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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Thursday, May 5, 2016**

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**Chair**

**The Honourable Hedy Fry**



## Standing Committee on Canadian Heritage

Thursday, May 5, 2016

•(0845)

[English]

**The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)):** Good morning, everyone. I'm calling the meeting to order.

Mr. Breton.

[Translation]

**Mr. Pierre Breton (Shefford, Lib.):** Madam Chair, we have been summoned to the House this morning by the Prime Minister because of the extraordinary situation in Fort McMurray. The Prime Minister will be making a statement.

Does the committee wish to hear from the witnesses for the first part of the meeting and then go to the House? I'm not sure whether everyone has been summoned for 10 a.m. I am asking whether the committee wants to adjourn at 9:45 a.m., after the presentations of the first witnesses, in order to go to the House in light of the extraordinary situation in Fort McMurray.

[English]

**The Chair:** Is everybody...?

**Hon. Peter Van Loan (York—Simcoe, CPC):** [Inaudible—Editor] witnesses from some distance.

**The Chair:** Yes, Ms. Dabrusin.

**Ms. Julie Dabrusin (Toronto—Danforth, Lib.):** Just to clarify, he was talking about the part after witnesses, because we do not have witnesses for our second hour today.

**Hon. Peter Van Loan:** Oh, okay.

**The Chair:** Well, we're having an in camera meeting.

I didn't quite get what you want to do with that.

**Mr. Pierre Breton:** I just want to be sure on whether the committee wants to go to the House at 10 o'clock for the *discours du premier ministre* about the situation at Fort McMurray.

**The Chair:** Yes.

No, I think we have work to do. I think we should do the work.

We have two groups of witnesses today, Magazines Canada and the National Campus and Community Radio Association.

I must say that we're looking forward to hearing not just from Magazines Canada, but specifically from the National Campus and Community Radio Association. If anybody is local, you guys are, because you're so very focused on campus. I'm glad you were able to come.

Here's how it works. You have 10 minutes to do a presentation. I'll try to give you a two-minute call so that you know you have two minutes left, but I'll have to cut you off at 10 minutes. This means 10 minutes for one group and 10 minutes for the other. Then we will move into a question-and-answer period.

I know the clerk briefed you on the themes we're studying. I won't go over them, but I hope you will address some of the issues we are looking at in our themes. Thank you.

Perhaps we will begin with Magazines Canada, represented by Matthew Holmes, president and CEO, and Douglas Knight, board chair.

Have you decided who will speak?

**Mr. Matthew Holmes (President and Chief Executive Officer, Magazines Canada):** We'll share.

**The Chair:** All right. Begin, please.

**Mr. Matthew Holmes:** Thank you, Madam Chair and honourable members. It's a pleasure to appear before you today.

My name is Matthew Holmes. I am the president and CEO of Magazines Canada, the national body representing Canada's magazine media, including arts and culture, consumer, and business titles. I'm joined by the chair of our board, Douglas Knight, who will share our time.

There are roughly 2,000 Canadian magazines in the market today, including 1,300 consumer and 700 business titles. Given what's facing the papers, you may be surprised to learn that this number represents an increase of 30% in Canadian magazine titles since the year 2000. This is a \$2-billion sector directly creating tens of thousands of high-quality knowledge economy jobs.

Here's what you need to know. In addition to our stable numbers, we also have a committed and stable readership; in fact, the latest figures released just three weeks ago show that more than 70% of Canadians read Canadian magazines across all platforms, print and digital. This is true for all age groups, young and old alike.

There has been a history of protective legislation put in place to allow Canadians equal access to Canadian voices in the media. This goes back to before Confederation and in the establishment of Canada Post, which ensured that there was equal access to the same service, and the same postal rate charges, regardless of where you lived in the country or where you were distributing to.

Policies such as these have contributed to the fact that 80% of the base of readership of Canadian magazines comes through subscription. This is one of the highest magazine subscription rates in the world, ensuring that Canadians remain major consumers of Canadian content, even though U.S. imports have historically dominated newsstand displays.

Magazines Canada feels that we must maintain our current policy framework for magazine media, including the Canadian periodical fund, to guarantee that Canadian content and voices continue to reach their audiences.

Finally, as we grow new audiences on new digital platforms, it's important to know that the magazine sector in Canada has been an absolute leader in digital innovation. Upwards of 90% of our members are publishing on digital platforms, often on multiple digital platforms. We even developed the country's first digital newsstand in partnership with Zinio years before Apple or Texture launched their products.

The question is not whether magazines are print or digital. With 92% of Canadian readers still choosing print as part of their reading experience, the question instead is how to support both print and digital.

To speak more to these issues, I'd like to introduce the chair of the board of Magazines Canada, Douglas Knight, president of St. Joseph Media, publisher of numerous Canadian magazines and digital properties, including *Toronto Life*, a former publisher and CEO of various Canadian newspapers, and founder of ImpreMedia, the largest Spanish-language media company in the United States.

Doug.

• (0850)

**Mr. Douglas Knight (Board Chair, Magazines Canada):** Thank you.

Good morning, Madam Chair and members.

I just bumped into Jim Balsillie in the hotel as I was leaving. He's about to testify at the international trade committee. He challenged me to open by saying "Deep thoughts", and that is what I'm going to say: "Deep thoughts."

**Voices:** Oh, oh!

**Mr. Douglas Knight:** I don't know if I have deep thoughts, but I do hope that at the end of this you will go away saying, gee, I hadn't thought about it that way.

Many years ago I was teaching a course at the University of Toronto on the politics of Canadian cultural institutions. As a result, believe it or not, I've actually read the 1920 Aird commission on radio, the Massey commission, the Fowler commission, the O'Leary commission, the Davie report, and the Kent commission. Of course, I have followed all of these issues since.

