



## CN2i: Doomed to Succeed

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The rise of international media and digital platforms is bringing important changes to the print media industry. Changing the way information is shared and capturing a growing share of advertising revenues, local media, who were previously the sole recipients of advertising revenues and audience, are struggling to survive. Web giants GAFAM (Google, Apple, Facebook, Amazon and Microsoft) are the main cause of these revenue drops. In this context, we present the case of Groupe Capitales Médias, a French-Canadian media company comprised of six print newspapers whose mission is to offer and save local news through its conversion into a producer co-operative.

## Pre-Conversion Story

Created in 2015, Groupe Capitales Médias (GCM) came to be when Martin Cauchon, the sole shareholder at the time, acquired several regional newspapers in Québec, including a few sold by Gesca Ltd., a subsidiary of Power Corporation of Canada. However, in 2017, two years after this acquisition, the company encountered significant financial difficulties. Recognizing the urgency of the digital shift, Groupe Capitales Médias successfully obtained a \$10 million loan in provincial assistance as part of a

government program launched to support print media, dedicating just over half of the \$36.4 million total budget towards supporting digital transformations. Beside this program, Investissement Québec granted an additional \$10 million loan to Groupe Capitales Médias to facilitate its digital shift. For the government of Québec, there was no doubt that the provision of high-quality regional news by these six daily newspapers, encompassing more than 300 employees altogether, was crucial for democracy.

Despite this financial support, in August 2019, Groupe Capitales Médias announced its intention to file for protection under the *Bankruptcy and Insolvency Act*. Given GCM's national scope, the multiple jobs at stake, and its role in protecting access to regional information, the bankruptcy trustee in charge of running the newspapers – following bankruptcy filing from Groupes Capitales Médias Inc.'s shareholders – remained sensitive to the situation.

On the same day, the government of Québec announced an emergency assistance of \$5 million to protect the company from its creditors. Québec's Minister for Economy justified this with the need to keep the press group in operation while looking for an investor or group of investors.

*"Our pension fund is undergoing a significant unfunded liability. I have retired colleagues who are going to lose 30% of their revenue."*

The Confédération des syndicats nationaux (CSN), a Québec-based union federation of independent local unions established in Québec, swiftly announced its pledge to the government assistance and expressed interest in contributing financially to the revival of print media. At the same time, the president of Québecor, a Québec-based company

offering services in commercial printing, media and telecommunications, also expressed his interest in acquiring the group.

Thus, a provisional committee was set up, including representatives from each regional newspaper, namely Gatineau's *Le Droit*, Québec's *Le Soleil*, Trois-Rivières's *Le Nouvelliste*, Saguenay's *Le Quotidien*, Sherbrooke's *La Tribune*, and Granby's *La Voix de l'Est*. In terms of funds required to save the group, the committee presented a buyout plan to the bankruptcy trustee that was largely favouring the co-operative model, founded on two main objectives:

- 1- Gathering enough financial resources to get through the difficult period and providing working capital to get through the next three years;
- 2- Diversifying funding sources so that each partner can commit to their desired level of risk.

The initial idea was to buy the group assets to protect them against liabilities attached with share purchases. However, thanks to favourable government programs, the committee agreed to buy the shares. Thus, on December 23, 2019, Groupe Capitales Médias announced they were selling their six regional newspapers to a new entity: the Coopérative nationale de l'information indépendante (CN2i), a producer co-operative made of the six regional newspapers which had all converted into a multi-stakeholder co-operative, for the nominal cost of one dollar. CN2i took over the 300 employees and obtained \$21 million in financing from public and private stakeholders (Investissement Québec, Desjardins, Fondation and the Fonds de solidarité FTQ, among others).



source: [www.mceconseils.com](http://www.mceconseils.com)

For the start-up phase of each multi-stakeholder co-operative, employees coordinated a fundraising campaign in the form of donations or preferred shares from the community, entitled “Je coopère pour mon journal” (I co-operate for my newspaper). The campaign was successful with \$2.7 million collected in early March 2020, two months after the bankruptcy trustee’s decision to authorize the relaunch through the co-operative model. Public and private financiers of CN2i, which are listed above, were reassured by the success of the fundraising campaign.

In addition to the fundraising campaign, other measures were put in place to help the co-operative take flight. For instance, workers gave up their pension fund and accepted a member employee wage freeze for a period of two years. In addition, they accepted a 5% salary contribution by purchasing preferred shares.

The co-operative also received \$13 million in funding from Desjardins Capital, Investissement Québec, Fondation, the Caisse d’économie solidaire Desjardins, the Fonds de solidarité FTQ, the Fiducie du Chantier de l’économie sociale and the Réseau d’investissement social du Québec. This funding was attached to a joint guarantee made

by all seven co-operatives that they were collectively responsible for the debts incurred by each individual co-operative.

