: 251). In doing so, this position has failed to distinguish between the actual profitability of an organization and the way it aspires to achieve that goal. Here, the model of corporate newspapers diverges from that of the critical model in that the corporate newspaper is expected to be more profitable and, as a result, place less emphasis on profit as an organizational goal (Demers 1996: 251). Because corporate newspapers are expected to be more profitable, and managed by industry professionals, it is anticipated that they will place a greater emphasis on other non-profit goals such as product quality and journalistic autonomy.

The corporate newspaper can be expected to be more profitable for three primary reasons. The first, is the aforementioned economies of scale. Larger circulations, the ability to purchase raw materials in bulk, and a more centralized administrative and news-gathering practice, will all work to lower per-unit production costs. Second, the corporate newspaper will have greater access to human and capital resources facilitating a greater adaptation to changing market conditions. The ability to conduct market research and incorporate new technologies is greatly enhanced by the corporate form of organization. And third, the corporate newspaper is generally more insulated from community pressures which may inhibit the maximization of profits. Here, the corporate model would expect newspapers to be less concerned with local affairs and, as a result, work to limit any conflict with community advertisers.

Journalistic Quality

A second blind-spot of the critical model is that it has assumed the corporate newspaper will place less emphasis on product quality simply because it is more profit-oriented. This position overlooks what Demers has referred to as the paradox of profit. He has noted that: "the more money a newspaper makes, the more it has to spend on improving the product" (Demers 1996: 257). He has argued that a newspaper's profits are not necessarily derived from the impoverishment of their editorial content, and that because the corporate newspaper is more profitable it can place a greater emphasis on product quality as an organizational goal (Demers 1996: 258). This is thought to occur in part because of the increased role specialization and division of labor associated with the corporate form of organization.

In describing the growth of the corporate newspaper, Demers has outlined the process by which role specialization generally occurs. He has explained that "as the division of labor and role specialization expand, editors focus more and more on news production, while making money becomes the sole responsibility of the owner or

publisher" (Demers 1996: 258). The result of this is that owners begin to lose control over the editorial process as the operational roles become increasingly specialized. In fact, Demers has argued that "the increased focus on news production promotes the growth of specialized knowledge" (Demers 1996: 258). Specific decisions concerning not only which stories to cover, but also the most efficient way to do so, are increasingly requiring the expertise of specialists.

The growth of specialized knowledge has meant that the various employees of the corporate organization would be expected to pursue goals relative to their own position. That is to say, goals which reflect the particular way in which success is measured and rewarded in their relative areas of expertise. Publishers, for example, would be expected to place a greater emphasis on maximizing profits, as this is one of the primary measures by which their performance is evaluated. Similarly, journalists and editors would be expected to place a greater emphasis on the production of a quality news product. Peer recognition and evaluation will often lead to pay increases, promotions, and additional autonomy. The increased role specialization of the corporate newspaper has led to a greater emphasis on area-specific goals and, as a result, would be expected to emphasize product quality as an organizational goal.

Although the increased division of labor and role specialization associated with the 'managerial revolution' have no doubt contributed to a shift in the control over the operation of newspapers, the corporate model may have overstated its impact. Indeed, as Graham Murdock has noted "discussions in this area have been dogged by loose definitions" (Murdock 1982:121). Accordingly, Murdock has outlined the distinctions between allocative and operational control which serve to highlight an oversight in the corporate model. He stated that:

Allocative control consists of the power to define the overall goals and scope of the corporation and determine the general way it deploys its productive resources. Operational

control on the other hand, works at a lower level and is confined to decisions about the effective use of resources already allocated (Murdock 1982: 122).

In making this distinction, Murdock is challenging the idea of a shifting structure of power. Reflecting upon Marx, he argued that the rise of professional managers was simply an elaboration in the division of labor. Although much of the operational control had been delegated to managers, "the leading owners still retained their effective control over overall policy and resource allocation through the board of directors which they elected and on which some of them sat" (Murdock 1982: 130). Consequently, the locus of power is thought to remain with the owners while the actions of various managers are constrained by the context in which they must operate (Murdock 1982: 135).

Community Involvement

The position held by the critical model is that the corporate newspaper will be less involved in the affairs of the local community and produce less local news coverage as a result. Although this position is generally supported by the corporate model, their reasons are somewhat different. Demers has explained that the corporate newspaper's emphasis on non-local news has less to do with any aspirations for profit maximization and more often reflects an orientation toward the larger social system. In discussing the corporate newspaper's relationship to the local community, he stated that: "owners and executives of chain organizations do not identify as strongly with the local community, and professional managers and editors are more oriented to the corporation and to their careers" (Demers 1996: 260). Their orientation to the larger system and increased commitment to the organization suggest that the more a newspaper exhibits the characteristics of the corporate form of organization, the less involved it will be with the local community.

Journalistic Autonomy

The critical model suggests that the role specialization of a corporate newspaper works to lessen the autonomy of journalists by imposing a variety of rules and regulations to coordinate the activities of their employees (Demers 1996: 261). Although corporate newspapers do, in fact, have a greater number of rules and regulations, often in the form of employee handbooks and codes of ethics, they do not necessarily inhibit the autonomy of the journalistic staff. Demers has acknowledged that the division of labor and role specialization of the corporate newspaper can restrict autonomy under certain conditions. However, it generally does not affect the majority of the journalistic staff. He has explained that "under most conditions, role specialization would be expected to enhance a journalist's autonomy and job satisfaction, because it creates the 'expert' who has a specialized knowledge of a topic" (Demers 1996: 261). A journalist's specialization generally reflects their experience and, in so doing, provides an index for autonomy. More specifically, experienced journalists that have a working knowledge of any of the more specialized areas of interest (business, science, medicine, arts, etc.) are likely to be deemed 'experts' and will generally enjoy a greater level of autonomy. Conversely, those with less experience who cover the more general, non-specific issues of the day are likely to encounter greater supervision from editors and other managers.