My takeaway is that the work of this committee, studying how Canadians are informed about local and regional experiences through news, broadcasting, and digital and print media, continues a very deep tradition of concern in this country for making space for Canadian voices and Canadian choices.

To be clear, the core focus has been, and I would argue should be, on ensuring that we make space for Canadian voices and choices to the benefit of Canadians and not exclusively through the lens of the companies who do the work.

Why are Canadian voices so important? I also happen to be the chair of Writers' Trust of Canada and was in town last week for our Politics and the Pen dinner. In some remarks I was making at a reception at the U.S. ambassador's residence the night before, I told a story I had heard from Governor General David Johnston. He was hosting a dinner for Angela Merkel at Rideau Hall, and after dinner she took him aside and said she had only one question: how do you do it?

What she was asking, of course, was how we in Canada manage to find more strength than division in our diversity.

Now, having lived and worked in New York City and having owned papers in New York, L.A., and Chicago, this is a question that I've been thinking about for some time. What makes Canada so unique? While we always aspire to be better, to the world we are a model for finding strength in our diversity. Why is this? As a country of east and west, north and south, first nations peoples, French and English, immigrants from more than 200 ethnic groups, seeing the world through others' eyes has for more than 150 years—sometimes difficult years—become who we are. It's in our DNA, and it's who we aspire to be. I suspect that nowhere will you recognize this more than in our political discourse.

If there is a particular Canadian genius, it is perhaps easiest to discover in the work of our writers and our artists. They tell our stories. They help inform the Canadian imagination, our way of seeing the world through others' eyes, finding strength in empathy, not antipathy—even, and perhaps especially, when we disagree.

My takeaway is that rarely has there been a time when Canadian voices are so important. They are important to Canada in continuing to build strength from our diversity, and they are important as an example to the world of how this gets done.

Do Canadians care? At the risk of suggesting that I don't have a day job, I'm also the chair of the Governor General's Performing Arts Awards. A couple of years ago, we introduced the notion that Canada is an arts nation. You often hear that we're a hockey nation, which has been pretty tough this year; if you're from Toronto, it has been tough since 1967.

**Voices:** Oh, oh!

**Mr. Douglas Knight:** But the digital geeks at MIT did an interesting study a couple of years ago, looking to identify the most famous citizens of 160 countries by examining their digital footprint. Canada was the only country to emerge from the study where all ten of the ten best-known Canadians around the world were writers and artists—not a politician, not a general, or a hockey player among them. That may be changing in the last six months, but we'll see.

A second surprising fact, which is reported each year by Statistics Canada, is that ordinary Canadians in all of your constituencies from coast to coast to coast spend more than twice as much attending the arts each year as they spend attending all sports put together. That's just true. My takeaway is that Canadians punch way above our weight in the creative industries and that Canadians have a real appetite for Canadian voices and Canadian stories.

The experience of Canadian magazines confirms this. Despite the enormous disruption and disintermediation of traditional media caused by the expansion of the media ecosystem, which has dramatically reduced daily newspaper readership and put pressure on traditional broadcast audiences, magazines have maintained their readership. Magazines, as Matt said, are read by seven out of ten Canadians—again, of all ages.

It should also be said that Canadian magazines have been, as Matt said, leaders and innovators in the digital space.

I'll give just a couple of examples from my own shop. *Toronto Life* magazine in print is read by more people in Toronto than read *The Globe and Mail* and the *National Post* combined; and several years ago, *Toronto Life* was the first magazine in Canada to have a larger digital audience than print audience.

In a very different space, we happen to publish *Fashion* magazine. *Fashion* magazine has the largest social audience of any magazine in Canada.

The takeaway here is that we get it and we know how to do it. In fact, we offer this service to a wide range of organizations looking to understand the new media ecosystem.

● (0855)

We created all the content and design for the new National Music Centre in Calgary and we developed their digital platform. We are building the public portal for the celebration of 2017. It's the digital platform and content engine for the whole country. We've just completed the digital platform and content strategy for the University of Guelph's new global Food Institute. These are just a few examples; there are many more.

However, this does not mean that digital has replaced print, that all is well in the world, and that the problem has been solved. In our time with you this morning, with just 10 minutes, Madam Chair, to present our views—

**The Chair:** There are two left.

**Mr. Douglas Knight:** Thank you. I'll go really fast then.

In terms of our views on a very complex and rapidly changing media ecosystem, it has occurred to me that the real value will be in the question period. Please don't ask me about quantum computing, but it is tempting in a forum like this to come before you and make a narrow case for why our particular industry is deserving of more support to protect us from disruption or unimpeded voices from the giant next door.

My intention is to take a broader view, and to hope that your intention is to take a broader view, and avoid the temptation of simply identifying today's pain points and seeking short-term band-

aids. The fact is that change is so rapid, whatever solution we think we've discovered today will be out of date tomorrow.

**The Chair:** You have one minute.

**Mr. Douglas Knight:** Oh, oh. Then I'm in trouble, Madam Chair.

**The Chair:** I'm not taking up your time, but you can during the questioning expand on some of things you were going to say.

**Mr. Douglas Knight:** I look forward to someone asking that question: "What did you mean to say?"

**Voices:** Oh, oh!

**Mr. Douglas Knight:** I'd like to say that the two things that haven't changed—in the 60 seconds I have left—is that there is still a huge appetite among Canadians for Canadian content and there is still a huge pool of Canadian writers and artists eager to create Canadian content. What has changed is the business model, our way of paying for it and delivering Canadian content. We're not losing readers, we're losing advertisers.

I'll stop there, Madam Chair, so that the questions can take over.

