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Convergence after the collapse: The 'catastrophic' case of Canada

Marc Edge
University of the South Pacific, Fiji

Convergence has been a controversial concept since it was first advanced by many in the 1990s as the inevitable future form of mass media. Media owners urged the loosening or removal of regulations restricting cross-ownership of media, but others expressed concern about the increased size and influence of media conglomerates enabled by convergence (Bagdikian, 2004; Klinenberg, 2007; McChesney, 1999). The lofty financial expectations that multimedia owners had for convergence initially went unrealized however, after the bursting of the stock market 'bubble' in technology stocks in the early 2000s. While some online-only ventures failed, this period proved only a temporary setback for most cross-media operations. An even deeper recession at decade's end, however, left most multimedia companies in dire straits financially, and in a few notable cases even in bankruptcy. This cast even more serious doubt on the long-term viability of convergence as a business model for media. This article examines the situation in Canada, where convergence was perhaps adopted most widely at the millennium due to a lack of restrictions on cross-media ownership. It shows how the unregulated convergence of Canadian media in 2000 resulted by decade's end in television station closures, political consternation, a bitter labor dispute, and public campaigning for regulatory relief by media corporations claiming financial hardship. As is often the case with politics and convergence, however, hyperbole and reality diverge considerably.

A problematic concept

Convergence as a business strategy gained popularity in the 1990s as media companies sought to leverage the computer revolution that had transformed the newspaper industry starting in the 1970s and promised to revolutionize all communication via the

Corresponding author:
Marc Edge, School of Language, Arts and Media, The University of the South Pacific, Private Bag, Laucala Campus, Suva, Fiji.
Email: mail@marcedge.com

internet (Aufderheide, 1999; Killebrew, 2005; Knee et al., 2009). Media owners saw in convergence the potential for cost savings by sharing content across media, by selling advertising on multiple 'platforms', and through the 'synergy' of having one journalist cover a story for multiple outlets. The January 2000 merger of Time Warner and America Online galvanized corporate enthusiasm for convergence just as a new millennium dawned. Differences in corporate culture, accounting irregularities, and the bursting of the stock market bubble in technology stocks, however, soon combined to make AOL-Time Warner perhaps the most disastrous corporate merger in business history (Klein, 2003; Motavalli, 2002; Munk, 2004; Swisher and Dickey, 2003). Convergence quickly fell from favor among investors as a result and, given the slow pace of technological convergence (e.g. between computers and television), some wondered if convergence was 'nothing more than an over hyped illusion' (Noll, 2002: 12). This led to a re-appraisal of convergence and a realization that a viable business model would first have to be developed before financial expectations could be realized (Dennis, 2003; Quinn, 2005). Touted benefits of convergence, such as cost savings from staff cuts and increased advertising revenues, it became obvious, had been unrealistic (Glaser, 2004; Kolo and Vogt, 2003; Lawson-Borders, 2006).

Some scholars found evidence early on that questioned the viability of convergence as a business model. Doyle (1999) interviewed newspaper and television executives in the UK and found strong skepticism of the supposed cost-saving synergies of convergence. Due to fundamental differences between the two media, she concluded that there were no economies to be achieved and that the only special advantages of convergence were the cross-promotion of content across media and increased corporate size and influence (Doyle, 1999, 2002). Interviews with Canadian media executives found similar skepticism of the business advantages of convergence and also expressed concern over the increased conglomeration of Canadian news (Hildebrandt et al., 2005; Sparks et al., 2006). Part of the problem with convergence in Canada, as elsewhere, was that media companies had taken on high levels of debt in acquiring outlets in multiple media. With the downturn in advertising revenues that attended the early 2000s recession, some of the newly converged companies became hard pressed to pay the interest on this debt. Ironically, as they grew larger media companies thus became weaker and more vulnerable (Pitts, 2002; Taras, 2003).

