CHAPTER 1
A QUESTION OF CONTROL

Paul Godfrey seated himself to testify. The wiry 77-year-old newspaper company executive had been called to account by the federal government for the latest devastation his chain had wreaked on Canada's news media. Hearings in Ottawa had convened quickly in 2016 after the company Godfrey headed, which owned most of the country's largest newspapers, merged its newsrooms in four of Canada's six largest cities where it published both dailies, despite promising not to.

Godfrey's promise had been spread across all political levels, from mayors right up to new federal Liberal leader Justin Trudeau, after Postmedia Network bought 175 newspapers in 2014 from Sun Media, the country's second-largest chain.[1] The resulting monopolies in Vancouver, Calgary, Edmonton, and Ottawa had been controversial from the outset, but Godfrey quickly allayed fears over the increased concentration of media ownership. "I attended two of his private dinners in fine Alberta restaurants where he vowed to keep the newsrooms separate," recalled Margo Goodhand, who was then editor of Postmedia's *Edmonton Journal*. "We might even have to reinvest in the Sun newsrooms, he mused aloud in Calgary . . . They'd be competitive, distinct, and entirely independent, he said."[2]

The 2016 merger of newsrooms and the layoff of 90 journalists by Postmedia was just the latest disaster in the slow-moving train wreck that was the newspaper crisis. Following years of layoffs and a few closures following the 2008-09 recession, local journalism in Canada had taken a beating. The cutbacks to news reporting were worst at Postmedia newspapers, however, because it was 92 percent owned by U.S. hedge funds that were skimming off most of its earnings as interest payments on the massive debt they also held. MPs wanted to know what was going on.

Dressed in a blue suit and wearing reading glasses under his deeply-furrowed brow and combed-back, graying hair, Godfrey audaciously started with a sales pitch to the Heritage committee in his opening statement. “Come back and advertise in our newspapers and on our websites,” he pleaded. “Ad budgets have been cut, and the cuts from the Government of Canada have disproportionally been to newspapers.”[3] Television’s share of the federal ad spend, he noted, had increased from 48 percent to 54 percent, while that devoted to online media, much of which was foreign-owned, had almost doubled. Print advertising had been cut in half to only 8.5 percent. The Heritage ministry was the worst offender, he told its standing committee, as while it had spent $6 million on advertising that year, none went to print. “If you’re going to advertise, then you should give some consideration to Canadian publications.”[4]

Liberal MP Adam Vaughan then began to grill Godfrey. They had crossed swords a few years earlier, when Vaughan was a Toronto city councillor and Godfrey was chair of the Ontario Lottery and Gaming Corporation with grandiose plans for a mega-casino on the downtown waterfront.[5] Vaughan had won that encounter, as Godfrey was fired by incoming premier Kathleen Wynne.[6]

“Postmedia’s largest shareholder is a U.S. hedge fund named GoldenTree Asset Management,” Vaughan pointed out to Godfrey. “Why would we fund a failing business model that’s owned by U.S. interests?”[7]

“Your facts aren’t correct,” Godfey shot back. “The fact is that this company is controlled by Canadians.”[8] It was a convenient fiction that Godfrey relied on, enabled by a loophole that lawyers had found in Canada’s 25-percent limit on foreign ownership of newspapers. To accept the separation of ownership and control as meaningful, however, required an almost complete suspension of disbelief. The *Globe and Mail* had already reported in 2014 that Godfrey conferred with Postmedia’s foreign owners frequently and that the hedge funds had pushed for the acquisition of Sun Media. “Paul doesn’t make major moves without calling them first,” it quoted an anonymous source close to the company as saying.[9]

Vaughan attempted a weak comeback, having obviously not done his homework. “That being said, why would we bail out a U.S.-indebted company?”[10] Godfrey took a bit of poetic licence to evade that one. "You're not bailing out a U.S. company," he replied. "You can be critical of GoldenTree Asset Management, but I'll tell you that you're barking up the wrong tree."[11]

Then Godfrey went on the offensive again, pointing out the recent closures of the *Guelph Mercury* and *Nanaimo Daily News* as proof of the newspaper industry's decline. "If it continues to follow the trend it's on, you won't be sitting here and talking about whether there should be subsidies or not," he told Vaughan. "You'll be talking about how we are going to continue to create a group of journalists producing content for Canadians... If you think that's not going to happen within the next three years, you're going to find that there will be a lot more closings."[12]

Godfrey repeated his threat later in the hearing. "I'm not trying to paint an overly bleak picture," he insisted in response to MP questions. "I'm painting the picture that's out there."[13]

> I will tell you that within three years, there'll be many more closures in some of your own communities because of the state of the newspapers. You're our elected representatives. I commend you for even having this meeting. If you decide to do nothing, that's your call. I'm not trying to paint an uglier picture than what it is. It's ugly and will get uglier, based on the trends that exist today."[14]

Little could observers have known just how ugly things would get when Godfrey and the newspaper lobby he assembled didn't get the bailout they wanted, and it wouldn't take three years. It would only take half that long for things to get very ugly indeed in Canada's newspaper industry.

More pressing to Godfrey, however, was a time bomb that was ticking inside Postmedia's finances. To defuse it would take some fancy footwork that would raise the company's foreign ownership even higher. Few realized just how close Postmedia was to imploding. Standard & Poor's had downgraded its credit rating to triple-C-plus from single-B-minus in late 2015, calling its capital structure "unsustainable" and warning that the company could struggle to refinance its high-interest debt.[15] Making things worse was the fact that most of Postmedia's debt was in U.S. dollars, and a falling loonie meant that payments on the bonds that Postmedia had issued in 2011 had since risen in Canadian dollars by more than 30 percent. "With the Canadian dollar falling the way it's falling," Godfrey told the Canadian Press, "that's almost like a noose around your neck."[16]

GoldenTree was also unhappy, having watched Postmedia's advertising revenues continue to drop and the price of its shares fall to only 6 cents, which made its 58 percent stake in the company worth only about $9 million.[17] The hedge fund had hired an investment bank to drum up interest in ownership of Postmedia, the *Globe and Mail* had reported that March, and it had approached a half dozen potential buyers.[18]

The *Globe's* incisive Streetwise business column didn't like the hedge fund's chances of offloading its investment in Postmedia, however, mostly due to its ticking debt bomb, a restructuring of which risked wiping out much of GoldenTree's investment. Its reporters pressed Godfrey on whether the company could continue to meet its interest obligations. "So far, we haven't missed a payment," he replied. "Hopefully we won't miss a payment." Streetwise saw little hope for Postmedia, contacting several potential investors who said they had been approached but were not interested. "Postmedia appears to have little value to salvage," it added, "and what does exist will take a lot of heavy lifting to unearth, sources said."[19]

Created from bankruptcy

The newspaper crisis had literally created Postmedia, which in 2010 rose from the ashes of bankrupt Canwest Global Communications after it was caught holding the bag when the 2008-09 recession dropped advertising revenues sharply worldwide. The bag held $4 million in debt on which Canwest could no longer make the payments. GoldenTree was actually betting on it going bankrupt, as it had been buying up Canwest debt on the bond market at pennies on the dollar, and it acquired more than enough to take the company over.