**The Chair:** Thank you very much.

May I ask witnesses to speak slower? The interpreters have a hard time following you.

I know, Mr. Knight, you were just trying to get through your presentation in the right time, but perhaps I could ask you to think about that a little bit. Thank you very much.

Now we will go to Mr. Smith, the membership coordinator of National Campus and Community Radio Association.

**Mr. Luke Smith (Membership Coordinator, National Campus and Community Radio Association):** Thank you, Madam Chair and members of Parliament.

My name is Luke Smith. I am the membership coordinator for the National Campus and Community Radio Association.

The NCRA is an association of mostly English-language not-for-profit radio stations committed to volunteer-driven, community-oriented radio across Canada. Our goals are to ensure stability and support for stations and promote long-term growth and effectiveness in the sector. We have 95 members, including 60 community stations and 31 campus-based stations.

Radio is important to Canadians. According to the CRTC, Canadians listen to about 17 hours of radio per week, and it's still one of the largest platforms that people use to consume media. We have more than 175 stations across the country, which represent about 16% of licensed radio stations. That percentage is growing. In 2014, 30 new community station licences were granted by the CRTC. We expect this growth to continue, since some areas of the country remain unserved and underserved by community radio.

Making radio is expensive. We believe there should be more government financial support for community radio stations, especially those in rural areas. For example, I spoke recently with the “voice of Aurora”, CHRA-FM in Aurora, Ontario, a new station being led by a very devoted group of volunteers. They've obtained support from the town council and every local business organization they can find, and yet they're still struggling with the costs of setting up the station, likely to be \$35,000 to \$50,000 to set up, not including maintenance and operating costs.

Most community radio stations depend on local fundraising, which is insufficient, particularly in small communities. There are few operating grants available. They can't obtain charitable status, so they cannot get private charitable donations or grants from most foundations. To our knowledge, although Canadian Heritage has funded other kinds of community media, it has never funded community radio. We encourage you to consider changing that.

Local news and public affairs programming is essential to our democratic process, helping keep citizens informed and engaged. Our sector is unique in providing a forum for citizens to participate in the broadcasting process and speak to each other about important local issues. Our members broadcast local information and analysis that is not heard on other stations.

With respect to local news, we define local programming based on current or target AM or FM signal range. Our members apply this definition even when they can reach a larger audience, such as through the Internet. This is because focusing on the area around their physical station is an effective means of bringing people together and encouraging dialogue and community building.

It also helps them determine which news and information is most relevant, and community members living within a station's signal range play a crucial role in choosing and creating relevant programming. It's this feature that maintains strong community support for community radio stations, despite the preponderance of new media options.

We're discussing the erosion of local news reporting at this hearing, but we believe our sector's capacity has actually increased rather than eroded. This is due to funding from the Community Radio Fund of Canada, which distributes Canadian content development funds collected by the CRTC from commercial broadcasters to community radio stations. This new funding now represents around 11% of our sector's revenue. It has enabled many stations to provide local news coverage for the first time ever, despite how labour-intensive this work can be.

However, this funding is project-based and non-renewable, and there isn't enough to go around. For example, CICK, a tiny station in Smithers, B.C., received a CRFC Youth on Air grant in the past to hire youth reporters to cover local news and events. Without renewable funding, the station has lost an important source of programming. The CRFC funding is a huge improvement for our sector, but it's not enough to ensure that all stations can provide ongoing, high-quality news coverage.

Our members are engaged with local news in unique ways. For example, when there was a flood in nearby Minden, Ontario, that was not covered by any other station, CKHA-FM in Haliburton, or

Canoe FM, broadcast live on location and overnight to give residents information about where to get help. Most commercial stations do not provide this level of local programming.

● (0900)

Many of the stations provide similarly unique local services. For example, CJRU in Toronto, Ontario, has programming aimed specifically at new Canadians. CHMR-FM in St. John's, Newfoundland, has a program produced by a local refugee and immigrant advisory council and broadcasts live coverage of student elections at Memorial University hosted by students. CFTA-FM in Amherst, Nova Scotia, provided the only live electoral coverage in town, including reports from the successful candidate's headquarters. CJNU-FM in Winnipeg, Manitoba, broadcasts live from locations around the city, such as hospitals and charities, thereby better connecting them to the community.

The MLA serving the CJMP-FM area in Powell River, B.C., phoned them to ask to appear on their radio show, because it was one of the only ways he could communicate with his constituents. CKUW-FM in Winnipeg, Manitoba, provided provincial election coverage, focusing on issues that other media didn't cover, such as child welfare, disability issues, poverty, indigenous rights, and climate change. CFUZ in Penticton, B.C., and CFAD-FM in Salmo, B.C., provide live coverage of council meetings. CJSW-FM in Calgary, Alberta, hired summer students to create news programming featuring small sub-communities in Calgary, including LGBT groups, artist communities, and more.

Our members also serve local ethnic and third-language communities by providing training and opportunities for community members to produce their own news and public affairs programming. Across the country, our members serve more than 60 linguistic and cultural communities. For example, CHHA in Toronto is the only Spanish radio station in Canada. It also has programming in Italian, Portuguese, and Tagalog.

Each community station approaches local news differently, but most involve teams of volunteers. Few grants are available for long-term operational staff, so news-related jobs in our sector are usually low-paying, temporary, and project-based. This makes it difficult for stations to provide consistent support to volunteers to ensure high-quality programming.

For example, CKUW-FM's news programming focuses on voices not heard in other media and in-depth discussions of local issues. They recently won the community radio award for programming that featured local perspectives on the Museum of Human Rights, but the part-time news director works twice as many hours as the station can afford to pay him.