Another reason that the journalistic staff of corporate newspapers are expected to experience greater autonomy is that their role specialization increases their power relative to that of the owners and managers. Demers has explained that "the editors are experts when it comes to news judgment and news production, and professional norms increasingly limit or constrain the authority of non-editorial personnel" (Demers 1996: 263). Within the organization of a corporate newspaper, it would be expected, then, that the higher the rank of an employee, the greater the level of their relative autonomy.

*Editorial Vigor**

The corporate model being presented here contends that the more a newspaper exhibits the characteristics of the corporate form of organization, the greater its editorial vigor will be. This occurs for two primary reasons. First, corporate newspapers will tend to be located in more pluralistic communities, which Demers has suggested "contain more social conflict and criticism of dominant groups and value systems" (Demers 1996: 265). And second, their editorial staff are generally more insulated from dominant institutions and political pressures from special interests.

Demers has argued that the relationship between newspaper location and editorial vigor is one based on the overall diversity of the social actors within the community. He has explained that "social conflict is a much more common feature of the large pluralistic communities because they contain a much greater variety of special interest groups competing for limited social, political, and economic resources" (Demers 1996: 265). The decision making process in the large pluralistic communities is expected to incorporate a wider range of views and is generally more structurally organized to deal with conflict (i.e. boards of inquiry, formalized grievance procedures, and administrative law). As a result, dissenting views are thought to play a significant role in the maintenance of social stability by enabling the dominant institutions to adapt to changing conditions (Demers 1996: 265).

The editorial staff of corporate newspapers are more insulated from the parochial political pressures because: (1) they are less likely to have grown up in the community their newspaper serves; (2) they are generally employed at the newspaper for shorter periods of time; and (3) they are generally more oriented towards the corporation and the profession than to the local community (Demers 1996: 265). As mentioned above, the development of role specialization within the corporate

* In this context, editorial vigor is meant to describe the diversity of views being presented in the editorial pages of a newspaper. This may be in the form of columns, editorials, essays, or letters to the editor.

newspaper helps to facilitate not only the greater corporate and professional orientation, but also the development of professional standards and codes of conduct. Although these rules are designed to control the actions of a large decentralized work force, they may also help to insulate journalists from outside pressures (Demers 1996: 267).

While the corporate newspaper is expected to produce content which is critical of established institutions and mainstream political elites, Demers is careful not to overstate the rate at which this occurs. He has suggested that challenging views which appear in the daily press occur within an overall framework that is supportive of the status-quo, and any social change will occur slowly over time. He noted that:

It would be historically incorrect to claim that these movements have been ineffectual or that the mass media played no role in promoting their goals. Real structural change has occurred within the system during the 20th century (e.g. affirmative action standards, anti-discrimination laws), and media have played an important role in promoting and, later, legitimizing such changes (Demers 1996: 268).

Overall, the effects of the corporate newspaper as viewed by the corporate model can be summarized as follows. The more a newspaper exhibits the characteristics of the corporate form of organization; (1) the more profitable it will be; (2) the less emphasis it will place on profits as an organizational goal; (3) the more emphasis it will place on product quality; (4) the less involved and supportive it will be of the local community; (5) the greater the autonomy of its senior journalists and editors; (6) the greater the number and variety of editorials and letters to the editor; and (7) the greater the frequency and proportion of editorials and letters to the editor that are critical of mainstream sources or institutions.

Summary

Through an analysis of Demers' theory on corporate newspapers, an alternate model for the explanation of corporate newspaper effects was presented. It was shown how the corporate newspaper is thought to place less emphasis on profit and more on product quality as an organizational goal. It was further outlined how the corporate newspaper can be more vigorous editorially and critical of mainstream institutions. In particular, the following arguments were developed in order to support such claims. On the issue of quality, it was argued that: (1) because the corporate newspaper is more structurally organized to maximize profits (i.e. economies of scale, lack of competition, and greater marketplace knowledge), they are able to focus more on quality as an organizational goal; and (2) that the role specialization and diversified structure of corporate newspapers will often result in a management controlled institution, shifting control away from the owners. Here, it was noted how the corporate model has failed to distinguish between different levels of control, raising questions about the 'managerial revolution' thesis. In the area of diversity, it was argued that: (1) because the corporate newspaper is less involved in the local community it is free from parochial political pressures; and (2) that the size and structure of corporate newspapers may work to reduce their dependency upon any single advertiser, thereby reducing the potential for outside interference.

- CHAPTER FOUR -

Introduction

In the previous two chapters, the two competing positions of the critical and corporate models were outlined in order to highlight the dominant issues within the debate on corporate ownership. In particular, it was established that the critical model views the rise of the corporate newspaper as detrimental to the quality and diversity of information available to the public. The arguments supporting these claims were established as: (1) that the corporate newspaper's domination of individual markets has provided little financial incentive to maintain or improve upon the quality of the editorial product; (2) that the corporate newspaper's orientation towards the larger markets has resulted in a reduction in local news production; (3) that the extraneous commercial interests of the corporate newspaper may work to limit the range of debate on issues of conflicting interest; and (4) that the corporate newspaper's focus on profit will favor chain employees and the sharing of information, thereby reducing the overall number of people reporting on public affairs.

The corporate model, by contrast, views the rise of the corporate newspaper as a positive development for both the quality and diversity of information. The arguments in support for such claims were established as: (1) that because the corporate newspaper is structurally organized to maximize profits (i.e. economies of scale, lack of competition, greater knowledge of the marketplace, and tax laws which favor corporate enterprise), it is better able to focus on quality as an organizational goal; (2) that the increased role specialization and diversified structure of corporate newspapers will often result in management controlled institutions; (3) that because the corporate newspaper is less involved in the local community it is free from parochial political pressures; and (4) that the size and structure of corporate newspapers will reduce their

dependency upon any single advertiser thereby reducing the potential for outside interference.

The primary difference between these positions rests in their understanding of what constitutes corporate ownership. In particular, they differ in their conception of ownership structures (i.e. publicly listed vs. privately owned), internal levels of power and control, and the effects of centralized decision-making and extraneous commercial interests on the production of a quality news product. One reason for this difference can often be found in their criteria for analysis. On the one hand, studies developed from a critical perspective have tended to focus too narrowly on changes of ownership at individual newspapers. On the other, studies utilizing the corporate model, while comparatively more broad based, have been conducted primarily in the United States.