Canwest and its owning Asper family of Winnipeg had bought the historic Southam newspaper chain in 2000 as part of the brief but disastrous enthusiasm for "convergence" of media ownership between print and TV. To get in on the trend that swept the country's media at the millennium, Canwest went deeply into debt to add newspapers to the Global Television network it had owned since the mid-1970s.[20] The Aspers quickly went from riding high at the millennium to being out of business less than a decade later.

The newly-formed Postmedia Network took over its newspapers and began to make massive layoffs, for which hedge fund owners were notorious. It cut most of the editing positions at its newspapers across the country by centralizing their production at a strip mall in Hamilton. Postmedia then paid $316 million in 2014 for Sun Media, which was Canada's second-largest newspaper chain. That gave it the tabloid *Edmonton Sun* in addition to the broadsheet *Journal* it already owned in Alberta's capital, along with a *Sun* just to the south in Calgary, where it also published the dominant *Herald*. In Ottawa, a *Sun* similarly shone in the shadow of the *Citizen*. Postmedia's plan in those cities, Godfrey had assured all concerned, was strictly a mechanical combination similar to that operating for decades at its dailies in Vancouver, seeking $6-10 million a year in cost savings through efficiencies in administration and production, but keeping separate newsrooms.[21]

The only problem was that the federal Competition Bureau had neglected to make the promise a condition of allowing the purchase. Soon Postmedia's required savings grew to $50 million as its advertising revenues continued to fall. Now the same stories and bylines were appearing in both local newspapers while scores more journalists were laid off to cut costs.

The little chain that grew

The Sun tabloids were near and dear to Godfrey, who had piloted the growing Sun chain for most of the 1990s. He broke into the newspaper business in 1984 as publisher of its flagship *Toronto Sun* straight from a career in local politics, where he served as a North York alderman for almost a decade starting in 1964 before going on to serve five terms as chairman of the now-defunct Metro Toronto conurbation.

He quickly rose through the corporate ranks, becoming president and chief operating officer of Toronto Sun Publishing Group in 1991, which was then owned by Rogers Communications, and CEO a year later. "By 1999, he had led a management buyout of the Sun's newspaper assets, taken that company public and arranged its sale to Quebecor," noted the *Globe and Mail*. "The end result essentially tripled the company's value and put an estimated $28-million into Mr. Godfrey's pocket."[22]

The "little newspaper that grew" proved that colourful tabloids could find an audience in cities dominated by a larger broadsheet. Competing dailies had been folding for decades across North America as mass media alternatives exploded, but in Canada the success of tabloid Suns bucked that trend. In Vancouver, there was already a *Sun* and it was a broadsheet, but its *Province* partner converted to tabloid format in 1983 to keep the Sun chain out, and the makeover proved wildly successful, making it especially popular with younger readers. Both Vancouver dailies were already owned by Postmedia, and had been operating since 1957 in a partnership that was ruled an illegal monopoly but allowed to continue on the basis of "economic necessity."[23]

Foreign ownership

GoldenTree Asset Management's majority ownership of Postmedia should not have been allowed under Canadian law, which limited foreign ownership in this culturally-sensitive industry to 25 percent, but decades of legal challenge to such limits had badly eroded them. Sharp lawyers found a loophole that did an end run around the law by forming a publicly-traded company with two classes of shares. Foreign owners were given stock that varied in voting power, which supposedly kept their "control" of the company under the allowable limit, even though their ownership well exceeded it.

GoldenTree reached out to Godfrey, who had headed a rival bid to acquire the newspaper chain out of bankruptcy, to run its new Canadian operation. It needed someone with not only some serious newspaper acumen, but also plenty of friends in high places, and Godfrey was without doubt the best possible candidate. *Torontoist* described him in 2015 as "a consummate networker and backroom operator, especially in local Conservative circles," but added that "his track record has sometimes raised questions regarding whose interests he works for."[24] Phil Lind, a Rogers executive who helped hire Godfrey to run the Toronto Blue Jays baseball team it owned, wrote in his 2018 memoirs that "few are better political operatives than Paul."[25]

The *Globe and Mail* described Godfrey as a "consummate strategist" in a 2014 profile. "Mr. Godfrey begins planning his next moves early each day during solitary walks along Toronto's Bay Street. His Labrador retriever nudges him awake around 5:30 a.m. and they set out from his home at the Four Seasons Private Residences."[26]

He had left the newspaper business in 2000 after brokering the $983-million sale of Sun Media to Quebecor, which gutted it with 300 layoffs. He was chair of the Ontario Lottery and Gaming Corporation when Canwest lured him back as president and CEO of its flagship *National Post* in 2009. Godfrey was already 71 by the time GoldenTree came calling the following year, asking him to head the whole chain, but he couldn't say no. Not with what they offered him.

"I've been a workaholic all my life, and I'm not slowing down," he told *Toronto Life* when he was 73. "I work out three times a week, which keeps me energized . . . I start by running six kilometres, then I'll do lateral lifts with 12-pound weights while standing on one foot on a Bosu ball. I'm stronger now than I was in my 40s."[27]

Competition Bureau failure

Postmedia's 2014 purchase of Sun Media raised concentration of newspaper ownership in Canada to among the highest in the world. The Competition Bureau had been a huge failure in preventing it, seemingly waving the white flag at every opportunity to enforce the country's anti-trust laws. Its gyrations in allowing Postmedia's acquisition of Sun Media, however, proved the height of absurdity.

Its economic analysis laughably concluded that the tabloids acquired from Sun Media didn't compete for advertising with the company's broadsheets. It cited one paper by an economist which concluded that newspaper monopolies in Canada didn't result in higher prices despite decades of studies worldwide which showed they did.[28] That had all gone down on Stephen Harper's watch as Conservative prime minister, however, as had Postmedia's foreign ownership. Many hoped the new Liberal government elected in late 2015 would do something to clean up the mess that Americans were making of our news media.