Much of the problem with monetizing convergence was the inability of media companies to sell advertising across multiple media. Joint ad sales produced less revenue, rather than more, because advertisers expected a lower price for a multiplatform package than for advertising purchases in separate media. Due to a higher level of competition online, internet ads were much less expensive than those in newspapers or on television, so multimedia sales staff tended not to promote online advertisements (Glaser, 2004; Gordon, 2003). The publication of content free online also created a conundrum for media owners because it had a negative impact on sales of their legacy media products (Garfield, 2009; Palmer and Eriksen, 1999). According to Pitts (2002), another motive behind convergence in Canada was the U.S. initiative before the World Trade Organization for removal of restrictions on foreign media ownership, the expectation being that prices for Canadian media companies would rise on a more open market. The 'kings of convergence', as Pitts called them, were thus betting on political factors to help make their wager on convergence pay off. This strategy failed when limits on foreign ownership of Canadian media were not lifted and media stock prices fell instead.

Convergence and Canadian media

The AOL-Time Warner merger convinced many media owners that cross-ownership of outlets in multiple media was the way of the future. A rush of multimedia mergers and acquisitions ensued worldwide, but in most countries, restrictions on cross-ownership of media slowed the convergence process. In the U.S., for example, a 1975 Federal Communications Commission restriction prohibiting cross-ownership of a television station and a daily newspaper in the same market slowed convergence of ownership between those two media. In Canada, however, a similar ban on joint newspaper-television ownership had been allowed to lapse in the mid 1980s (Bartley, 1988). As a result, convergence transformed Canada's media landscape in 2000 to a much greater extent than in the U.S. or other countries with restrictions on cross-ownership, such as the UK and Australia. By the end of that year, Canada's two private television networks had partnered with national newspaper properties, as had the largest privately owned French-language network in the province of Quebec. CTV, the country's largest private network, was acquired by telecom giant Bell Canada Enterprises, which then partnered with the *Globe and Mail* national newspaper to create a Cdn $4 billion multimedia enterprise initially known as Bell Globemedia. Canwest Global Communications, which owned the national network Global Television, bought Canada's largest newspaper chain, Southam Inc., for Cdn $3.2 billion. Quebecor, a newspaper company that started in Quebec but had expanded nationwide with its 1998 purchase of the Sun Media newspaper chain, then paid Cdn $5.4 billion for Quebec's largest cable company, Groupe Videotron, which owned the TVA network in Quebec (Edge, 2007).

This consolidation raised Canada's level of media ownership concentration, which was already among the world's highest (Winseck, 2002). A parliamentary review of broadcasting policy called on the federal government in 2003 to issue a 'clear and unequivocal policy' on cross-media ownership (Canada, 2003: 405). A senate inquiry into Canada's news media suggested in 2006 implementing a process to review news media mergers in order to prevent dominance by one owner in any market (Canada, 2006a). By then, however, momentum for media ownership reform in Canada had stalled with the election earlier that year of a de-regulationist Conservative government. Before 2006 ended, Canada's new minister in charge of broadcasting, who was a former CTV and Canwest executive, issued a policy response to the senate report that officially blessed convergence as a business model for Canadian media, stating: 'The government recognizes that convergence has become an essential business strategy for media organizations to stay competitive in a highly competitive and diverse marketplace' (Canada, 2006b: 13).

Early 2000s recession

The disastrous AOL-Time Warner merger exemplified the plight of multimedia companies with the bursting in 2001 of the stock market 'bubble' in technology stocks. The price of its shares fell from a high of US $55 in mid 2001 to a low of US $8.70 in mid 2002 and the company posted a world record corporate year-end loss of US $98.7 billion. AOL was removed from the company's name in 2003 and a share in the online division was sold to Google in 2005. In Canada, the financial fortunes of the country's converged media giants followed a similar downward trend. Before 2001 ended, Canwest Global Communications, which had taken on close to Cdn $4 billion in debt in acquiring the Southam newspaper chain, posted a quarterly loss of Cdn $37 million. Advertising sales slowed with the deepening recession and Canwest struggled with the cost of servicing its debt. From a high of Cdn $22 in 2000, its share price fell below Cdn $7 in mid 2002. Canwest sold three of its newspapers in Atlantic Canada, which cut ties between them and Global Television's stations in those markets. The sale suggested to some that Canwest was abandoning its convergence strategy, but CEO Leonard Asper claimed the newspapers were 'not central to the company's over-all media integration strategy' (Ferguson, 2002). In October 2002, the price of Canwest shares fell to Cdn $3.32 and the company cut costs and moved to further lower its debt. In early 2003, it sold 4 more minor dailies and 21 weeklies for Cdn $193.5 million.