As well, CJMP in Powell River, B.C., is the only local news source but could not fulfill this role without the CRFC grant. CHXL-FM in the Okanese reserve in Saskatchewan wants to develop programming in the local indigenous language, which was nearly wiped out by residential schools, but they don't have enough staff or resources to do so.

Media concentration creates challenges and opportunities for community stations. For example, it is hard for community stations to compete with more powerful commercial broadcasters for advertising dollars. On the other hand, community stations offer a wider diversity of voices and perspectives on local issues, deeper local insight, more unique local content, and a hyper-local perspective that consolidated commercial stations cannot provide.

To turn to the issue of new media, we see it as a way for our members to extend their broadcasting reach to more members, including millennials, but it's not a replacement for AM or FM. Most of our members have websites that simulcast their signals. Many provide streamed or downloadable archived programming. Some provide video streams, audio web streams, and blogs. Most use social media.

The NCRA's radio exchange, which is a website for stations and producers to share programming, allows stations to obtain and broadcast each other's niche programming.

• (0905)

**The Chair:** You have one minute.

**Mr. Luke Smith:** Okay.

For example, I produce a show for gender and sexual minorities, which is available on the exchange and has a strong online following.

The NCRA has also launched a national campaign with partners to pressure the manufacturers and network providers to ensure that FM chips are embedded in cellphones. According to the CRTC, 22% of Canadians stream radio online, and FM chips are more energy-efficient and cost-effective than mobile radio options requiring data service. We're hoping to replicate the success of a U.S. campaign in Canada.

I think that's probably about time.

**The Chair:** Thank you very much.

I'm sorry, I have to ask: did I detect Irish in that "h" pronunciation?

**Mr. Luke Smith:** I'm from southwest Wales originally.

**The Chair:** Ah, okay. Thank you very much for your presentation.

I think both of you offered some insights into exactly what we're looking at under our themes and services. That's good.

I will begin now with the questions. There's a seven-minute segment for each questioner, but that includes the answers. I'm asking you to be very succinct in both your questions and your answers so that we can get through as many questions as possible.

We will begin with Ms. Dabrusin for the Liberals.

**Ms. Julie Dabrusin:** Thank you.

I will start with Magazines Canada. It seemed to me that you had a little more to say about how people pay for and how you continue to monetize magazines. Would you like to go on a bit more?

**Mr. Douglas Knight:** That's terrific. Thank you.

The point I wanted to make is in terms of the difference of the business model. There is a narrative that suggests we're going from print to digital, and that if we could simply replace our print audience with our digital audience, the advertisers would follow and all would be well. This is not true.

For a number of reasons, it just isn't true. We can have much bigger digital audiences than print audiences. That's no problem; we've already done that. The advertisers don't follow. Advertisers have migrated from content producers to distributors, so Facebook and Google now have the vast majority of the digital revenue, and that's growing. Facebook will take 43% of all global growth in digital revenue in this year. That's just true.

There's something else that's happening, and that is, believe it or not, that desktop and laptop use has flattened and in fact is beginning to decline as mobile is taking over. Mobile is the seventh mass media. Mobile is a different media. All digital is not alike.

Eighty-three per cent of Facebook's revenue this year will come from mobile, and here's the dirty little secret: advertising doesn't work in mobile. It's just less effective as a medium, so advertisers, who have been disrupted just as much as the media has been disrupted—and you have to broaden your view and not just look at media—are now pursuing content strategies, where they can actually go around media and go onto Facebook, Google, and other platforms and create their own stuff. As for the idea that the simple answer is "let's just help people get better at digital", that's not the answer.

Is that helpful?

• (0910)

**Ms. Julie Dabrusin:** Sure. Our task, then, is to find some answers.

I have two parts. One question is what I asked someone last week about the tax being the way it is. The CRA provides tax deductions for advertising in print and in broadcasting. That favours Canadian media. There doesn't seem to be anything in line 8521 about digital. I was wondering if you any thoughts about that.

**Mr. Douglas Knight:** Well, (a), it's true, and (b), anything that would nudge people towards supporting Canadian content producers is a welcome thing, for sure, but for the reasons I have just outlined, that will not be a magic bullet. It will be a helpful moment, but it won't be transformative, if that's fair to say.

**Ms. Julie Dabrusin:** All right. No, that's entirely fair.

Because we have to think ahead and, as you said, we have to think about how to deal with the fact that we're moving towards mobile and it's not just a digital issue, do you have any thoughts about how we support Canadian voices and local voices when people are moving towards a mobile environment?

**Mr. Douglas Knight:** You'll be surprised to hear that, yes, I do.

**Ms. Julie Dabrusin:** There you go.

**Mr. Douglas Knight:** For the Canadian companies that are involved in this, it's up to the companies to take the risks and to experiment with the changes and so on. I don't think it's really the role of government to try to be a venture capitalist in that sense. The important core to this, though, for Canadian voices and Canadian choices, are those professional editors and writers who, during the transition, actually are in danger of getting wiped out.

I really point to Canadian editors. It's easy to look at the guys with bylines or the famous faces in broadcast, but it's really the editors, that core group of professionals, who take years and years of experience to become the story crafters. Those are the ones who identify and nurture the writers. Those are the ones who actually create the storytelling strategies. That group of people is absolutely essential. That's a core critical mass capability, and I think it's important that we focus on making sure we don't lose that capability, whether that's interns coming in at the beginning or whether that's making sure those people are employed. Those are highly skilled and high-value jobs, and it's really, really important.

We're seeing newspapers laying off people like crazy, and magazines are laying off people like crazy. We're trying not to do that, but I will tell you this: that's the core group of people. From a storytelling capability point of view, that's the group of people I would be focusing on.