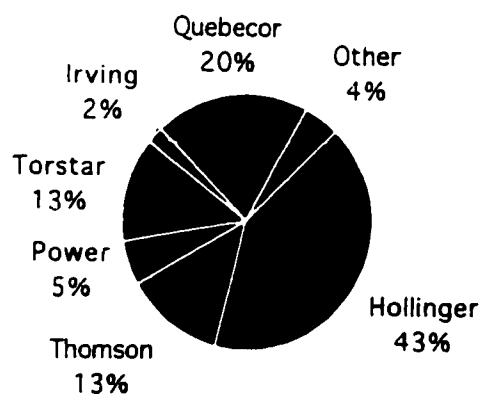
It is, therefore, the goal of this chapter to examine the various institutions which comprise the newspaper industry in Canada. Namely, the six dominant newspaper groups which account for over 95 percent of the national newspaper market. To this end, the chapter begins with an overview of the newspaper industry in Canada in order to provide a summary of the various organizations and conditions of operation. It then goes on to profile the specific newspaper organizations as a basis for analysis and discussion. Here, the indicators and/or criteria used for any examination of data are contained within the various sections.

Newspaper Ownership in Canada

The newspaper industry in Canada is dominated by group ownership. In fact, of the 105 daily newspapers published, only eleven are independently owned. The remaining 94 are controlled by six newspaper groups which account for a total of 96 percent of national daily circulation. Of particular importance here, is the percentage of market share controlled by each of the chains.

With a total of 56 dailies and 43 percent of national circulation, Hollinger is by far the leading newspaper group in Canada. Following their acquisition of Southam and the launch of a new national daily, Hollinger now has at least one newspaper in every major market. Quebecor is the next largest newspaper group with 15 daily newspapers and 20 percent of national circulation. Their recent acquisition of Sun Media created a national chain of tabloid newspapers including the largest French-language daily in North America. Thomson Newspapers follow in third place with 10 dailies comprising 13 percent of the national market. This includes the Globe and Mail which is available in all of the major markets throughout the country. Torstar is the fourth largest newspaper organization with five dailies and 13 percent of national circulation. This is, however, concentrated in the Southern Ontario region with the Toronto Star publishing almost half a million newspapers daily. Power Corporation and Brunswick News both have four dailies with 5 and 2 percent market share respectively, and operate the only chains which are confined to a single province.

Market Share (Circulation)*



* Source: Canadian Newspaper Association (1999).

Largest Dailies By Circulation* (100,000 and over)

The Toronto Star	490,522	(Torstar)
The Globe and Mail	321,169	(Thomson)
National Post, Toronto	272,778	(Hollinger)
Le Journal de Montreal	270,652	(Quebecor)
The Toronto Sun	255,837	(Quebecor)
The Vancouver Sun	203,335	(Hollinger)
La Presse, Montreal	184,456	(Power)
The Province, Vancouver	163,774	(Hollinger)
The Gazette, Montreal	147,573	(Hollinger)
The Edmonton Journal	147,561	(Hollinger)
Ottawa Citizen	144,479	(Hollinger)
Winnipeg Free Press	139,278	(Thomson)
Calgary Herald	126,301	(Hollinger)
The Hamilton Spectator	108,240	(Torstar)
The London Free Press	106,388	(Quebecor)

Newspaper Ownership By Company

<i>Company</i>	<i>Number of Dailies</i>	<i>Total Circulation</i>
Hollinger	56	2,140,540
Quebecor	15	1,033,061
Thomson	10	663,840
Torstar	5	689,860
Power Corp	4	279,903
Irving	4	120,872
Independent	11	229,463
Total	105	5,157,539

* Source: Canadian Newspaper Association (1999).

Interestingly enough, the four largest newspapers in the country are all owned by a different organization. The Toronto Star (Torstar) is the largest newspaper in the country with 490,522 average daily circulation. The Globe and Mail (Thomson) is second with 321,169 average daily circulation. The National Post (Hollinger) is third with 272,778 average daily circulation. And Le Journal de Montreal (Quebecor) is fourth with 270,652 average daily circulation.

Hollinger/Southam

The Hollinger group of companies is a very large complex organization which deals primarily in the publication, printing, and distribution of newspapers in the United States, United Kingdom, Israel, and Canada. Hollinger Incorporated is a Canadian based international newspaper company which holds 60 percent of the equity shares and 85 percent of the voting power in Hollinger International (As of February 1, 1999). Hollinger International is the parent corporation which owns and controls a number of nationally-based publishing companies including the American Publishing Company, Sun-Times Company, Telegraph Group Limited, Jerusalem Post Publications Limited, and Hollinger Canadian Publishing Holdings Incorporated. Each of these national publishing companies own and control a combination of chain and individual newspaper organizations. In Canada, Hollinger currently owns the Sterling Newspaper Group (100%), Unimedia Incorporated (100%), and Southam Incorporated (97%).

Southam is now the flagship organization of Hollinger's Canadian operations. It currently publishes 33 daily newspapers across Canada with a combined average circulation of 1.6 million. Southam also publishes 48 free and 16 paid circulation non-daily community newspapers in four provinces with a combined weekly circulation of 2.8 million. The Southam chain is unique to the Canadian market in that it owns a leading newspaper in almost every major city. Moreover, the recent launch of a new

national newspaper provides them with an additional voice in Toronto, Vancouver, Ottawa, Montreal, Hamilton, Regina, Calgary, Edmonton, and Halifax.

The benefits of Southam's extensive holdings can be found in the economies of scale and synergies available between their newspapers within both the chain and parent organizations. The member newspapers of Southam have access to the news services of the Los Angeles Times and Washington Post, which, as they have suggested, would be beyond the reach of any individual newspaper (Southam 1997). Further to this, the Southam papers have access to the foreign services of Hollinger's international papers as well as those in Canadian cities where Southam is not present. Coverage in major centers, or of specific events, is coordinated by the activities of Southam News which, among other things, operates bureaus in Toronto and Ottawa. Southam's Editorial Service assembles feature articles and 'packages' which include advertisements, for distribution and use by all of the member papers.