Quebecor encountered similar problems from its takeover of Groupe Videotron. It was financed in partnership with the Quebec provincial pension plan, which took 45 percent ownership of a new holding company called Quebecor Media. Quebecor took on massive short-term debt to finance its share of the all-cash acquisition, but the sale of non-core assets, such as Videotron's home telephone division and its Microcell mobile phone company, had been planned to lower that debt. The falling economy prevented their sale, however, and Quebecor was forced to enter the U.S. junk bond market to raise Cdn $1.3 billion. By the end of 2000, Quebecor was an estimated Cdn $6.7 billion in debt. To pay down that amount, it sold its 11 percent holding in forestry firm Abitibi-Consolidated Inc. for Cdn $600 million and 25 percent of its wholly owned subsidiary Quebecor World, the world's largest printing company, for Cdn $500 million (Marotte, 2001a). In September 2002, after four consecutive quarters of losses, Quebecor's debt stood at Cdn $4 billion, which prompted bond rating agency Standard & Poor's to place it on credit watch (Marotte, 2002). From a high of Cdn $61.50 before its Videotron purchase, Quebecor stock bottomed out in 2002 at Cdn $12.25. By early 2003, however, Quebecor had sold more assets, paid off most of its high-interest debt, restructured other debt, and was taken off credit watch by Standard & Poor's (Gibbens, 2003). With the improving economy, Quebecor Media began turning a modest profit by mid 2003 and was able to pay down more debt, which stood at Cdn $1.4 billion by that fall (Silcoff, 2003).

Unlike Canwest and Quebecor, Bell Globemedia was a privately owned partnership that did not trade shares on the stock market, and it also did not carry high levels of debt. It thus weathered the recession of the early 2000s better than its debt-laden, publicly traded counterparts. Bell Globemedia even managed to finance a modest expansion during the downturn, paying Cdn $74 million in 2001 for Quebec television network TQS (Marotte, 2001b). It also paid Cdn $100 million in early 2003 for a 15 percent interest in Maple Leaf Sports & Entertainment, which owned two professional sports teams, the cable television networks that broadcast their games, and the Toronto arena where they were played (Lewis, 2003).

Mid 2000s recovery

With the ensuing economic recovery, the financial fortunes of all three Canadian convergence players improved. Canwest recovered to the point where it again began making acquisitions. In early 2006, it bought 30 percent of the U.S. magazine *The New Republic* for US $2.3 million and a year later bought the rest for a reported US $5 million. It bought radio stations in New Zealand and Turkey in 2006 and bid for the English-language *Jerusalem Post* newspaper in Israel. In early 2007, despite still being deeply in debt, Canwest made another major acquisition, buying 13 Canadian cable television channels from film company Alliance Atlantis for Cdn $2.3 billion. Quebecor Media's financial fortunes also experienced a turnaround in the mid 2000s and through its cable television and cellular divisions it began to expand into such areas as broadband internet and 3G wireless telephony. Its TVA network helped demonstrate the cross-promotional potential of convergence in 2003 with the hit program *Star Academie*, which was described as a cross between *American Idol* and *Big Brother*. It was heavily cross-promoted in Quebecor's French-language newspapers and boosted Quebecor's online and cable divisions. Analysts began rethinking the possibilities of media convergence, at least in the unique Quebec market. 'If convergence can work anywhere', wrote one, 'it should work in Quebec, a homogenous island of French-speakers in the New World where Quebecor is Number 1 in most media categories.' The same analyst continued:

> Star Academie boosted TVA's audience share, was the launch vehicle for Videotron's video-on-demand service, pulled thousands of new subscribers to Videotron's high-speed Internet service, and yielded Quebecor-produced CDs, DVDs and books that were peddled in the company's music, books and video-rental shops. (Olive, 2003)

Its improved fortunes enabled Quebecor to embark on another expansion program. In 2004, it bought TV station Toronto 1 for Cdn $46 million (Brent, 2004). In 2007, it won a takeover battle with Torstar Corp., the owner of Canada's largest daily newspaper, the *Toronto Star*, for Ontario publisher Osprey Media, which owned 54 newspapers, including 20 dailies. When added to its Sun Media chain, the Cdn $414 million purchase made Quebecor the country's largest newspaper owner by number of titles, ahead of Canwest, which circulated more copies (Robertson, 2007a).