**Ms. Julie Dabrusin:** All right.

My friend Monsieur Breton had asked to share some time, so I'm going to share my time now.

**The Chair:** You have two minutes.

[Translation]

**Mr. Pierre Breton:** Thank you, Ms. Dabrusin.

Welcome, everyone. Thank you for being here today.

My question is for you, Mr. Smith.

There is a fund called the Community Radio Fund of Canada. Could you give us more information about that? First, where does the funding come from? Second, what is the money for?

[English]

**Mr. Luke Smith:** Certainly. The radio fund is funded by the Canadian content development requirements for all commercial broadcasters. As a condition of licence, commercial broadcasters are

required to give I think around 5% of their revenue to develop Canadian content. This money goes into FACTOR and it goes into the radio fund. Broadcasters also have discretionary spending for their own projects. Last year, I think the radio fund handed out around \$3 million to radio stations. These are usually grants to develop programming and new initiatives. The local radio station CKCU-FM developed a grant to hire somebody to engage with local festivals, produce programming, and better connect them to local communities.

It's used more for project-based programming. There really isn't any funding available for structural costs, which is what a lot of our stations are struggling with.

● (0915)

**The Chair:** You have one minute.

[Translation]

**Mr. Pierre Breton:** Thank you, Madam Chair.

My next question is for Mr. Knight or Mr. Holmes.

Canadian Heritage gives \$75 million in grants. However, I am not sure whether any money goes directly to Magazines Canada.

Does that fund still meet the needs of the industry? If not, what do you suggest?

[English]

**Mr. Douglas Knight:** Thank you. That's a very good question.

The CPF, the Canadian periodical fund, is a successor to the Canadian postal subsidy that happened before Confederation. The idea with the postal subsidy was that every Canadian would be treated equally. It didn't matter where you lived in the country, it would cost you the same to get your weekly newspaper, your magazine, and your mail.

Over the years, that transferred from Canada Post to the Department of Canadian Heritage and became what we have now, CPF, which is based on providing a very important subsidy to Canadian magazine publishers and weekly newspaper publishers to do exactly what I was talking about, which is to make sure we're providing content.

That \$75 million is what Matt was talking about in terms of that program. It's a very important program. I think it's important that it be maintained. Going forward, we're not asking you to double it or anything. It's a very core part of what we do.

Insofar as changes are contemplated, whether by this group or by the department, I made the point about making sure we're supporting the professional cadre of editors, because I think we're going to get the most leverage from that support.

The danger is that we start to say anybody who puts their hand up to say they're starting a digital project should also be part of the pool, because the pool is fixed.

**The Chair:** Thank you very much.

Now we'll go to Mr. Waugh for the Conservatives.

**Mr. Kevin Waugh (Saskatoon—Grasswood, CPC):** Good morning.



Thank you to both organizations for coming in this morning. I used to deliver the *Star Weekly* when I was a kid. Then they put it in newspapers, and I didn't get a chance to. Then it died.

You know what? Magazines come and go. Let's talk about that. The shelf life is such that if you get a magazine that runs for a year, you seem to be good. I've invested in some in Saskatchewan. They look great; the model looks super; and then all of a sudden, they die.

Can you talk about that? I just looked at your website here. You have the state of the magazines. You do see them, and people do read them. The quality is very good.

I totally agree with you on the editor aspect of it, because the editors are what makes a magazine. Unfortunately, what we're seeing now, I think, is that when newspapers lay someone off, they get an editor from a newspaper angle.

**Mr. Douglas Knight:** That's a very good question, this notion of magazines, as a group, lasting for a certain number of years, with some closing and new ones starting up. People are always starting new magazines, and occasionally magazines fold.

As Matthew said in his introductory remarks, we have about 2,000 magazines in Canada, about 30% more than we had in 2000. There's a continued interest. Magazines are loved by readers. We actually publish the largest magazine in Saskatchewan, by the way, *CAA Magazine*.

There is a life cycle to these, not unlike the situation of certain current affairs shows in broadcasting. *The Fifth Estate* happens to have run longer than most, but we all remember *This Hour Has Seven Days*. It lasted only so long.

You get a particular focus, a particular editorial idea, and you run with it for a period of time. Some magazines run for a very long time. There are magazines that are over 100 years old. Some magazines are reasonably new. *The Walrus* magazine, which is maybe 10 years old now, has kind of replaced what *Saturday Night* magazine was, and that magazine was around for more than 100 years.

**Mr. Kevin Waugh:** It's a niche market. Both of you are in niche markets. That's why you're either going to succeed or not going to succeed. You're not looking for 100% audience. You know who you're targeting.

I'll finish up with you, if I can, Mr. Holmes or Mr. Knight. Are there any good deals left in digital publishing?

**Mr. Douglas Knight:** From an investment point of view?

**Mr. Kevin Waugh:** Yes. And thank you for saying you didn't want any more money, first of all.

**Mr. Douglas Knight:** I may be the only guy in the country who comes forward and suggests this.

**Voices:** Oh, oh!

**Mr. Douglas Knight:** It's where the money's directed and where the leverage is. That's my point completely.

**Mr. Kevin Waugh:** Yes.

**Mr. Douglas Knight:** That, I think, is what's important for all of us in terms of good public policy—and good media strategy, frankly.

In terms of the venture capital idea, I warn public policy people to stay away from making bets on this new idea and that new idea. It doesn't work very well. Even the venture capitalists are really lucky if 5% or 6% of their investments work. So it's not a really good idea to do that, although to create an environment in which that works is great.

To go back to the point I was making about the transformation, remember that iPhone only came around in 2007. Android was in 2008. Instagram was in 2010. Google was only in 1998, and Facebook 2004. The speed at which these things are happening... If you asked me to look around the corner and tell you what transformative new thing will happen next year, I could not predict that for you.