Long-time Vancouver Centre MP Hedy Fry was doing her best to try. She had been outraged by the merging of newsrooms in her town. Fry quickly convened hearings in Ottawa that February of the standing committee she chaired of the Department of Canadian Heritage. "I know that our government has a strong will to deal with this now," said Fry, then 74. "The thing about politics is that the time comes one day when stuff is facing you so hard that you have to do something about it. That time has come."[29]

The hearings would eventually result in a report that recommended changes to media regulation in Canada in order to bring ownership concentration under control. Unbeknownst to most, however, a parallel process was already underway which would ensure that another narrative dominated. The Heritage committee was supposed to tour the country that summer to hear from Canadians, but after the money proved unavailable in its budget, the field work had been contracted out to a so-called "think tank" in a study funded partly by Heritage and partly with corporate money.

Postmedia "a cancer"

The *Toronto Star* was Postmedia's — and Godfrey's — harshest critic for their decimation of Canada's largest dailies. It had blasted Postmedia earlier in 2016 as nothing less than "a cancer on Canadian journalism." The malignancy was created by "quick-buck hedge funds in the U.S.," railed the *Star*. The acquisition of Sun Media was a "thinly disguised foreign takeover" that resulted in "a far greater concentration of news media ownership than exists in any other major economy."[30]

From what *Star* business reporter David Olive could tell, there couldn't be much life left in Postmedia, which was fortunate. "As long as the biggest newspaper publisher in the country clings to life," he quipped, "it is a blight on all the communities it underserves." Postmedia was in "such wretched condition," he insisted, that it was surely "not long for this world." Postmedia was "flirting with insolvency," according to Olive, since its earnings continued to plummet in lockstep with its advertising, which was increasingly migrating to the Internet.[31]

The company had been so laden with debt held by its hedge fund owners that it couldn't possibly keep up the payments much longer due to its falling revenues, according to Olive. "Postmedia has installed a time bomb on its balance sheet of $672 million in debt owed to the U.S. hedge funds," he pointed out, and much of the debt had to be paid in mere months. "It's very difficult to see where Postmedia will get the money to do this," Olive continued. "The interest payments have become downright asphyxiating."[32]

Of the $82 million in operating earnings that Postmedia would generate that fiscal year, fully $72 million would go to servicing its debt, meaning that its profits went mostly to its bondholders rather than its shareholders.

Olive had calculated for an article the year before that they had already extracted close to $340 million in interest payments from Postmedia in their first four years of ownership. "The real story is that a Postmedia, leveraged to the hilt, can still generate just enough cash to further enrich Postmedia's mostly US absentee owners," he wrote. "In the looking-glass world of financial engineering, you can profit handsomely from an asset of steadily declining value. That is, from picking the carcass clean."[33]

To keep its head above water while carrying such a crushing debt, Olive noted, Postmedia had already laid off more than half of its employees, "which means that countless news stories are no longer reported." There couldn't be much more left to cut. He pointed to rumours that Postmedia was on "a deliberate path to self-destruction," as a second bankruptcy might allow its hedge fund owners to "get their hands on a bankrupt Postmedia's real estate and other assets at fire-sale prices."[34]

Olive noted that Postmedia had been lobbying Ottawa for a relaxation of media ownership rules because "some of the deepest-pocketed bidders on a bankrupt Postmedia's assets are likely to be foreigners."[35] Little could Olive have guessed that not only would Postmedia keep hanging on for years, but that soon his own newspaper would be taken over by the same type of financial wizards.

Political partisanship

What rankled many wasn't so much the news that Postmedia was cutting from the pages of Canada's largest newspapers, but what it was replacing it with. Under Godfrey, who had been a long-time Conservative politician, the newspapers had seemingly turned into an unabashed mouthpiece for the Conservative Party.

Many of Postmedia's largest dailies carried full-page ads across their covers on the eve of the 2015 federal election headlined "Voting Liberal will cost you" or, depending on the riding, "Voting NDP or Liberal will cost you." Editors were ordered to endorse Conservative candidates, contrary to long-standing practice at the Southam newspapers. The *National Post's* editorial pages editor, Andrew Coyne, resigned after his column endorsing another party was killed, or "spiked" in newspaper parlance.[36] The blog Torontoist cruelly nominated Godfrey for its 2015 Supervillain of the year award over the embarrassing partisanship.

> His ham-fisted support of the Conservatives during the federal election campaign made a laughingstock of the country's largest newspaper for the Tories regardless of the opinions of local editorial staff . . . Reeking of desperation, the front page of the chain's papers bore a Tory attack ad during the final weekend of the campaign. Readers and employees were disgusted, while the competition . . . had a field day attacking Godfrey's disregard for freedom of the press.[37]

The outrage spread internationally, with the U.S.-based Poynter Institute calling it "the ugliest political episode in Canada's post-war era," adding: "The stain of this shameful moment in Canadian journalism will never wash completely clean."[38] British newspaper *The Guardian* pointed out that the political partisanship made a mockery of promises Postmedia had made to the Competition Bureau to uphold editorial diversity among its acquired Sun newspapers. "In seeking permission for the takeover, Postmedia assured the regulator that its newspapers would pursue independent editorial policies. Mere months later they were predictably backing Harper's Conservatives."[39]

Petroleum propaganda

And it wasn't just politics. Postmedia had been literally selling its support for Canada's controversial energy policies, according to documents unearthed by investigative online journalists. The Vancouver-based *Observer*, which would soon expand nationally, came across a 2014 corporate presentation in which Postmedia promised to promote whatever policies the Canadian Association of Oil Producers wanted.

"With images of pipelines in the background, the presentation went on to explain how it would link Postmedia's sponsored energy content with CAPP's 'thought leadership' and stimulate conversations on social media," noted the *Observer*.[40] To environmentalists, this helped to explain the growing amount of pro-oil propaganda appearing on the pages of Postmedia newspapers, whose opinion sections became a haven for climate change deniers. Academic studies found the bias palpable. "Postmedia has a record of publishing climate science rejectionists and pumping up the oil and gas industry on its comment pages," noted one.[41]

This kind of sponsored content, which was also known as branded content or native advertising, blurred the line between editorial and advertising, and research showed that most readers couldn't tell the difference. It was a growing revenue stream for websites and even some newspapers, however, and Postmedia wanted in on the bonanza.