Bell Globemedia first transformed its corporate ownership during the mid-decade economic upturn, then engineered a major media acquisition that brought renewed concern over concentration of media ownership in Canada. In late 2005, Bell Canada Enterprises sold most of its majority interest in Bell Globemedia to three buyers: Thomson Newspapers; the Ontario Teachers Pension Plan; and Torstar. Because Bell's ownership was reduced to 20 percent, the corporate name was changed to CTVglobemedia. In mid 2006, the company announced the acquisition for Cdn $1.4 billion of Toronto-based broadcasting company CHUM Ltd, which owned 33 radio stations, a dozen television stations of the CITY-TV and A Channel networks, and 21 cable television channels (Robertson and McNish, 2006). That brought the number of television stations owned by CTVglobemedia to 33, including multiple outlets in several major Canadian cities, and its cable television channels to 38. It came three weeks after the senate report on news media urged limits on media ownership, and it resulted in three companies controlling more than half of the advertising revenues in Canada. Concentration of press ownership had risen to 87.4 percent by the five largest newspaper chains, while three-quarters of Canadian television stations had become concentrated in the hands of only five owners (Winseck, 2008). The broadcasting regulator Canadian Radio-Television and Telecommunications Commission (CRTC) forced CTVglobemedia to divest the five-station CITY network, which it sold to cable company Rogers Communication for Cdn $375 million (Robertson, 2007b). The CRTC also held 'media diversity' hearings, but the policy announcement it made in early 2008 disappointed advocates of media ownership reform. In limiting cross-ownership of Canadian media, the CRTC ruled only that ownership in three media – television, radio, and newspapers – would be prohibited in any market. Critics pointed out that because no Canadian company owned outlets in all three media, the effect of the ruling was only to endorse the status quo.

Late 2000s recession

Where Canada's broadcasting regulator failed to limit media concentration in any meaningful way, the marketplace stepped in as a de facto regulator and forced a diversification of ownership. In mid 2007, Canwest followed its major television purchase from Alliance Atlantis with two more moves that stock market analysts questioned. First, it paid Cdn $495 million to buy back 26 percent of its newspaper division, which it had sold just two years earlier. Analysts expected Canwest to pay for the purchase by selling its majority interest in Australia's Network TEN, which it had acquired in the early 1990s and had put on the market with an asking price of A $1 billion. Despite again being almost Cdn $4 billion in debt, however, Canwest decided not to sell when it could not attract its asking price. According to the *Globe and Mail*, 'shareholders headed for the door' as a result, and Canwest's share price fell 10 percent in a month to below Cdn $10 (Robertson, 2007c).

The recession that began in late 2007 caused advertising revenues to plummet worldwide, dropping television network profits in Canada from Cdn $113 million in 2007 to only Cdn $8 million in 2008 (Robertson, 2009a). Canwest missed a number of interest payments to bond holders and its stock price sank to as low as 6 cents in mid 2009. Canwest put its five-station network E! up for sale in an attempt to raise cash to meet its debt payments (Robertson, 2009b). It sold E! stations in two major markets – CHCH in Hamilton, Ontario, and CJNT in Montreal – for a total of Cdn $12 just to avoid their losses (Robertson, 2009c). It converted its E! network station in Kelowna, British Columbia, to an affiliate of its main Global Television network, and it threatened to close its stations in Red Deer, Alberta, and Victoria, British Columbia, if buyers could not be found. Only Alberta station CHCA was closed, however, after employees of Victoria's CHEK paid Canwest a token $1 for the station (Wilson, 2009). Canwest eased its debt crisis somewhat in late 2009 by selling its majority interest in Network TEN for Cdn $634 million (Robertson, 2009d). The sale also erased Cdn $582 million of Network TEN's debt from Canwest's books, lowering its total debt to an estimated Cdn $2.5 billion (Willis, 2009). Just when it appeared that Canwest might escape bankruptcy, however, it was forced to file for court-ordered protection from its creditors (Robertson and Willis, 2009). In early 2010, control of Canwest's television division was sold to western

Canadian cable company Shaw Communications. (Krashinsky et al., 2010). Its newspaper division was sold separately later that year to a group of equity investors headed by Canwest's major creditors.