Facebook has completely transformed the economics in this thing. Before that, Google did. It was Google that took down newspapers. Google took down classified advertising for newspapers. Tens of billions of dollars left the newspaper industry within five years. It was all because of Google. Your local plumber could buy a keyword so that at 3 o'clock in the morning, if you had a leak, you could get the name of your plumber and they would know your address, just like that. Before that, the plumber had to buy an ad in the weekly newspaper and it cost him \$500. Now he pays \$5 for the keyword.

The vast majority of Google's advertisers are little tiny businesses. That has wiped out the underlying financing of newspapers. It took a long time for the big national advertisers to catch up to that.

• (0920)

**Mr. Kevin Waugh:** You've heard the dollars to dimes adage.

**Mr. Douglas Knight:** That's also true as well.

**Mr. Kevin Waugh:** It is very true.

To Mr. Smith, you have a niche market. I know that your membership is on 31 campuses. Do students on campuses actually pay a fee to the university? In the tuition for lots of students, a certain amount would go to physical education, for instance, or community radio. Are there any situations like that with your group?

**Mr. Luke Smith:** For campus stations, the majority are supported by student levies. However, what we're seeing is a major push-back from student unions across the country. We've seen campus stations have to move off campus after being defunded from their student levies. We're seeing campus stations being challenged more and more for that levy itself.

It is a perilous situation for a lot of campuses. It's not true for every one of them that we have. For that group of stations, it is stable funding if they're not being challenged, but on the whole the idea of a student levy for campus stations is coming under fire. We also have 60 community stations that don't get that.

**Mr. Kevin Waugh:** Yes, I know that. Really, radio is not expensive. I know you said that, but the start-up fees are minuscule, really, from \$30,000 to \$50,000. But I do hear you.

Perhaps you can talk about the education aspect of it. In broadcasting right now, with the demise of TV and radio, you can't get into the business. Community radio would give you that kind of open window where, if you were an aspiring broadcaster, I believe there was a chance to get into the business. Am I right?

**Mr. Luke Smith:** Absolutely. I was talking to a station yesterday, and it was the only one in the community where you would get free training on broadcasting. You would walk in, and I think the community would pay \$20 and for students it was free. It was one of the campus stations; I forget which one.

It's a door into the industry. That's exactly it. We have 15,000 volunteers across the country and only 1,000 staff. We're very reliant on training and educating the general public.

**The Chair:** Thank you very much. That was good.

Now we want to go to Mr. MacGregor, for the NDP.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thank you, Madam Chair.

I think I'll start with Magazines Canada and either Mr. Knight or Mr. Holmes.

I want to touch on the subject of advertising. You've gone a little bit over the fundamental tectonic shift we've seen over the last decade. I was looking on your website, and you have a study there entitled "How Magazine Advertising Works", Fifth Edition. I'm wondering if you could talk about how advertising in magazines works. I know you touched on it a little bit, but I wanted to hear more detail about the strengths of magazines for advertisers. You did mention that on mobile platforms it doesn't tend to work as well. It may be that because of the frequency of the ads it doesn't have enough time to sink in.

**Mr. Douglas Knight:** Thank you.

Asking about how advertising works is like a layup, so thank you.

**Voices:** Oh, oh!

**Mr. Douglas Knight:** However, I would start by saying that advertising in magazines is falling off precipitously. It didn't fall off as quickly as it did in newspapers, but it's catching up. Magazine advertising in Canada is down 50% plus. In fact, the advertising in 2016 is actually falling off faster than it did in the economic slowdown of 2008-09, so it's catching.

It's not because advertisers don't like magazine advertising. It's that they have to play across the whole ecosystem and they have to take it from somewhere, and they take it from where they have been traditionally spending it. The environment right now is that we are under enormous pressure with the decline of print advertising. That's our biggest threat.

The reason magazine advertising works is a two-part one. First, it's the only medium where the consumer actually likes the advertising. If you were to ask a woman if you could give her *Vogue* magazine with the ads or without the ads, she would say that it has to be with the ads. You're not going to get that in television, you're not going to get that in radio, and in newspapers they don't care that much, but advertising in magazines is considered part of the content. It's welcome. That's number one.

Number two, the relationship between a magazine and a reader is a long-term relationship. It's one on one, with a single reader and a single editor, and they form a relationship that lasts a long time. They either love the magazine or they don't. You will know this, I hope, from your own behaviour when you say that you really love one

magazine and are not so fond of another one. You fall in love with a magazine, with the narrative arc of the magazine, the conception of the magazine, the judgments and the choices that the editor makes, the way the stories unfold, and the usefulness of the magazine. All of those things create an emotional connection, a loyalty between the reader and the magazine, driven by the vision of the editor.

That loyalty and that environment are very helpful to the advertisers. It's why the advertisers will choose to be in some magazines and not in others. As you pointed out, it's a niche medium, so advertisers will choose the environment of a magazine that's appropriate. If they're selling shampoo, cars, or banking services, whatever they're advertising, they'll choose the environment that they think works best for them. What they love about magazines and what's powerful about magazines is that openness of readers to the advertising as part of the content, and the emotional connection, the sort of warmth around that experience, as opposed to an interruptive experience.

● (0925)

**Mr. Alistair MacGregor:** Despite the precipitous decline in advertising and print media, do you see magazines as sort of holding the fort? You did say that the number of magazines in Canada has increased, so in comparing yourself with newspapers, do you see magazines as the bastion for advertisers?