Million-dollar bonuses

Then there was the rich pay package Godfrey commanded for transforming Canada's largest newspaper chain into an ever-larger foreign-owned vehicle for corporate and political propaganda. Postmedia had given Godfrey a $400,000 bonus in 2015 for stickhandling the Sun Media acquisition, plus other bonuses on top of his base salary of $950,000 that brought his annual compensation to $1.76 million, up from $1.42 million the year before.[42]

An analysis by PressProgress, a website of the Broadbent Institute, would show that top Postmedia executives received $3.9 million in 2016, which would rise by more than a third to $5.345 million the following year. It would also find that they received more than $20 million in compensation over a five-year period from 2013, including $8.2 million by Godfrey alone.[43]

Such largesse towards its executives stood in stark contrast to Postmedia's layoffs across the country and especially to a decision by its workers at the *Vancouver Sun* and *Province*, who took a voluntary 10-percent pay cut to save 21 jobs. Godfrey defended his pay in an interview with CTV News. "I'm an experienced executive, there are very few in the newspaper business," Godfrey said. "If I walked out the door tomorrow, where would they hire? They'd probably have to pay more."[44]

He told *Toronto Life* that the criticism of his pay was unfair. "The board knew my track record and asking price. Plus, there are not many people in Canada who can run a newspaper chain. Look around. The *Star* can't find a publisher or president. The job is hard and full of heartache."[45]

A change of ownership

Godfrey would need all of his high-finance acumen to solve Postmedia's ticking debt bomb, and in doing so he would pull such a fast one that it would take years to sink in that the newspaper chain had actually changed owners. "Few people noticed," noted the *New York Times* a few years later, "including some of the chain's employees."[46]

GoldenTree's founding partner Steven Shapiro had helped to finance both the management buyout of Sun Media led by Godfrey in 1996 and its sale to Quebecor three years later when he worked at CIBC, so he understood the company well. He normally filled GoldenTree's seat on Postmedia's board of directors, but he had taken 2016 off as a sabbatical year.[47] His replacement had resigned from the board that April, however, after it struck a special committee to review options to improve the company's "capital structure and liquidity."

Godfrey admitted that the move provided "another sort of wrinkle in things going forward. We don't know what their position is."[48] GoldenTree looked west, across the Manhattan skyline from its offices on Park Avenue, toward New Jersey, to some low-rent hedge funds on which it hoped to unload its stake in Postmedia.

The debt that GoldenTree had acquired prior to Canwest's bankruptcy came at bargain prices. The company's first-lien bank loans, which were secured by hard assets like real estate, sold on the bond market for about 30 cents on the dollar, according to the *Globe and Mail*. Its unsecured bonds, $450 million of which the desperate Aspers had issued at rates as high as 12.5 percent in an attempt to keep their company afloat, went for as little as 10 cents on the dollar as second-lien debt.[49]

The real genius piece of financial engineering, however, came when GoldenTree kept the debt it held on the books of the reconstituted company, meaning that any earnings Postmedia generated had to go toward paying it first every month. All it had to do was to keep the company alive long enough to collect on its loans. A bond paying 12.5 percent interest bought for 10 cents on the dollar, after all, provided a return of 125 percent a year.

Keeping Postmedia alive would not be easy, however. Publishers around the world were laying off staff almost continually just to stay afloat due to their plunging ad revenues. At Postmedia, however, the urgency to make layoffs was multiplied by the company's crushing debt. In the first four years of GoldenTree's ownership, Postmedia's revenues fell by more than a third.

A reporter for Bloomberg noted in April 2016 that the bond market price for Postmedia's US$222 million in second-lien debt had fallen to 14 cents on the dollar from 71 cents that January. "That price suggests the market is bracing for a debt restructuring that could force lenders . . . to take substantial writedowns, convert the bonds to equity, or wipe their investment out altogether."[50] If the company had to declare bankruptcy again, a Liberal government might not look so kindly on it remaining so overwhelmingly in foreign hands.

Postmedia had recently been pressing its case for easing foreign ownership restrictions on newspapers, the *Toronto Star* reported, hiring an Ottawa lobbyist to push for changes to the rules. It also sent Godfrey and board chair Rod Phillips to the capital, according to the *Star*, to meet with a senior political adviser to the new prime minister to discuss "possible changes to long-standing cultural protections that bar majority control of media companies by foreigners."[51] Allowing even more foreign ownership of Canada's largest newspaper chain might be a hard sell in Ottawa, however, and would require a re-arrangement of Postmedia's ownership structure.

Postmedia's first-lien debt was held by Canso Investment Counsel, a suburban Toronto investment fund which had loaned it the money to buy Sun Media. Canso had extracted very favourable terms for the loan, including that it would be partly paid off whenever Postmedia came into any extra cash, such as from asset sales. Canso had been quietly buying up Postmedia debt and had accumulated about $100 million of it by the time the company went looking for financing of its 2014 Sun Media acquisition.

"It was not until Postmedia started talking to existing debt holders to see if they would buy more bonds that it became clear Canso owned at least half of the outstanding first-lien bonds," reported the *Globe and Mail*. "Canso then agreed to buy the whole $140-million of new debt. And Canso had leverage to ask for all of it — it owned so much that its consent would be needed to allow the financing."[52]

By June, Streetwise seemed to hold out even less hope for Postmedia, and none for GoldenTree. "It's become clear there's no white knight coming to save the day at debt-laden Postmedia." Media companies such as Torstar and Glacier had passed on the opportunity to buy into Postmedia, it reported, as had private equity funds. The fate of the country's largest newspaper chain, Streetwise predicted, would be decided in "a showdown between its two major creditors, a rough-and-tumble New York-based distressed debt investor and a 15-employee bond fund from the Toronto suburbs." It even predicted a winner, based on the fact that Canso's loan to Postmedia was a first-lien note while GoldenTree held second-lien debt. "Here's the spoiler alert on how any faceoff would end: The Canadians will win."[53]

Meet the new boss

Two months after his appearance in Ottawa before the Heritage committee hearings, Godrey announced a "plan of arrangement" which some described as a mini-bankruptcy. Postmedia's existing shareholders were wiped out and its $345 million in second-tier debt was exchanged for new shares in the company. In a complicated transaction, GoldenTree was replaced as the company's largest debtholder by Chatham Asset Management of Chatham, New Jersey. It paid $100 million for GoldenTree's bonds, then immediately forgave the debt in return for shares of Postmedia stock.

Chatham then made new loans to Postmedia of $115 million at 10.25 per cent, mostly so it could make a $78-million payment to Canso. Its Canadian lender then agreed to extend Postmedia's remaining first-lien debt of $225 million, which paid 8.25-percent interest, until 2021. Postmedia's debt burden thus fell from $648 million to a much more manageable $341 million, which at lower interest rates saved it $50 million a year in payments. News of the rearrangement immediately doubled Postmedia's share price on the Toronto Stock Exchange to 3 cents.