CTVglobemedia also suffered financially during the downturn despite its private ownership. In a bid to lower costs to match its falling advertising revenues, it eliminated 105 jobs at its broadcasting operations in 2008, including its all-news network CTV Newsnet (Blackwell, 2008). CTVglobemedia reported a loss of Cdn $13.3 million in 2008 and forecast that its loss in 2009 would be Cdn $90–100 million. It also took a Cdn $1.7 billion accounting writedown on the book value of its television assets, which represented three-quarters of their worth (Surridge, 2009). In early 2009, the network announced the elimination of 118 jobs at its A Channel network, or 28 per cent of its staff, and announced the cancellation of morning shows at several of its local stations (Hartley, 2009). It also laid off more than two dozen employees at its *Canada A.M.* national morning show and dropped its last remaining early morning local newscast (Friend, 2009). CTVglobemedia sold its share in Maple Leaf Sports & Entertainment to help pay down the debt it had taken on in the CHUM purchase. It also sold its cable channels Drive-In Classics and SexTV to radio company Corus Entertainment for Cdn $40 million (Krashinsky, 2009). In 2009, it was revealed that regulatory filings by publicly traded Torstar included financial results for privately held CTV, in which Torstar had become a partner. They showed that CTVglobemedia had been forced to renegotiate loan agreements for its more than Cdn $1.9 billion in debt to avoid defaulting (Sturgeon, 2009). Like Canwest Global, CTVglobemedia also threatened to close several of its money-losing television stations in smaller markets if it could not find a buyer or gain regulatory relief from the CRTC. In early 2009, it closed one small-market station and converted another into a re-broadcaster (Grant, 2009).

Quebecor Media, which experienced the most severe financial problems of the Canadian multimedia giants during the recession of the early 2000s, emerged from it the healthiest of the three. Due to Quebecor's inadvertent diversification into cable television, broadband, and wireless telephony, its timely divestitures, and its debt reduction, it weathered the late 2000s recession the best of Canada's three major converged media companies. While CTV and and Global Television reported losses of Cdn $13 million and Cdn $1.8 million respectively in 2008, Quebecor's television operations posted a profit before interest and taxes of Cdn $33.2 million (O'Brien, 2009). The advertising slump affected its newspaper properties, but Quebecor Media's other divisions more than made up the shortfall with increased profitability. The company was also helped by the fact that media in Quebec did not suffer the steep advertising declines due to the recession as did media in other parts of Canada. According to CRTC data, advertising revenues for conventional television broadcasters in the country as a whole declined 2 percent in 2008 and profits before income and taxes went from 5 percent to -2 percent. In Quebec, however, advertising revenues for conventional television broadcasters increased 1 percent in 2008 and profits rose from 8 percent to 10 percent (Canada, 2009).

Like Canada's other converged media companies, however, Quebecor used the recession as an opportunity to trim costs. In late 2008, after posting a Cdn $45 million quarterly profit, it laid off 600 staff across its Sun Media division, or 10 percent of its workforce (Shalom, 2008). In early 2009, it locked out 253 workers at its *Journal de*

Montréal newspaper and continued to publish with management personnel while demanding contract concessions. These included lengthening the work week by 25 percent without additional pay, reducing benefits by 20 percent, laying off 75 staff, and introducing an 'unlimited convergence plan'. The plan would require newsroom staff to produce content for all Quebecor media, including its Canoe (Canadian Online Explorer) websites and its television outlets (Derfel, 2009). The unions refused, and what resulted was called 'the perfect lockout' (Seguin, 2011). Quebecor continued to publish the *Journal de Montréal* using only management personnel by repurposing content from the company's dozens of other media outlets. The dispute finally ended more than two years later when the unions accepted an agreement that allowed only 62 of 253 workers to return. (Scott and Muise, 2011)