Southam is governed by a 16 member Board of Directors whose primary duty is to "supervise the management of the affairs and business of the Corporation" (Southam 1997: 44). More specifically, the Board will consider the primary risks to the business and approve the overall strategic plans of the Corporation including the appointment of senior management. Southam has stated that the basic objective of the Board is to "ensure that shareholder value is maximized over the longer term" (Southam 1997: 44). Of the 16 members currently on the Board, eight are considered to be independent of both Southam and Hollinger. They have been described as "unrelated directors in that they are free from interests and relationships which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation" (Southam 1997: 44).

Quebecor/Sun Media

Quebecor Incorporated is an international communications holding company whose interests include printing, publishing, and newsprint production, as well as some multi-media activities. It is comprised of four distinct sector-based subsidiaries which manage the affairs of their varied holdings. These include Quebecor Printing Incorporated, Quebecor Communications Incorporated, Donohue Incorporated, and Quebecor Multimedia. While Quebecor has numerous printing companies throughout the world, its newspaper activities are restricted to Canada.

Through their wholly-owned subsidiary, Quebecor Communications, they publish four daily newspapers in two provinces which include the largest French-language daily in North America - the Journal de Montreal. In addition, they also produce 57 community newspapers and own several magazine and book publishing facilities. Further to this, Quebecor Communications also has interests in product distribution including Archambault Incorporated (76%), a national distributor of records, books, and newspapers.

Quebecor Communications' recent acquisition of the Sun Media Corporation greatly increased their newspaper operations. With one fifth of the national newspaper market, the Quebecor/Sun Media chain of newspapers will become the second largest in Canada with dailies in eight major cities. In addition, Quebecor will also acquire Bowes Publishers Limited (a subsidiary of Sun Media) which produces seven daily and 19 weekly community newspapers as well as a number of specialty publications.

The creation of a national chain of tabloid newspapers is thought to provide a more efficient newspaper operation while enhancing competition for advertisers. In a press release discussing the acquisition, Quebecor stated that the merger "will offer advertisers a wider choice of access to an under-served segment of the Canadian community" (Quebecor Press Release; December 9, 1998). Moreover, they have

highlighted the fact that Quebecor and Sun Media have no existing overlap in the sale of classified and retail advertising.

Interestingly enough, Quebecor has recently reached an agreement with Torstar to sell four of their broadsheet newspapers following the completion of the Sun Media acquisition. Quebecor is to sell Torstar the Hamilton Spectator, Kitchener-Waterloo Record, Cambridge Reporter, and the Guelph Mercury. In discussing the deal, Charles Cavell, Quebecor CEO and chairman of the newly merged company, said that "the broadsheets concerned represent the western edge of the Toronto Star's prime market. This move strategically strengthens Torstar's position, which is why a premium price is warranted" (Quebecor Press Release; December 21, 1998). Echoing the benefits of regional consolidation, John Honderich, publisher of the Toronto Star, stated that: "This deal helps secure the strategic future of the Toronto Star and reaffirms our strong market presence in Southern Ontario. With our new broadsheet partners we will be able to offer superior editorial, advertising, and promotional opportunities in the region" (Torstar Press Release; December 21, 1998). The result of all this is that Torstar creates a Southern Ontario chain of broadsheet newspapers increasing their market share to 14.2 percent, while Quebecor streamlines its newspapers operations to a national chain of tabloid papers.

Thomson Newspapers

The Thomson Corporation (TTC) is an information and publishing business with interests in specialized information publishing and North American newspapers. It is sub-divided into sector-based companies which are wholly-owned subsidiaries of TTC. These companies include the Thomson Financial and Professional Publishing Group (TFPPG), Thomson Corporation Publishing International (TCPI), Thomson Travel Group (TTG)*, and Thomson Newspapers (TN). Although TTC is a Canadian-

* In March of 1998, the Thomson Corporation approved in principle its intention to sell the Thomson Travel Group.

based company, owned and controlled (73%) by the Thomson family, its principal business interests are in the United States. Moreover, its newspaper operations constitute less than 15 percent of the corporation's overall activities. Nonetheless, TN publishes 68 daily newspapers with a combined circulation of 1.9 million.

Thomson Newspapers is primarily a marketing and communications company that specializes in information-based products in Canada and the United States. Of the 68 daily newspapers it publishes only five exceed a circulation of 75 000, three of which are in Canada. In addition to the dailies, the company also produces many non-daily newspapers as well as specialty publications and advertising brochures. TN also has a 50 percent interest in the Augusta Newsprint Company which serves to insulate them from fluctuations in the price of newsprint.

Thomson Newspapers is organized into a number of Strategic Marketing Groups (SMG) which focus on the market activities in specific regional areas. In doing so, they seek to dominate particular geographic regions in order to achieve a greater understanding of customer needs and the factors which may influence them. An example of this positioning can be seen in the recent agreement between Thomson and Hollinger to exchange three daily newspapers. Thomson will receive the Medicine Hat News in exchange for the Times West Virginian in Fairmount and the Meadville Tribune in Pennsylvania. This acquisition will link the Medicine Hat News with Thomson's Lethbridge Herald and three other non-dailies to form the Southern Alberta Strategic Marketing Group. In discussing the deal, Stuart Garner, president and CEO of Thomson Newspapers, stated that the Times West Virginian and Meadville Tribune are "profitable successful newspapers that we've found from experience just didn't fit our SMG strategy" (TN Press Release; March 20, 1998).

In order to strengthen the position of their local news product, TN has increased investment into market research; redesigned many newspapers with additional sections; and converted three evening newspapers to morning delivery (Thomson 1997: 33).

Despite an industry decline of 0.5 percent, TN's daily circulation has increased by 0.2 percent (1997) which they have attributed to "a favorable economic climate enhanced by creative sales and marketing activity" (Thomson 1997: 33).