The manoeuvre raised Postmedia's foreign ownership level to a dizzying 98 percent. Chatham itself received 61 million new shares, which brought its holding in the company to 65 percent and gave it 32 percent of Postmedia's voting rights plus three seats on its board of directors. The *New York Times* would later note that the change in ownership "happened so quietly that Postmedia's own financial news site described it as a debt restructuring in a report that included a single mention of Chatham as 'one of the investors.'"[54]

Meet the new boss, not quite the same as the old boss. Under Chatham's ownership, the *Times* noted, the cuts would continue, with another 1,600 employees or 38 percent of its workforce shown the door over the next four years. The real change, however, would come as Postmedia "centralized editorial operations in a way that has made parts of its 106 newspapers into clones of one another."[55]

While the corporate restructuring received little mainstream media notice outside of Canada's business press, it was met with disbelief in alternative media. "The deal surely shreds the phony claim that Postmedia is a Canadian-controlled company," railed Paul Willcocks, a former publisher of the *Victoria Times Colonist*, on the Vancouver website The Tyee. "Who really believes, no matter how elaborate the share structure, that the corporation is Canadian-owned at this point?"[56]

Former *Vancouver Sun* and CBC television reporter Ian Gill described Postmedia as "essentially now just a debt service agency for an offshore hedge fund."[57] The constant cost-cutting required to pay its loans, Gill quipped, had helped reduce most of the country's largest newspapers to "a highly concentrated, nutrient-free, quivering intellectual Jell-O."[58]

The deal was lucrative for Godfrey, however, as the company's new owners insisted that he stay on even longer past normal retirement age to keep working his corporate magic. They offered him even more money — a $900,000 "retention" bonus if he stayed on to helm the sinking ship, plus another $1.4 million for his four top lieutenants. Unions that represented Postmedia workers demanded they return the bonuses.[59] "This is an absolute disgrace," said Martin O'Hanlon of CWA Canada, which billed itself as The Media Union.[60]

> The fact that it is even legal shows how broken our system is. Godfrey has all but destroyed a once-venerable newspaper chain. And it's not because newspapers aren't making money — they are. It's because he needs to feed profits to predatory hedge fund lenders who keep him in their pocket with these big bonuses.[61]

Postmedia workers also looked askance at the bonuses the company's executives were being paid while they were cutting more and more names from its payroll. After the company announced benefit cuts at its non-unionized newsrooms in early 2017, including to health benefits, pension plans, and parental leave, *National Post* editorial staff asked O'Hanlon and the CWA to help organize the newsroom's first union. "It's not that people aren't willing to sacrifice, especially to save the company," he told the *Globe and Mail*. "But when they see [Godfrey] and his guys padding their pockets, they're not willing to sacrifice."[62]

The union drive was framed by the *Globe* as a "hell-freezes-over moment" for the conservative daily. After the CWA signed up a majority of *Post* employees over the next six months, a close vote that fall was disputed and the issue landed with the Ontario Labour Relations Board.[63] It ruled the following spring that the ballot of eligible bargaining unit members failed by a vote of 31-32.

An investigation by the website Canadaland chronicled what it called "an overbearing response from management," which included charges of intimidation. It quoted one former Post journalist as saying that the newsroom became a "very toxic environment" leading up to the vote. "The paper's internal culture presented hurdles for the prospective union; though many reporters skew less stridently conservative than the paper's bombastic opinion section," Canadaland noted. "Even so, many workers felt the situation had deteriorated to the point that they needed protection as a group from the vagaries of Postmedia management."[64] *Frank* magazine published an e-mail to staff from columnist Terence Corcoran as an example of the pressure campaign. "Newspapers are losing revenues and no union can stop the declines and the need to make adjustments in the new business environment," he argued.[65]

Bonuses "justified"

Godfrey disagreed that the retention bonuses were inappropriate. "They did that so the executives would stay on during this whole restructuring process," he explained to BNN Bloomberg. "The executives did stay on through the restructuring process and developed the strategy going forward."[66]

One interviewer wanted to know how Godfrey would explain his bonus to Postmedia employees who were being denied cost-of-living wage increases as the company slashed a further 20 per cent from salaries. "I'd have told them that we did a global search for investors and only one company, Chatham Asset Management, stepped forward," he replied. "They handed over $100 million but first wanted assurances that key employees, me included, would stay. Did I feel awkward about the bonus? Yes. But how would staff feel if we shut down and there were no severance deals at all?"[67]

Even Conrad Black found the arrangement unseemly. "The bond holders control the company and are content to bleed it dry with the complicity of management," he tweeted. "Bankruptcy is next."[68] Godfrey found the criticism a bit rich coming from a man who went to prison for five years a decade earlier after being convicted on charges of fraud and obstruction of justice while piecing off his own newspaper company. "That is not true at all," Godfrey responded. "If it wasn't for these people who had bonds [and] converted them to equity, there'd be no Postmedia today."[69]

Black had bedeviled Godfrey before, arguing in a 2015 conference call of shareholders that Postmedia's only option was to spend its way out of decline by investing in stronger content. "Some of [Postmedia's] newspapers have deteriorated a long way from what I remember," he said as Postmedia shares closed at 80 cents. "Some of it you can't avoid. Some of it you can. But please build the quality, otherwise you're going to retreat right into your own end zone, if you'll pardon the sports metaphor."[70] Godfrey shrugged off Black's suggestion, but even he had to admit that the cuts his newspapers had endured were making them worse. "Are our papers as good as they used to be?" he asked in an interview with *Toronto Life*. "No, but they haven't become unacceptable."[71]

Bailing the company out

Godfrey had now achieved two of his three aims. He had withstood the inquisition of politicians in Ottawa and deftly disarmed Postmedia's debt time bomb, even if he had just kicked it down the road a few years. Now he turned his attention to his third objective, which was to find a more reliable source of income for Postmedia. "I've had a good run," he told *Toronto Life*, lapsing into a baseball analogy, "but I want one more extra-base hit, even if it comes in the bottom of the ninth with two out and two strikes."[72]

Actually, if Godfrey could pull this one off, it would be more like a grand slam home run. What he had in mind was for the Canadian government to underwrite the entire newspaper industry, including Postmedia. He had read a report in the *Globe and Mail* on a paper written by Richard Stursberg, a former head of CBC English, which proposed a new way of funding Canadian media with tax credits. The paper, which Stursberg wrote at the request of Rogers, proposed creating a new government agency that would provide tax credits to encourage the production of any Canadian content, including newspaper articles.