Fee for carriage

The apparent disintegration of the business model for Canadian broadcast television was played out against the backdrop of a dispute between the networks and cable companies that may in part explain the tumult of layoffs, station sales, and closures. As CTV and Canwest Global profits fell, the networks pointed to Canada's deregulated cable and satellite television companies, which were setting profit records, and claimed that the country's television system was 'broken' (Akin, 2009). To fix it, the networks asked the CRTC to order the cable companies to pay them 50 cents per subscriber in a 'fee for carriage' to transmit their over-the-air signals, which the cable companies had previously carried for free. The regulator had turned down the request twice before, in 2007 and 2008. As the recession deepened, however, the networks applied political pressure by threatening station closures, which prompted parliamentary hearings (Vieira, 2009). The cable companies claimed the networks were taking advantage of the economic downturn to exaggerate their financial problems (Trichur, 2009a). CTV launched a 'Save Local TV' advertising campaign to lobby for carriage fees, focusing on the threat of local station closures (Toughill, 2009a). The cable companies responded with newspaper and television ads of their own, describing the proposed fee for carriage as a 'TV tax' and promising to pass along to consumers any cost of fee for carriage, which they estimated at Cdn $5–10 per subscriber monthly (Marlow, 2009).

The CRTC pointed to data that showed much of the financial hardship suffered by CTV and Global Television was self-inflicted. Not only had they taken on high levels of debt to make acquisitions, they had spent a record Cdn $775 million on foreign (mostly U.S.) programming in 2008, compared with Cdn $619 million on Canadian programming. Due to increased bidding between the networks, expenditures on foreign programs had increased 43 percent in five years, from Cdn $541 million in 2003. The CRTC threatened to impose a spending limit, suggesting that the networks be restricted to paying only as much for foreign content as they did for Canadian content (Robertson and Bradshaw, 2009). The networks claimed they were losing viewers to cable channels and young viewers to the internet, but a study showed that conventional television viewership by those aged 18–34 fell just 2.4 per cent between 1998 and 2007. The *Globe and Mail* saw the job cuts and station closures as 'part of a strategy to force a radical redrawing of the Canadian TV landscape'.

> It's a matter of scaring the local and national power structure. Members of Parliament are among the first to panic when their local TV stations shrink or disappear. They are being sent a blunt message about the economics of television. And, as TV is regulated in Canada, Parliament and government have the power to do something about it. The television industry is not in crisis. The economy is in crisis. (Doyle, 2009)

The parliamentary committee that heard arguments on fee for carriage ordered the CRTC to consider the matter for a third time, and the regulator held hearings at the end of 2009. Meanwhile, the networks joined forces to launch a renewed newspaper, radio, and television advertising campaign around the theme 'Local TV Matters' (Trichur, 2009b). CTVglobemedia threatened to close 10 of its 11 stations in the largest province of Ontario if the CRTC did not order fee for carriage. The networks also reframed what they were seeking from 'fee for carriage' to the more neutral 'negotiation for value' (Clarkson, 2009). In March 2010, the CRTC ruled that Canadian television networks had the right to negotiate carriage fees with cable companies (Krashinsky, 2010). By year's end, however, most of the networks were owned by carriage companies following Global Television's purchase out of bankruptcy by Shaw Communications. Later that year, Bell Canada, which was also Canada's largest satellite television provider, bought back majority ownership of the CTV network, including the share held by the Thomson family, which owned the *Globe and Mail*. Combined with the separation of the former Southam newspapers from Global Television, this made divergence of newspaper and television ownership the dominant trend in Canadian media (Edge, 2010).

Financial outcomes

In their quest for convergence, Canada's largest private broadcasters overextended their empires, took on high levels of debt, then sought government assistance when the late 2000s recession dropped their revenues. The perceived threat to conventional television in Canada, however, may not have been as severe as it was portrayed by the networks. While their profits were not as high as they had once been, and in some cases were not enough to cover their debt payments, accounting methods may also explain much of what appeared to be red ink. CTVglobemedia did suffer a loss from its conventional television operations in 2008, but the company actually turned an overall profit of 9.7 percent that year when its newspaper and cable channel revenues were included, according to public filings by its business partner Torstar. CTVglobemedia's reported Cdn $13.3 million loss in 2008 was mostly the result of the large accounting writedown it took on the book value of its conventional television assets, and the company actually recorded an operating profit of Cdn $214 million on revenues of $2.2 billion (Toughill, 2009b). One study examined financial statements of the eight largest media companies in Canada from 1995 to 2009 and found that all were consistently profitable (Winseck, 2010). Any financial problems experienced by large media companies in Canada have been transitory and related to economic downturns, it concluded, and as a whole the country's media sector has been expanding and recording above-average profits.