TN generates approximately 63 percent of its total revenue from advertising which they link with sustained growth in the economy. As such, they have outlined the conditions which are favorable to its continuance. These include; low interest rates; modest growth; low inflation; and low unemployment (Thomson 1997: 34). Interestingly enough, TN has recognized the concern over increased competition from other media, but have suggested that newspapers remain the logical choice for most advertisers. In discussing this situation, TN stated that "with household penetration levels at around 50%, newspapers, compared with other local media, still reach the most households. In addition, newspapers remain less fragmented than other media and are therefore potentially more effective as vehicles for advertising" (Thomson 1997: 34).

Torstar Corporation

The Torstar Corporation is the parent organization for a number of printing, publishing, and distribution companies. Its operations currently include Toronto Star Newspapers Limited, Metroland Printing, Publishing and Distribution, and Harlequin Enterprises. Toronto Star Newspapers is a wholly-owned subsidiary of Torstar which publishes the Toronto Star as well as the newly acquired broadsheets from Quebecor. Metroland produces and distributes almost 50 community newspapers in Southern Ontario with a combined weekly distribution of three million copies. Metroland also distributes numerous advertising brochures to targeted market segments within their distribution areas. Harlequin is the worlds largest publisher of series romance fiction.

The Toronto Star is the largest circulation daily newspaper in Canada. Through its various editions, inserts, and supplements, Torstar markets the newspaper as "both

a general advertising medium covering metropolitan Toronto and a means of reaching specified geographic or special interest markets" (Torstar Corporate Profile 1999: 1). In this regard, Torstar's ability to attract advertising revenue is derived primarily from their distribution capabilities in the Greater Toronto Area (GTA). As such, the Toronto Star accounts for almost half (49%) of the non-financial newspaper readership in the GTA.

In 1996, the Star began a series of restructuring initiatives designed to "position the Star for the future" (Torstar Annual Report 1997). In what came to be known as the SOS initiatives (Sink or Swim), they introduced a Greater Toronto section which focused on local and regional news in the newly-created city of Toronto. Further to this, the Business section became Your Business, emphasizing personal finance, while at the same time the Life and Sports sections were expanded. As part of the SOS initiatives, the Star's advertising department was restructured in order to "streamline department processes and reflect a more customer oriented focus" (Torstar Annual Report 1997). In doing so, the department developed an agency partnership strategy which introduced a 'pod' system bringing together sales, support, and production staff. This system was being tested on an experimental basis in the areas of auto sales and sporting goods.

Torstar is governed by a thirteen person board of directors appointed largely by the Atkinson Charitable Foundation, the sole proprietor of Torstar's 12.5 percent voting shares. The foundation, established after Joseph Atkinson died, gained control of the Star through a leveraged buyout in which they issued only non-voting shares in the establishment of new equity. As a result, control of Torstar has remained with the foundation which is made up largely of inheritors and former newspaper directors (Foster 1999: 52).

Power Corporation

The Power Corporation of Canada is an international holdings company which deals primarily in the areas of financial services and communications media. It is owned primarily by the Desmarais family which, through its subsidiaries Power Financial, Power Broadcasting, and Gesca Ltee, owns a controlling interest in several large corporations. In particular, Power Financial owns both Investors Group (67.4%) and Great-West Lifeco (76.8%) which in turn owns the Great-West Life Assurance Company and London Life Insurance. Power Broadcasting owns and operates three television and 17 radio stations in Ontario and Quebec, as well as two specialty television networks in the United States. Gesca Ltee, the newspaper division of Power, operates two information-based companies which are responsible for both the publication and printing of their various newspapers. La Presse Ltee controls the operations of La Presse in Montreal, and Les Journaux operates the other three daily and five weekly regional newspapers in Trois-Rivieres, Sherbrooke, and Granby.

The Power Corporation itself is governed by a 20 member Board of Directors which monitors the performance of its subsidiary organizations. Although the ultimate decision-making power resides within the parent organization, the corporation operates in a highly decentralized manner with the chief executive officer of each company reporting to their own Board of Directors. Interestingly enough, the primary criticism leveled against Power has been not with the management of their media interests, but rather their seemingly extensive corporate/political ties. Indeed, as Deirdre McMurdy of Maclean's noted during an analysis of the corporation, "even a cursory glance at Desmarais circle reinforces the frequent criticism that the control of Canada is concentrated in the hands of a chosen few who pass major corporate assets back and forth among themselves" (Maclean's, April 5, 1993: 38).*

* For a detailed analysis of the 'Desmarais Network' see Maclean's, April 5, 1993: 36-8, or Winter 1997: 45-70.

Irving/Brunswick News

The Irving company of New Brunswick is a large conglomerate owned and controlled by the Irving family. Its principal activities include mining, forestry, oil, and transportation, which have developed as an integrated web of overlapping interests. When company founder K.C. Irving died in 1992, the Toronto Star described his operations as follows:

The Irvings plant trees, cut them, saw them into lumber and make them into paper products. By one estimate, they own a quarter of New Brunswick's woodlands. They import oil, refine it and sell it at retail outlets. They own the trucks that carry Irving logs to Irving mills. The trucks fill up at Irving gas stations, as do the Irvings' inter-city buses. They own the shipyards that are building Canada's new naval frigates. They make cement and steel. On the retail market they sell building products, hardware and automotive products. They own every English-language daily newspaper in New Brunswick and some of its radio stations. The CBC itself is beholden to the Irvings. It broadcasts in New Brunswick through a [TV] station in Saint John, owned by the Irvings. Through their food company, Cavendish Farms, the Irvings have even taken on New Brunswick's other family of business barons, the McCains of french fry fame (Toronto Star 1992).

Through its wholly-owned subsidiary Brunswick News, the Irvings operate four daily newspapers in the province. Although they enjoy a total monopoly on newspaper publishing in New Brunswick, their newspapers are relatively small and account for only 2 percent of national market share. It is important to note here that all four newspapers, Brunswick News, and the K.C. Irving Company are owned entirely by the Irving family and, as a result, are not required to issue any annual reports or other public information related to their business activities. Nonetheless, the Irvings

have remained a stable publisher of New Brunswick newspapers without significantly altering their holdings for almost twenty years.