"Since journalism is important to civil society and local TV news and newspapers are increasingly unprofitable businesses," reported the *Globe*, "Stursberg argues they are as worthy of public support as Canadian film or TV. But the notion of government funding, no matter how independently administered and automatically triggered, makes most print journalists queasy."[73] Tax credits solved that problem, claimed Stursberg, who would expand on his argument in a 2019 book titled *The Tangled Garden*. "The tax-credit approach was best for news," it explained, as it would safeguard the independence of journalism "because it involved no judgments by politicians or bureaucrats. They were like any tax measure: If the costs qualified, the payment was automatic."[74]

Godfrey liked Stursberg's idea so much that he invited him to dinner with Postmedia's board of directors. "The board members were enthusiastic," recalled Stursberg. "After the dinner, Godfrey agreed to round up the other newspapers and see if they were prepared to finance a study on how tax credits might work for them."[75] Stursberg enlisted in aid of his project former *Toronto Star* publisher John Cruickshank and Stephen Armstrong, a long-time Ontario civil servant he described as a media economics expert.

The newspaper leaders soon met in Postmedia's boardroom to discuss the plan and were even joined by a senior official from Unifor, a union that represented many of their workers. "It was a strange gathering," recalled Stursberg. "Many of the publishers actively disliked each other. They *all* disliked Paul Godfrey, who they blamed for giving them a bad reputation in Ottawa."[76] [emphasis in original] Their reasons for disliking Godfrey were neatly summed up by one publisher, according to Stursberg. "First he instructs his papers to support Stephen Harper, and then every time he lays off some journalists, he gives himself a bonus. It makes us all look bad at the Prime Minister's Office."[77] The press barons liked Stursberg's idea, however, and even agreed to open their books so he could better craft his study.

The report of the Heritage committee on Media and Local Communities to which Godfrey testified wasn't expected until mid-2017, by which time the newspaper industry would have a comprehensive bailout plan to immediately propose. It would be put forward by its trade association News Media Canada, which had been formed earlier in 2016 through a merger of the Canadian Newspaper Association, which represented dailies, and the weekly newspaper group Canadian Community Newspapers Association.

Meanwhile, however, the think tank report on Canada's news media was released in early 2017, and it could not have done a better job of portraying the situation of newspapers as dire, even if it did play more than a little bit fast and loose with the facts. Produced by the Ottawa-based Public Policy Forum and authored by its new head Edward Greenspon, a former editor of the *Globe and Mail,* it provided a credible basis for the proposal that NMC was tasked to produce, so much so that the two groups began working together on the bailout plan.

The newspaper bosses were not impressed with Greenspon's policy recommendation of a government fund to support "civic function journalism," or coverage of democracy, according to Stursberg, much preferring his idea of tax credits. "They had two fundamental objections," noted Stursberg. "First, they objected to the idea of a fund that they would have to apply to. . . . Second, they found the concept of 'civic journalism' too limiting."[78]

> They had whole sections of their publications that touched on everything from business and sport to culture and lifestyle. They offered book and movie reviews, financial advice, society gossip, profiles of famous personalities, obituaries, crossword puzzles, hockey scores, weather, horoscopes and on and on. The idea that they would be reduced to covering mayoralty races and library openings filled them with dread.[79]

Greenspon assured them that "the mandarins in Ottawa did not like the idea of tax credits," according to Stursberg, so the group decided to put forward both ideas when they met with senior government officials that spring. "If the mandarins really hated tax credits, then better the fund than nothing. As one of the publishers said to me, 'At the end of the day, if the money has to be delivered in a brown paper bag late on Sunday nights in the alley, we'll take it.'"[80]

Their April 2017 meeting in Ottawa with some of the country's most senior bureaucrats did not go well, according to Stursberg. "There was some grousing about fake news and the usual genuflections to the importance of serious journalism . . . It looked like a victory for civic journalism."[81] Greenspon kept sounding out the bureaucrats, Stursberg added, but his idea was going nowhere. "He continued to report that there was no sympathy for tax credits. The boffins at finance hated the tax credits that already existed and wanted nothing to do with extending them to newspapers."[82]

Heritage report

The Heritage committee's report on Media and Local Communities was finally released in June of 2017. Titled *Disruption: Change and Churning in Canada's Media Landscape*, it surveyed the sorry state of Canadian journalism, which it largely blamed on Postmedia. "We are now able to see, fully, the devastating impact of the 2014 Postmedia/Sun Media merger," it pointed out. "Postmedia now owns 15 of the 21 largest English language dailies in Canada and eight of the nine in the Western provinces."[83] Postmedia's massive layoffs of journalists, it added, had greatly diminished the diversity of voices in Canada and even challenged its democracy.

The report made many sensible recommendations, some of which were long overdue, like changes to charitable giving laws to allow tax-deductible donations to fund non-profit journalism, as was allowed in other countries. It also urged changes to the Competition Act, as had a 2006 Senate report on news media, only to be ignored by a newly installed Harper government. News media mergers and takeovers should be treated differently from those in other industries, both reports urged, by adding a diversity test as used in some other countries in order to prevent market dominance by any media owner.

The Fry report left vague any process that should be implemented for subsidizing local news, however, urging only that the Heritage minister "explore the existing structures to create a new funding model that is platform agnostic and would support Canadian journalistic content."[84] As for where the money should come from, however, the report had a very definite idea. It pointed to the vast revenues that Canada's monopoly cable companies were raking in for broadband Internet service provision, which generated profit margins of around 45 percent.

The cablecos were profiting richly from connecting Canadians to the Internet, which in the case of broadband was via the same cable that carried television programming. Bell, Rogers, Shaw and the very few other cable and satellite companies that dominated the industry had for years paid a 5 percent levy on their cable TV revenues, which was imposed to claw back a slice of their monopoly profits to fund Canadian content. The levy went into a Canadian Media Fund, which spent $371 million on Canadian television and digital projects in 2015-16. To fund Canadian news content, the Fry report recommended that the cable levy should be extended to this lucrative broadband provision, an idea which the cablecos had resisted fiercely for years.