> Even Canwest has been profitable, sometimes extremely so, every year since 1991 in terms of operating profits and all but two years (2004 and 2008) in terms of return on equity.… Its profits were in the low- to mid-20% range for the last decade before falling to 16% on the eve of its demise in 2009. How is it possible for highly profitable firms to be in such disarray? The answer is debt. (Winseck, 2010: 388)

Annual reports for publicly traded Canwest Global and Quebecor, as well as financial data for CTVglobemedia contained in Torstar's annual reports, show that the multimedia conglomerates weathered the recession of the late 2000s without significant financial hardship. Quebecor, in fact, saw its return on revenue (earnings as a percentage of revenue) increase steadily from 26.7 percent in 2006 to 33.7 percent in 2009 (see Table 1).

The penchant of network executives for telling investors one story and the CRTC another was pointed out by the *Globe and Mail*, which compared Leonard Asper's forecast to investors of 10–20 percent profitability with the doom and gloom he conveyed to the regulator. 'It must be so confusing to have to talk out of both sides of your mouth', quipped the newspaper, which wondered if the double talk had more to do with the fee for carriage fight than with the falling economy. 'The broadcasters won't take no for an answer. You want proof, they say? We'll give you proof' (DeCloet, 2008).

Conclusions

As its media were more subject to ownership convergence at the millennium than in other countries because of its lack of restrictions on cross-media ownership, the case of Canada is illustrative of some of the potential perils of convergence. The Canadian experience serves to bolster the claims of critics who have warned that increased ownership consolidation would place too much power over public perceptions in the hands of too few large corporate players. The 2009 'fee for carriage' campaign by the CTV and Global Television networks, which was carried on through their affiliated newspaper outlets as well as on their television stations, is a good example. The selective publicizing of facts that bolstered claims by the networks of financial hardship warranting regulatory relief turned out, in the light of fuller financial disclosure, to have been self-serving indeed. The catastrophe portrayed by the multimedia corporations proved not so much financial

Table 1. Return on revenue for Canadian multimedia conglomerates, 2006–9

	2006 Rev./Earn./Return	2007 Rev./Earn./Return	2008 Rev./Earn./Return	2009 Rev./Earn./Return
Canwest[a]	2.7b/459m/17.0%	2.8b/487m/17.1%	3.2b/616m/19.05%	2.8b/462m/16.1%
CTVgm[b]	N/A	1.9b/286m/14.8%	2.2b/214m/9.7%	2.1b/214m/10.2%
Quebecor	3.0b/800m/26.7%	3.4b/949m/28.2%	3.7b/1.12b/30.0%	3.8b/1.27b/33.7%

Notes:
[a] Year ending 31 Aug.
[b] Year ending 30 Nov.
Source: Company annual reports.

as journalistic, as Canadians did not begin to get an accurate picture of what was wrong with their news media until more relevant facts were elicited by bloggers, academics, and the CRTC.

As the financial facts emerged, the conflicting versions of reality made the networks' bid for regulatory relief problematic. They cast doubt on whether the financial distress CTV and Canwest Global claimed they were experiencing was as serious or as long-term as their public pleadings portrayed. Instead, the episode may serve best to demonstrate that convergence in Canada has indeed, as its critics warned, allowed too much power over public perceptions to be placed in the hands of too few owners who will use it to their advantage. As demonstrated by Quebecor's lockout at the *Journal de Montréal*, convergence has also allowed media owners disproportionate power over journalists and other media workers. Ultimately, convergence helped to enable yet another round of consolidation in Canadian media, this time between the networks and the carriage companies. It created even larger and more powerful media owners, whose sway over public perceptions and over media workers should concern Canadians.

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