**Mr. Douglas Knight:** I wish I could say yes; I cannot. I said earlier that there's a narrative saying that we're going from print to digital, and that's not true. It's not true, but there will be a lot of magazines that will not survive if this continues and if people don't discover an alternate source of revenue, and that alternate source of revenue will not be from their digital extensions. We're all over every digital platform, and the revenue is not there, so the business strategy has to be that there's the declining revenue and we know that, and we're not going to be able to put our finger in that dike.

There is the evolution, if you like, of multiple digital platforms, such that we have to be on every platform. You cannot not be on every platform. Also, you have to be good at it, and you have to develop good, strong, loyal audiences across the digital spectrum, but that's not going to replace the economics of print advertising, so then you have to ask, where is the revenue growth?

The revenue growth at the moment is coming from our clients who are saying that they have to create their own content. By that, I don't mean the advertorials that you see in the newspaper all the time. That's a 50-year-old version of it. You see a lot of that stuff every day. That's not what I'm talking about. I'm talking about clients figuring out that they actually need to be great storytellers.

We do a magazine for the Pearson airport. Why did Pearson airport do a magazine? Well, Pearson airport wanted to get the travellers from the northern part of the United States to come through Toronto instead of going to Chicago, LAX, or JFK when they go to Europe or Asia.

What's happened is that Pearson has gone from 30 million travellers a year to 40 million travellers a year, and they've done that by attracting people. To do that, they wanted to create a very congenial environment. They upgraded the restaurants. They put out a beautiful magazine that was voted one of the five best travel magazines in the world in its first year. That was a client, Pearson, saying that they don't just have to advertise—they have to create an environment that achieves their business ends.

Does that make sense?

**Mr. Alistair MacGregor:** Yes, absolutely.

**The Chair:** You have one and a half minutes.

● (0930)

**Mr. Alistair MacGregor:** My next question is for Mr. Smith. I certainly do appreciate local campus radio. It's not too long ago that I was a student at the University of Victoria, and Vancouver Island University is also a big part of my riding.

You made mention of the campaign to unlock FM chips on smartphones, and I know that streaming services are growing in popularity these days. I am very curious about this and was wondering if you could talk in a little more detail about your campaign and whether you have any recommendations for the Government of Canada to help with that. It struck me that if we are all walking around with our smartphones, it would be great to be able to tune in to a local radio station.

**Mr. Luke Smith:** I was actually surprised to learn that the CRTC said 22% of Canadians stream a radio station, because I was under the impression that it is all streaming services such as Spotify. You save 22% of your data, like 22 times saving on data. Most smartphones, minus the iPhone, have an FM chip built in. Samsung won't turn it on, and some of the network providers in Canada won't turn it on either. I think it is about 5¢ per phone to activate the thing.

We are launching it this week, the “free my radio” campaign. We can provide more information in the follow-up, if that would help.

**The Chair:** If you please, Mr. Smith, that would be great. Thank you.

I now go to Mr. Samson for the Liberals.

**Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.):** Thank you.

I would just make a comment about your analysis of advertising. If I had known all that when I was running, I could have placed my ads in different spots, I guess. That would have been helpful. I won, but you never know. Everything moves—

**Voices:** Oh, oh!

**Mr. Douglas Knight:** We're here to help.

**Mr. Darrell Samson:** Next time.

I really appreciate your comment, Mr. Knight, that the strength of Canada is because of our diversity and not despite of it. That is so important, because what we, as Canadians.... Our opinions, our way of life, and our values are what should continue to influence Canadians, and the young Canadians. If we don't have that, we are in danger of not being able to share that strength and those opinions.

We have come so far as a country, and we need to continue that, because that is the strength we have. I just wanted to comment on that.

As for the radio station, I am always so impressed with community in rural areas and how it survives. I was surprised, because when you were speaking about student jobs in the summer, I looked back and asked a few of my colleagues, and I didn't see any application from a community radio station for student jobs on the list of jobs coming out this year in my riding that I have seen. Maybe I just didn't tap in or they don't have the information, because I know the needs are there. Not only are the needs there, but it is a great opportunity for a young person to be able to benefit from that experience.

There are two things I would like to ask about quickly, and then I will share my time with Mr. O'Regan. The first one is advertising on the radio. Is that increasing or decreasing?

**Mr. Luke Smith:** It's interesting; I think on the whole it is decreasing. We just did a major report on it, and I can send that along. For community stations, about 48% of the revenue comes from advertising—the rest is grants and fundraising—and that is on the decline.

You mentioned the local plumber on Google. The local plumber has his ad on the tiny little station in that community. It is very often the place folks go to. I was talking to CJNU in Winnipeg—it is a nostalgia radio, aimed at seniors—and they said they had hearing aid companies advertising through their radio station, because it was the most appropriate venue.

On the whole, however, it is declining, yes.

**Mr. Darrell Samson:** Absolutely it's being listened to in small communities, more than anything else. It is quite impressive.

What's one recommendation you would make? If there is one thing the Government of Canada should look at or needs to do to support community radio, what would it be?

**Mr. Luke Smith:** It would be exploring ways to ensure more stable funding. Despite all the volunteer work that goes into it, we are not able to become charities, and that is a major barrier. The funding that we do get prohibits renewable funding, and it doesn't support station staff or equipment.

**Mr. Darrell Samson:** Is there any community radio in Nova Scotia?

**Mr. Luke Smith:** Yes, I think we have two or three members in Nova Scotia.

**Mr. Darrell Samson:** You can share that with me afterwards.

Mr. O'Regan, go ahead.

**Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.):** I was a DJ at CFXU.

**Mr. Luke Smith:** That's a brilliant station.

**Mr. Seamus O'Regan:** Thank you. Obviously I was there before it became brilliant.

**Voices:** Oh, oh!

**Mr. Seamus O'Regan:** No, it was pretty good back then. It was the morning shift, but it was a civilized morning shift of 10 a.m.—quite civilized.