The idea was shot down before it could even get off the ground, however. In a time-honoured tradition, the Fry report was leaked to the press and spun to advantage. The *Globe and Mail* reported that a broadband "tax" was its central proposal, which "would open up the government to accusations that it is once again raising taxes on consumers."[85] The article quoted Stursberg as calling the idea "not a viable or desirable option." Calls had been made for years to claw back some of the rich monopoly profits the cablecos made on Internet service provision, for which Canadians paid some of the highest rates in the world, but the telecom giants claimed the revenues were needed to fund the development of broadband and promised to pass on any such levy to customers. "Further taxing of ISPs would raise the cost of service and slow the deployment of high-speed networks," Stursberg told the *Globe and Mail.*[86]

The plan was quickly scotched by Trudeau when it was put to him by reporters in Montreal less than an hour after the report was released. "We're not going to be raising taxes on the middle class through an Internet broadband tax," he said. "That is not an idea we are taking on."[87] Fry attempted to set the record straight, noting that the recommendation had been mis-characterized to the prime minister, as it was not for a tax to be paid by consumers but instead for a levy imposed on ISPs. She sent him a copy of the report highlighting the areas in which he had been misinformed. "Obviously he hasn't read it," she told the *Hill Times.*[88]

The damage had already been done, however. Don Martin, the host of CTV's *Power Play* public affairs program, declared the idea "dead on arrival" in an interview with Fry, who protested that "it was a set-up."[89] *National Post* columnist Andrew Coyne saw the setback as only temporary.

> Yes, the government may have rejected that particular proposal. But it is very much interested in bailing out the media, by which I mean particularly the company I work for, Postmedia — almost as interested as Postmedia is in being bailed out... So we must assume it is going to happen... and all of the elaborate exchange of courtesies that is now going on is simply to provide cover for a decision that has already been taken.[90]

Bailout proposal

Within hours, the newspaper industry weighed in with its proposal for a new journalism funding model, but it was hardly platform agnostic. The very next day after the Heritage report was delivered, News Media Canada proposed extending to daily newspapers the Canadian Periodical Fund, which already provided $75 million a year in subsidies to magazines and weekly newspapers, and boosting it to $350 million a year for five years. The proposed additional aid totaled $1.375 billion and would come mostly in the form of a labour tax credit of 35 percent for every journalist employed, to a maximum salary of $85,000. But the industry's proposal was rejected by Ottawa.

"Our approach will not be to bail out industry models that are no longer viable," then-Heritage Minister Mélanie Joly said that September in unveiling a new cultural policy for Canada. "Rather, we will focus our efforts on supporting innovation, experimentation and transition to digital."[91] Even more irksome to newspapers, the government's culture strategy included a $125-million deal with Facebook for a news "incubator" at Ryerson University and a $500-million investment from Netflix to produce content in Canada over the next five years. As far as publishers were concerned, these digital freeloaders should not only be paying their fair share of taxes in Canada, they should be paying for the news stories they carried on their platforms.

The ugliness Godfrey had promised followed within months. In a move that screamed "up yours" to Ottawa, the two largest chains in Canada traded 41 newspapers in late November 2017, mostly in Ontario, and closed 36 of them, laying off 290 workers and creating dozens more local monopolies. Postmedia received 22 titles from Torstar, including commuter tabloids in Winnipeg and Ottawa, and announced that they would all be closed except for the weekly *Exeter Times-Advocate*.

Torstar got back nineteen newspapers in the deal and closed fifteen of them, including the paid dailies *Barrie Examiner*, *Orillia Packet & Times*, and *Northumberland Today*. It announced, however, that it would continue to operate the paid dailies *St. Catharines Standard*, *Niagara Falls Review*, *Welland Tribune*, and *Peterborough Examiner* through its Metroland Media division. While the deal appeared lopsided in Torstar's favour since it ended up with four newspapers that were still publishing to only one for Postmedia, the real scorecard was the layoffs, which stood 244-46 in favour of Godfrey's team.

The strategy employed by Postmedia and Torstar in dealing with the Competition Bureau seemed to be one of surprise. They did not contact the bureau until a half hour before the deal was announced, when both companies' lawyers phoned it to convey the news and insist that the properties involved did not comprise assets large enough to trigger premerger notifications.

Postmedia issued a statement outlining the deal which ended: "The transaction is not subject to the merger notification provisions of the Competition Act and no regulatory clearance is required to close the transaction."[92] The reference was to a requirement in the Competition Act of advance notice of any merger involving assets or revenues exceeding $88 million. That wouldn't stop the regulator from investigating, however. "A few days later," the *Globe and Mail* would soon report, "the bureau asked to review the transaction agreement, which it received in early December."[93]

A new Black Monday

While Torstar issued a statement and refused further comment, Godfrey oddly did the opposite and made the media rounds. He freely admitted that the deal's catalyst had been Ottawa's rejection of NMC's bailout proposal. "It really picked up steam when the feds closed the door on any assistance for the industry," he told the *Globe and Mail* for its front-page story. "All these products are losing money. We have no choice but to concentrate our focus . . .

We feel that this is a necessity. We're talking about the survival of these [remaining] papers, and the survival of the industry."[94]

Globe and Mail columnist Elizabeth Renzetti called the trade and closures "breathtakingly cynical" for blatantly eliminating competition.[95] "It wasn't cynical at all," Godfrey told The Canadian Press. "It was life-saving. Some of those communities can't afford to have competing newspapers because there's just not enough ad revenue to support them. Eventually, they'd all fold, instead of just some of them."[96]

"This is a crisis situation," Godfrey told the *National Post* for a story buried deep inside its business section. Coverage in Postmedia newspapers accentuated the positive. "The firms say they remain committed to local news and are only closing papers in regions served by multiple publications," added the *Post*. "For example, Torstar bought Ontario's *Barrie Examiner* and owns the *Barrie Advance*; it will close the *Examiner* and continue to operate the *Advance*."[97]

What it didn't mention was that most of the remaining newspapers were weeklies and many of those closed were dailies, meaning that a lot less local news would now be reported, and less often. It also didn't mention the hardship being visited on the laid-off workers. "It means no job, I lose my truck and no Christmas for my kids," Jay Rice, a subcontractor for the *Barrie Examiner*, told CTV, adding that he only found out that he had lost his job when he showed up for work. Long-time reporter Cheryl Browne heard about the deal before she made it to the *Examiner* newsroom. "We were hoping for the best, but when we got here there was a sign on the door saying we were closed," she said, adding wryly: "The government didn't bail us out."[98]

At a wake for the *Orillia Packet & Times*, Joella Shaughnessy Sidhu teared up as she recalled her decades at the *Packet*, editing, taking pictures, and covering news stories from a plane crash to a royal tour. "It was my whole life," she told a *Globe and Mail* reporter. "I lived for nothing else."[99] Two community newspaper associations in Quebec issued a statement "denouncing a deal . . . effectively eliminating local newspapers and monopolizing withering advertising markets," and directly contradicted Godfrey by characterizing the industry as "thriving."[100]