In March 2020, the general manager of Coop de solidarité Le Soleil made the following statement in a letter to readers:

*“Support from our partners isn’t a profession of faith. It comes from our strong community support (your donations, which totals \$2.7 million). It mostly comes from a thorough analysis of our business plan, or development plan, and our ability to evolve.*

*Because it’s obvious that no partner would’ve been on our side if we only wanted to continue operations under the same model. Doing the same thing, but better? It’s a start, but it’s not enough.”*

(Carignan, 2020)

**Table 1: Catalysts for the Conversion of Groupe Capitaux Médias into CN2i**

<b>Features of the Initial Company</b>	<ul style="list-style-type: none"><li>• Private group of community newspapers</li><li>• Centralized decision-making process</li><li>• Financial difficulties in the print media industry</li></ul>
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<b>Features of the Group and Stakeholders</b>	<ul style="list-style-type: none"> <li>• 300 qualified information professionals with a regional presence becoming worker-members</li> <li>• Readers and advertisers from the community being consumer-members</li> <li>• Investissement Québec (Government of Québec), principal creditor of Groupe Capitales Médias Inc.</li> </ul>
<b>Features of the Supporting Organizations</b>	<ul style="list-style-type: none"> <li>• Dedication of communities of readers and advertisers to their regional newspapers</li> <li>• Belief of support and financing agencies listed below in CN2i's mission and vision : <ul style="list-style-type: none"> <li>◦ Desjardins Capital, Investissement Québec, Fondation, Caisse d'économie solidaire Desjardins, Fonds de solidarité FTQ, Fiducie du Chantier de l'économie sociale, Réseau d'investissement social du Québec</li> <li>◦ Conseil québécois de la coopération et de la mutualité</li> <li>◦ MCE Conseils</li> </ul> </li> </ul>

## CN2i Structure

CN2i's mission is to gather and share the information and resources to provide information services to their regional populations, while preserving the independent nature of the newsroom. CN2i also upholds the vision of professionalism, quality, and diversity of information in Québec.

CN2i's co-operative model operates on two levels; first, each regional newspaper is a multi-stakeholder co-operative. The categories of members are workers (employees,

journalists and other employees linked to the production of regional news) and consumers (readers and advertisers), while the editor-in-chief acts as manager. Each of the six co-operatives adopt their own budget and prepare their annual income statement as independent entities.

Furthermore, the six co-operatives are members of the CN2i as producers. This second-level co-operative, without being a federation, offers common services to each co-operative, including financial planning for the entire group, digital shift coordination, and human resource management.

In addition, as a CN2i member, each co-operative provides a service to the entire group. For example, classified ads are managed by one of the co-operatives, while obituaries are handled by another, and customer service for the digital shift is handled by a third one. By taking responsibility for a shared activity, each co-operative produces content for CN2i, the producer co-operative.

Regarding the distribution of content, the Coop de solidarité Le Soleil in Québec City and the Coopérative de solidarité Le Droit in Outaouais benefit from the respective presence of provincial and federal governments. Indeed, governments generate news not only about regional matters, but of national interest, resulting in these two co-operatives being highly sought-after. Thus, the co-operation agreement between the CN2i member co-operatives provides for a revenue model that includes the distribution of content between co-operatives.





source : pexel.com and Mike van Schoonderwalt

As for governance, the CN2i board of directors has six directors, one from each co-operative, with a seventh member delegated by investors. A representative from MCE Conseils is present as an observer for strategic oversight.

The board of directors meets once a month with the co-operatives' general managers, who do not have voting rights. These meetings provide an overview of the organization's activities. Then, once a month, the board meets without the presence of the general managers, making it possible to prepare more formal resolutions to be undertaken by the board.

The group strategy was first developed by CN2i, and each co-operative was then called upon to complete its own strategic plan in line with the group's objectives, which were then integrated into CN2i's overall plan. In the event that a co-operative does not meet its objectives and performance indicators, it must submit a recovery plan to the other co-operatives. This structure differs greatly from the group's past experience where a



central authority controlled the activities. Since converting into a co-operative, each co-operative is autonomous with its own strategic plan.

## Role of the Main Stakeholders in the Conversion

### MCE Conseils's Role

MCE Conseils is a strategic consulting firm founded in 1987 that offers diversified management support and presents “economic expertise at the service of social values” (MCE Conseils). With extensive mediation expertise in the co-operative sector, particularly with Québec paramedic co-operatives, MCE Conseils was called upon to help develop the co-operative solution and provide strategic coaching.

The mandate was approved after presentations were made in front of the workers with an agreement in principle to explore the co-operative path. Essentially, workers from each regional media were called upon to vote on a theoretical co-operative revival project for the newspapers of Groupe Capitales Médias Inc. From the beginning, the message presented to the workers was that the group's evolution would be constant, and that it was important to reflect on the best way to organize activities and distribute them equitably among the co-operatives.