Summary

The newspaper industry in Canada can perhaps best be summarized as a chain-dominated industry owned and controlled by a small number of private companies. In doing so, however, it is important to note some of the underlying issues relevant to the ownership debate. First, the newspaper organizations in Canada seem to be organized around regional markets with a strong flagship newspaper at the center surrounded by several smaller regional dailies. The dominant newspapers generally operate in a competitive situation while the regional dailies tend to enjoy some form of 'local monopoly'. Second, many of the large newspaper groups appear to be focusing more exclusively on the business of newspapers. In fact, there seems to be an almost inverse relationship between the percentage of market share controlled by an organization and their outside business interests. Third, the regional focus and vertical integration of the newspaper groups in Canada suggest that these companies are structurally organized to exploit the various economies of scale and inter-group synergies available to such organizations. Although co-ordination of the business activities will generally occur through the parent organization, most of the companies operate in a highly decentralized manner relegating much of the editorial decision-making to the level of newspaper operations.

- CHAPTER FIVE -

Introduction

The current debate over newspaper ownership in Canada has been dominated by two competing theories which seek to explain the effects of corporate ownership on the quality and diversity of information. In doing so, these two positions have been constructed upon two fundamentally different conceptions of what constitutes corporate ownership. On the one hand, corporate newspapers are thought to reflect the traditional owner/operator structures of entrepreneurial newspapers simply extrapolated to that of a larger organization. On the other, the corporate newspaper has been defined in terms of its relationship to that of a bureaucratic organization. Namely, that it exhibits a complex hierarchy of authority, increased role specialization, a highly developed division of labor, and a number of formalized rules and procedures. The result of these differences has been that the two competing theories of corporate ownership have lacked the common ground necessary to engage one another.

One reason for this chasm may be found in the difference between the Canadian and American newspaper industries and the corresponding methods of analysis. The Canadian industry, for example, is characterized largely by a small number of privately owned newspaper groups who each control a substantial proportion of the national market. Conversely, the newspaper industry in the United States is comprised of a significantly greater number of public companies, with no single organization controlling more than 11 percent of national circulation. As a result, the analysis of corporate ownership has been subject to somewhat different approaches depending largely upon the jurisdiction of study.

The primary objective of this paper has been to examine the various structures of newspaper ownership in Canada in order to provide a basis for the analysis of such conditions and their subsequent effects on the quality and diversity of information

available to the public. In particular, it has sought to highlight the nature of group ownership and to help identify the locus of control within the owner/manager nexus. Beginning with an outline of the main theoretical positions, the results of this project are both summarized and discussed below.

Summary

The critical position on corporate ownership can be summarized as one that views the rise of the corporate newspaper as detrimental to the quality and diversity of information. In doing so, it has been argued that the corporate newspaper's domination of individual markets provides it with little financial incentive to maintain or improve upon the quality of the editorial product and that their orientation towards the larger markets has encouraged a reduction in local news production. The corporate model, by contrast, has understood the rise of the corporate newspaper to be a consequence of increased structural pluralism and, as a result, has viewed it as beneficial to both the quality and diversity of information. It has been argued that because the corporate newspaper is more structurally organized to maximize profits (i.e. economies of scale, lack of competition, and a greater knowledge of marketplace activities), they are able to focus more on quality as an organizational goal.

The data surveyed for this paper does suggest that the majority of newspaper groups in Canada are structurally organized to maximize profits. In fact, of the 105 newspapers published each day 96 belong to one of six newspaper organizations. The structure of these groups is such that they are organized around a variety of regional markets with a strong flagship newspaper at the center surrounded by several smaller regional dailies. The synergies offered by such organization allows for profit to be maximized by reducing various production costs. Although the dominant newspapers of these organizations generally operate in a competitive environment, the smaller regional dailies tend to enjoy more of a 'local monopoly'.

This center/periphery organization of the Canadian newspaper industry suggests that because many of the newspaper groups are structurally organized to maximize profits they will focus on quality as an organizational goal. Because this 'focus on quality' is thought to occur only in competitive situations it is unlikely to be seen beyond the scope of an organization's flagship newspaper. Although these groups no doubt have the ability to improve upon quality at the smaller regional dailies, they lack any financial incentive to do so and therefore most likely do not. However, as many of these organizations also own a number of weekly community papers, it is likely that the burden of local news production has simply been shifted providing an additional vehicle for advertising revenue.

It has further been suggested that the extraneous commercial interests of the corporate newspaper may work to limit the range of debate on issues of conflicting interest. It has been argued that the corporate newspaper is not just a business in itself, but rather a component of the larger business community, which may therefore work toward the broader goals of such groups. Of course, this is possible regardless of the size or structure of the newspapers involved. As long as newspapers are owned by private businesses, large or small, they will have the potential to act on behalf of any interest, business or otherwise. Interestingly enough, in recent years the business activities of some of the larger newspaper organizations appear to be focusing more exclusively on the business of newspapers. In 1998, for example, the Thomson Corporation began the process of divesting itself of its leisure travel interests while strengthening its position in publishing with the purchase of the West Publishing Company - Thomson's largest acquisition ever (Thomson 1997: 2).

Within the range of newspaper groups in Canada there seems to be an inverse relationship between the percentage of market share controlled by an organization and their outside business interests. Hollinger, with 43 percent of national circulation, is engaged primarily in the publication and distribution of newspapers and magazines

throughout the world. Quebecor, with 20 percent of national circulation, is primarily a communications holding company with varied interests in printing, publishing, and newsprint production, as well as some multi-media activities. Thomson, at 13 percent of national circulation, is an information and publishing business with interests in specialized information publishing and North American newspapers. The Torstar Corporation, also at 13 percent of national circulation, is the parent organization to a number of printing, publishing, and distribution companies. The Power Corporation of Canada, with 5 percent of national circulation, is an international holdings company which deals primarily in the area of financial services and communications media of which newspapers are a part. Finally there is the Irving Company of New Brunswick, which controls only 2 percent of national circulation, and has numerous other interests including forestry, oil, and transportation. Although this relationship would seem to support the notion of greater structural independence, the issue of role specialization may be a greater determinant. That is to say, that the increased role specialization found within the corporate form of organization is thought to result in a management controlled institution, shifting power away from any individual owners.