The *Winnipeg Free Press*, one of the few major independent dailies left in Canada, observed that "the Canadian newspaper industry has a new Black Monday."[101] The reference was to the simultaneous 1980 "Black Wednesday" foldings of the *Winnipeg Tribune* and the *Ottawa Journal* which triggered the Royal Commission on Newspapers. Included in the latest closures was Winnipeg's free commuter daily *Metro*, which Torstar flipped to Postmedia. "I'm shocked," said James Turner, a journalism instructor at Red River College and a former *Metro* reporter. "I don't know how the economies worked, but it seemed like they were running an efficient ship. There were always ads in it, so it must have been making some money."[102]

In this real-life board game of Monopoly, Postmedia suddenly owned the *Metro* tabloids in Winnipeg and Ottawa, which competed with its morning *Sun* dailies there, so they were closed. *Metro* had come to Winnipeg in 2011 in the wave of commuter tabloids that swept the world in the dying years of the print advertising bubble. Most had faded away since the bubble burst, however. While once there were three commuter tabloids in Vancouver, for example, now there was only one with the closure of *24 Hours*, which Postmedia traded to Torstar but was closed since it competed with its *Metro* there. The death of *24 Hours* in Vancouver, which launched in 2005 and was the second most-read newspaper in Western Canada before Postmedia acquired it as part of its 2014 purchase of Sun Media, was almost a relief. It had been kept alive for more than a year as a zombie newspaper after its newsroom was closed by Postmedia, which continued to fill it with stories from its *Sun* and *Province* dailies.[103]

Unifor president Jerry Dias had a simple solution to the problem illustrated by the closures. "If the government wants to have a thriving industry, if they want to have freedom of expression, if they want to have journalistic integrity, then we're going to have to find a mechanism to deal with it," Dias told the Canadian Press. "You put money into journalism. That's what the issue is."[104]

The newspaper swap "effectively divided the province of Ontario into two zones of mutual exclusivity, or regional monopolies," noted Dwayne Winseck of the Canadian Media Concentration Research Project at Carleton University. "The upshot of this pattern is that several regional press groups have been consolidated across the country, each with a de-facto monopoly in their territory."[105] By closing the newspapers they acquired, Postmedia and Torstar would each face less competition in certain markets, noted Winseck, including the Kawarthas and the Niagara regions for Torstar, and Ottawa, London and the Kingston-Belleville region for Postmedia.

The closures and Postmedia's acquisition of Sun Media in 2014, Winseck added, increased its share of the Canadian newspaper market from 20 percent to 28 percent, as measured by revenues. The only question was whether the Competition Bureau would do anything about it. "The fundamental reorganization of the newspaper industry . . . has proceeded over the years with hardly any notable intervention from the Competition Bureau."

> The Bureau's long and uninspired track-record of inaction stands as a monument to remind us of Canadian regulators' hesitance to interrupt media owners' prerogatives and so-called market forces. In the meantime, yet another media industry fundamental to democracy remains in distress, with no clear relief on the horizon.[106]

Media denials

In a bizarre turn, Postmedia executives insisted they were surprised when Torstar closed most of the papers it had traded for. The reason for their disclaimers was that under the Competition Act, executives of the companies faced up to 14 years in prison and $25 million in fines if convicted on criminal charges of conspiracy to reduce competition. That could include agreeing not to compete in certain geographic areas, conspiring to restrict the supply of a product, or fixing prices.

"The fact is collusion is just not legal so what we were very, very careful to do was not to speak to each other about what the end result was going to be," Godfrey told the Canadian Press. "Look, we have enough trouble running one newspaper chain and deciding what to do. What they do we always considered is their business."[107] In an in-studio interview with BNN Bloomberg, Godfrey kept emphasizing that one point. "First of all, we didn't know what they were going to do and they didn't know what we were going to do."[108] Godfrey again admitted that the companies made the deal because the federal government refused to bail them out despite two reports that urged assistance to the newspaper industry. "The door was slammed immediately, so what do you expect us to do? We're trying to keep this thing going."

> We waited around eighteen months waiting for the federal government to examine two committee reports, one done by the Public Policy Forum who recommended some aid. The Heritage committee also recommended . . . a certain tax of Google and Facebook. The feds didn't do that so suddenly we had to do something.109

Godfrey admitted that the deal came at Postmedia's suggestion, but he kept making that one point repeatedly. "We asked Torstar if they were interested in doing this, but it was only today that I found out what they were going to do and they found out what we were going to do. We didn't know what each other were doing, so we did the deal."[110] Postmedia's chief operating officer Andrew MacLeod added denials of his own. "We didn't know what their plans were, and they didn't know the same for us," he told the *Globe and Mail* a day after the deal went down.[111] The company's second in command, who had joined Postmedia in 2014 from BlackBerry and was expected to soon succeed Godfrey as CEO, also told a *National Post* reporter that the companies had been "extraordinarily careful" not to share their plans for the properties.[112]

Godfrey doubled down on his denials the following week during an in-studio interview with CBC's *On the Money* program that was nominally about Quebec's announcement of $36.4 million in aid for newspapers in that province but soon focused on the Torstar swap. Godfrey admitted that the companies had been discussing the deal for a couple of years. "We didn't want to make the deal," he told host Peter Armstrong. "We didn't want to, either of us, I suppose, didn't want to enter a deal where you start to hurt community newspapers."[113]

> But when the federal government decided that they weren't going to proceed on reports they commissioned

> themselves there was no choice but to talk to each other. Our staff numbers had dropped, so we figured we'd consolidate our footprint. We wanted to really zero in on London and Ottawa. They thought that was OK providing they could look at Niagara as being their footprint.[114]

Godfrey insisted, however, that neither party to the transaction knew that the other would close almost all of the newspapers it traded for. "We did not have any idea what they were going to do and they didn't have any idea," he said. "We understand the legal rules involving collusion and you can ask anybody from Torstar, you can ask anybody from Postmedia."[115] Pressed by Armstrong on whether Postmedia really didn't know what Torstar was going to do, Godfrey repeated his denial. "We didn't figure that at all. You only figure that if you knew something. We were more concerned with what we were going to do, and I'm sure they were concerned with what they were going to do. . . . You don't share your game plans with your competitors."[116]

The words of the two Postmedia men would soon come back to bite them.