While the co-operatives were starting up and negotiating with the bankruptcy trustee, MCE Conseils developed training sessions for workers. Initially, these sessions were meant to give members confidence in adopting the co-operative model, while knowing that the design of the organizational structure would be defined over time. Training began at a crucial period of the co-operatives' establishment, as it was during the negotiations surrounding the pension fund, which the workers had to give up while the

funding structure was being developed. At the same time, MCE Conseils helped organize community involvement fundraising and developed an overall plan for the six newspapers, emphasizing on the importance of collaboration and understanding the issue of taking actions on a national level. Training sessions were held in an emotion-filled context, making the process even more challenging. Members were surveyed to know their training needs. It should also be mentioned that these training sessions began in the midst of the Covid-19 pandemic, accelerating the digital shift. While still in-process to this day, this training must continue in order to stay focused on the strategic plan and the co-operative potential.

## The Unions' Role

A co-operative's structure manages the relationship between individual members and the co-operative's governing bodies, namely the annual general meeting and the board of directors. Thus, in terms of work performance, co-operative life is not linked to working life in terms of labour relations, performance, and contributions of a member in terms of work.

Despite all this, CN2i newspaper workers are registered under two union federations: the Fédération des travailleurs du Québec and the The Confédération des syndicats nationaux (CSN). In this context, these union federations had to make sure the structures in place are well understood and see to the fair treatment of working conditions, the respect of workers' rights, and the negotiation of these same conditions on the employer's side.

**Table 2: Facilitating Ecosystem for CN2i**

Type of Support	Facilitating Stakeholders	Facilitation Actions
Financial Support	Community of readers and advertisers	Contributions to the donation campaign and purchase of preferred shares
	Information professionals	<ul style="list-style-type: none"> <li>• Waiver of the pension fund</li> <li>• 2-year wage freeze</li> <li>• 5% salary contribution by purchasing preferred shares</li> </ul>
	<ul style="list-style-type: none"> <li>• Desjardins Capital, Investissement Québec, Fondation, Caisse d'économie solidaire Desjardins, Fonds de solidarité FTQ, Fiducie du Chantier de l'économie sociale, Réseau d'investissement social du Québec</li> </ul>	Financial support with various loans
In-kind Support	N/A	N/A

<b>Technical and Developmental Support</b>	MCE Conseils	<ul style="list-style-type: none"> <li>• Negotiations with the bankruptcy trustee</li> <li>• Financial package</li> <li>• Co-operative structuring</li> <li>• Training</li> </ul>
<b>Government Policies and Programs</b>	Government of Canada	<ul style="list-style-type: none"> <li>• Tax credits and tax incentives for print media</li> </ul>

## A Few Findings Related to the Conversion Process

The implementation context of the co-operative model as an effort to relaunch the newspapers of Groupe Capitaux Médias Inc. allows us to make some observations:

- First of all, action had to be taken quickly. The project had to be structured in its entirety in less than two months from the filing of the proposal to the trustee's bankruptcy decision, granting CN2i to relaunch in the fall of 2019. This timing crunch took place in the backdrop of economic challenges Groupe Capitaux Médias Inc. was facing, such as their high level of debt and an unviable business model. As a result, the process was complex and risky, and co-operative implementation and membership good practices could not be fully completed.
- It must be pointed out that financing a project of CN2i's magnitude is particularly difficult, and in this case, the workers' financial commitment was a major factor of success, especially considering that the media are part of an economic sector

that is undergoing significant structural changes. This was largely possible thanks to the quality of the business plan and MCE Conseil's expertise in co-operatives.

- Factors that contributed to building a solid foundation are as follows: First, the worker-members were educated, informed, and quick to understand the issues related to the requested changes, allowing for such a quick turnaround. Second, the interim general manager of GCM appointed by Investissement Québec, GCM's principal creditor, following the departure of the previous manager, accepted the mandate to act as General Manager of CN2i and lead the transition. With a clear vision and plan, stakeholders were able to diligently find support and work with the necessary co-operation to lay the groundwork.
- Since the co-operative's relaunch in March 2020, other challenges have surfaced. First, the COVID-19 pandemic required a review of existing practices. Suddenly, remote work practices had to be adopted. Originally, CN2i's strategic plan called for the digital shift to take place in 2021 and 2022, but the co-operative group had to implement it as early as 2020. Such a shift involved multiple changes in the fundamentals of news production. Writing for the web, where news is published at any time of the day, required adjustments given the previous model that produced news for the next day. In addition, the subscription system had to be revised with the implementation of a paywall, given that the print edition went from six copies per week to only one on Saturdays.

*“We need to revisit our organizational practices to reach a level of stability. We needed to cut some jobs. Basically, this ongoing change implies more than a simple conversion of a shared capital structure into a co-operative structure. It’s about rethinking the entire model.”*

- The establishment of CN2i received a lot of support. In addition to support from the community mentioned above – which convinced investors to follow suit – the stakeholders within the ecosystem must be recognized, including the Conseil québécois de la coopération et de la mutualité (CQCM), the Chantier de l’économie sociale, the Coopérative de développement régional du Québec and the unions.
- At the time of writing this case study, CN2i is on track with its plan and the financial situation is stable, but the game is not won. A high-profile case like CN2i will be judged on its ability to prove itself as an innovator in a changing business sector. The resilience of the co-operative model is being tested. In this context, CN2i is doomed to succeed.