Discussion

In the debate over corporate ownership, several questions remain unanswered in the application of theory to the Canadian context. As outlined above, the competing positions of the critical and corporate models have had somewhat different conceptions of what constitutes corporate ownership and/or control over the editorial product. More specifically, several issues remain unresolved and a discussion of such is necessary for an understanding of corporate ownership in Canada.

Economies of Scale, Market Domination, and Outside Interests

The first question raised by the ownership debate refers to that of the business activities and organizational structure of a corporate newspaper. In particular, the way in which the various economies of scale, market domination, or outside interests of the corporate newspaper affect the editorial product has raised concern. Proponents of the critical model have argued that the corporate newspaper's domination of any given market will lessen any financial incentive to improve upon the quality of the news product. Moreover, it has been argued that the extraneous commercial interests within the parent organization create a conflict of interest in reporting the news.

Conversely, advocates of the corporate model have argued that the various economies of scale and inter-group synergies enjoyed by many corporate newspapers will work to enhance the quality of the editorial product by reducing the focus placed upon profit as an organizational goal. They have further suggested that the larger the organization the less dependent any individual member will be on the revenue produced by a single advertiser thereby reducing the potential for interference.

The evidence of the Canadian context suggests that the organizational structure of most newspapers is consistent with that of the corporate model. Over 90 percent of the country's newspapers are owned by six groups which seem to enjoy considerable economies of scale and inter-group synergies through their parent organizations. These companies all have separate newspaper divisions or holding companies which operate as sector-specific organizations monitoring the various activities within the industry. In some cases, such as Torstar, these are further sub-divided into regional marketing groups which co-ordinate the sales activities of several newspapers.

Southam newspapers, for example, share the costs of its various news services including those which are 'pooled' by Southam itself. The Quebecor/Sun Media group is now organized around a national chain of tabloid newspapers which will help to provide additional synergies through the unified format. The recent sale of their four

broadsheet newspapers helped to streamline their operations while providing Torstar with similar benefits in the Southern Ontario region. The result of this is such that many of the costs common to all newspapers in a chain (i.e. administration, printing, and distribution) are now shared throughout the organization providing savings without significantly altering the news product.

The issue of outside commercial interests seems to be less of a concern today than it has been in the past. Many of the larger newspaper organizations are becoming increasingly focused on the business of newspapers including both the printing and distribution of their product. In fact, many of the examples cited in previous studies no longer exist as they once did.* As mentioned above, there seems to be an inverse relationship between the size of the newspaper organization and the outside business interests of the organization.

Ownership, Management, and Control

The question of editorial control within the newspaper industry is central to the debate over corporate ownership. As it was shown, proponents of the critical model understand newspaper ownership to be dominated by a small number of sole proprietor arrangements where individual owners maintain control over day-to-day operations. Conversely, the corporate model holds that newspaper ownership is dispersed amongst its various shareholders thereby deferring control over operations to a system of professional managers.

The relationship between ownership and control became an issue of concern with the rise of the joint-stock company in the second half of the nineteenth century (Murdock 1982: 130). This new form of organization allowed entrepreneurs to expand their capital base by selling stock in a company. In doing so, the legal ownership of the company would gradually begin to disperse among the various shareholders involved

* See for example the Royal Commission on Newspapers (1981).

shifting control over operations to corporate managers. In discussing the consequences of this changing relationship, Graham Murdock has stated that:

As well as dispersing the legal ownership of companies among a steadily widening group of shareholders, the rise of the modern corporation significantly altered the relationship between ownership and control. Unlike the old style owner-entrepreneurs who had actually intervened in the routine running of their enterprises, the new shareholder-proprietors tended to be 'absentee owners', who left the business of supervising production to paid professional managers (Murdock 1982: 130).

Indeed, one of the primary benefits of this type of organization was that it could maintain a certain continuity beyond the life of any individual owner. Another was that it allowed companies to generate large amounts of capital facilitating the growth of the corporate form of organization (Demers 1996: 308). Although the explanation of a shifting balance of power (from owners to managers) has enjoyed frequency in the analyses of the US newspaper industry, it appears to be somewhat premature in Canada.

Ownership of the Canadian newspaper industry is currently dominated by six major newspaper organizations. Although all but one of these companies are publicly owned, their control remains highly centralized. In fact, none of them currently offer voting shares for public trade on the stock exchange. This has allowed for legal ownership to be dispersed while maintaining full control over the organization. An example of this can be seen in the ownership breakdown of most Canadian newspapers. Southam, for example, is owned (97%) by Hollinger Canadian Publishing Holdings, which is a wholly-owned subsidiary of Hollinger International. Hollinger International is in turn owned (60% equity) and controlled (85% voting) by Hollinger Incorporated of which Conrad Black is the principal shareholder. The

organization of the company is such that ownership and control remain highly centralized at the international level while various legal entities exist in order to maximize the economic opportunity within different regional markets. In fact, much the same can be said for Quebecor, Thomson, Torstar and Power where ownership structures exist along similar lines.

Interestingly enough, ownership of the Sun Media Corporation was dominated by three institutional investors just prior to its acquisition by Quebecor. The Ontario Teachers Pension Plan Board, Trimark Financial Corporation, and TAL Investment Counsel collectively held more than 40 percent of Sun Media. This situation is thought to have led to the bidding war which preceded the sale of Sun Media to Quebecor over Torstar (Foster 1999: 56).

Chain Employees and the Flexibilization of Labor

Although the majority of newspapers in Canada are privately owned and/or controlled, they nonetheless exhibit many of the characteristics associated with the corporate form of organization. In doing so, the newspaper industry has remained virtually consistent with other sectors of the economy in terms of the mergers and acquisitions experienced in recent years (Rattner 1996: 10). An important development in this transition has been the shift away from regular employment to an increased reliance upon part-time, temporary, or sub-contracted work arrangements (Harvey 1990: 150). In a process known as 'flexible accumulation', political-economist David Harvey has described this process in detail. He stated that:

The current trend in labor markets is to reduce the number of 'core' workers and to rely increasingly upon a work force that can quickly be taken on board and equally quickly and costlessly be laid off when times get bad (Harvey 1990: 152).

The results of this phenomenon can be seen in the newspaper industry through the increased role specialization now associated with the corporate form of organization. In fact, most of the people now employed in the top 500 companies in North America work in positions which have little to do with the primary business of the corporation (Harvey 1990: 158). That is to say, that the business of management within the parent organization is to make money regardless of the type of business.

The implications of this trend for the newspaper industry can be seen in the increased use of freelance writers and chain employees. The task of analysis is now largely the work of a core group of 'experts' who regularly freelance for a number of different newspapers. Interestingly enough, the criteria for employment seems to be based less upon one's ideological congruence with a newspaper organization than their relative popularity within the community addressed. Similarly, those commenting on public affairs seem to be doing so for a growing number of newspapers. Popular columnists who once wrote for a single newspaper are now being syndicated throughout an entire chain.

Local News and Community Newspapers

The issue of declining local news coverage amongst mainstream newspapers is rarely contested within the ownership debate. Both the critical and corporate models of newspaper ownership suggest that newspapers are now less likely to be involved in the local community and, as a result, dedicate less resources to the production of local news. While the critical model views this as an indication of declining editorial quality, the corporate model argues that a lack of local ties frees them from parochial political pressures. Regardless of the particular outcome, this shift away from the production of local news is consistent with other changes in the industry.

It is important to note, however, that parallel to this trend has been the rise of weekly community newspapers most of which are owned by the newspaper groups

surveyed in this paper. Hollinger, for example, either directly or through its subsidiaries owns over 60 community newspapers as well as a number of other sector-specific publications. Similarly, Quebecor, Thomson, and Torstar each publish over 50 weekly community newspapers of their respective areas of operation. Even the somewhat smaller newspaper operations of the Power Corporation include five weekly newspapers within their activities.

The rise of community newspapers, coupled with the lack of local news production by mainstream dailies, would seem to suggest that this trend may be more of a realignment in newspaper orientation than any absolute decline in the production of local news. Indeed, the strategic marketing activities of many newspaper groups may further suggest that this diversification has resulted from a move towards target markets and away from the broad-appeal newspapers. Although the specifics of this situation go beyond the scope of this study, it nevertheless underlines the importance of a more holistic approach in the analysis of media effects.

Conclusion

The effects of corporate ownership on the quality and diversity of information is an important issue worthy of the sustained attention it has received. On the one hand, corporate ownership has provided a level of stability and persistence to a medium in decline. It has provided much of the capital investment necessary to combat the increasing competition experienced in recent years. On the other hand, however, it has been responsible for a number of changes within the industry itself raising question to their ability to fulfill their traditional public service responsibility. Critics of the corporate newspaper have raised a number of valid questions related to this service. Yes, the newspaper industry has become increasingly concentrated into large corporate organizations. It has also increased the use of news services and chain employees to the detriment of local news production. These changes have, however, been accompanied

by a number of corresponding developments. The structure of corporate newspapers, for example, has created an unparalleled news-gathering network providing coverage unattainable by their independent counterparts. It has established a flexible system of labor utilizing a greater number of commentators. And, it has fostered a renewed sense of competition at the national level. For better or for worse, the rise of the corporate newspaper has fundamentally altered the newspaper industry in Canada.

The results of this study suggest a qualified acceptance of the hypotheses put forward by the corporate model. In particular, the structure of the newspaper industry in Canada is such that it is generally well organized to maximize profit enabling the individual newspapers to focus on quality as an organizational goal. Although the ownership and allocative control of the industry remain highly centralized, the decentralized nature of these organizations affords considerable autonomy to the operation of their member newspapers. As for the assertion of increased diversity, there would seem to be mixed results. On one hand, an increased use of chain employees would seem to reduce the number of people commenting on public affairs. On the other, however, the use of freelance writers for the analysis of policy issues could arguably increase the total number of voices heard. In either case, editorial decision-making is being conferred upon fewer people.

It is important to remember here that the corporate newspaper is thought to provide broad-based support for the dominant values and institutions in society while, at the same time, possessing a somewhat greater capacity to promote social change than its entrepreneurial counterpart. It is thought to accommodate the needs of challenging groups without dramatically altering the existing power structure in the short term. Moreover, the corporate newspaper is thought to provide an increased number and proportion of locally-produced editorials.

No doubt critics of the corporate newspaper will continue to challenge these conclusions on the basis of hegemonic control. They will argue that any dissension

afforded by the corporate newspaper is largely symbolic and that occasional criticism only serves to maintain the "illusion of diversity" (Winter 1997: 112). Although such critics may be correct in their assessment of media more generally, they tend to oversimplify the issue of corporate ownership.

There can also be no doubt that the effects of corporate ownership will be the subject of debate for many years to come. Issues surrounding the quality and diversity of information are often fluid and changing and, as a result, somewhat difficult to comprehend. However, it is important to view any change within the newspaper industry in the context of the total media environment. Information required for any type of democratic participation is increasingly becoming the domain of broadcast and electronic media. Traditional assumptions about the diversity of ideas must be expanded beyond that of just newspapers. If the classic ideas of John Stuart Mill are to be realized within the contemporary media environment, then all forms of public communication will have to be considered.

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Related Web Sites

Canadian Newspaper Association	<www.cna-acj.ca>
Hollinger International	<www.hollinger.com>
Quebecor Incorporated	<www.quebecor.com>
Southam Incorporated	<www.southam.com>
Thomson Newspapers	<www.thomcorp.com>
Torstar Corporation	<www.torstar.com>