Mr. Knight, obviously you are looking at this from a broader perspective. We are attempting to look at local news, particularly television and radio news, from a local perspective, and they are languishing, unlike the magazine industry in this country.

What do we do in that context? As you quite rightly said, every time we add a solution, the media changes. You listed everything that has gone on from Mosaic leading right up to Google and Facebook. We are dealing with a Broadcasting Act that was written in 1991, back when Al Gore was still working on developing the Internet.

What do we do now? How do we create that environment? There is a demand for local news; we just don't know how to give it to people, it seems.

• (0935)

**Mr. Douglas Knight:** Absolutely there's a demand for local news, and frankly this is where digital truly has disintermediated the delivery of information. The challenge becomes whether it is accurate, whether you have the news discipline. I go back to the editor thing, which is just as important in news as it is in all the other areas. We have to make sure we can find and support those sources of local news and that we don't lose track of the good local news, run by professionals, run by the professional journalistic disciplines. It's fun to have crowdsourcing and all that kind of stuff, but frankly, if you're in a crisis situation, you want to have accurate and timely information, and you want to have it delivered on whatever device you have.

In the magazine industry, just to come back to that, it's easy to assume that all magazines are national, which of course is not the case. As you said, it's very much a niche thing. Many of our magazines are intensely local. In my own company, in maybe a dozen communities across the country we publish a magazine just for that community.

**Mr. Seamus O'Regan:** Or just for that airport.

**Voices:** Oh, oh!

**Mr. Douglas Knight:** Yes, just for that airport; and we have magazines just for provinces.

Magazines make a difference in the news environment. I'll give you one example. This is perhaps not the best, because I'm going to talk about Toronto as opposed to Victoria. If you think of a monthly magazine, how could a monthly magazine be in the news business, since you can't follow the news? Our mantra is that if you're a monthly magazine, you can't follow the news but you can make the news. In the last year, we've had six stories that have gone completely viral and global.

The Desmond Cole story on what it's like to be a black man on the streets of Toronto—that one story after years of journalistic coverage—changed carding in Toronto. Mayor John Tory will tell you that's the story that changed him. That's the story that was written by a wonderful writer named Desmond Cole, but more or just as importantly it was edited by an outstanding editor named Emily

Landau. If there hadn't been that combination.... It was just the way that story was told.

We had the very complicated story of a young Vietnamese woman who ended up putting out a contract to kill her parents. She had lied to her parents about graduating from school, from university, and about getting a job. She was discovered, and the whole thing broke down and she took out a contract. It was an extraordinary story about the pressures on a new immigrant to perform and where that can go. That story went completely global. Those stories make news. Those are magazine stories.

**The Chair:** Mr. Knight, thank you.

We have time to do a three-minute round, so maybe, Mr. O'Regan, since your name is down here for that second group, you might want to follow through with that question, if you wish.

We'll go to Mr. Maguire now for the Conservatives for three minutes.

**Mr. Larry Maguire (Brandon—Souris, CPC):** Thanks, Madam Chair.

I noted with interest your comments on streaming, Mr. Smith, with regard to the 22% and radios in that area. As this continues to evolve, how do you see it building, and what is your group doing to prepare even more for that in the future?

**Mr. Luke Smith:** I'm actually really excited by the developments that are happening. VIBE, which is based in Toronto, has 45,000 online listeners a week. It's a phenomenal number and they have something like 10,000 Instagram followers. They've really reinvented themselves in the online space. We have some stations that are targeting perhaps the older crowd, and their main focus is still staying on, for instance, MTS in Manitoba. They're on one of the channels there. Some stations are really reinventing themselves to maintain an online presence, multiplatform presence, and they're seeing some great success. I think VIBE is very uniquely placed to be able to do that because it's in such a major urban area as well.

**Mr. Larry Maguire:** Not everywhere in Canada has a campus, but in the areas that do, I understand that you feel there's a fair bit of success. They have a much broader audience perhaps. In some smaller communities that I see in my area of Manitoba, and I think it's fairly similar in other areas, there are some newer radio stations starting up. I just wonder if you could elaborate on how you deal with them as well.

• (0940)

**Mr. Luke Smith:** We've had radio stations operate on budgets of \$500. I don't know how they manage it, but somehow they do. I think Manitoba has CJJJ, which is a tiny community station. They're one of those stations that operate on less than \$5,000. If something goes catastrophically wrong.... We had a radio station and their antenna was struck by lightning and they had to go off the air. They just simply could not afford to replace it.

These community stations are really struggling to maintain themselves. In terms of being across multiple platforms, they have to depend on the goodwill of volunteers to create their websites and their social media presence. They don't have the staffing and the resources that are needed.

**The Chair:** Thank you. We've reached our three minutes, Mr. Maguire. I'm sorry about that.

Mr. O'Regan.

**Mr. Seamus O'Regan:** I wanted Mr. Knight to continue on that point, if that's okay. I just wanted him to talk a little more about local news on particularly television, if he had any thoughts on that.

**Mr. Douglas Knight:** On television news.

**Mr. Seamus O'Regan:** Yes.

**Mr. Douglas Knight:** Thank God I'm not in broadcasting now, although I started there many years ago.

**Mr. Seamus O'Regan:** But I always say, too, if I could just add to the point, that you don't necessarily have to be in the business. I think most viewers have a clear understanding, and perhaps a frustration, about why they're not getting what they want.

**Mr. Douglas Knight:** Right.

**Mr. Seamus O'Regan:** So as a viewer, perhaps, as well, maybe you could tell me your thoughts on that.

**Mr. Douglas Knight:** Sure.

I would suggest a couple of things. We talked a second ago about how the digital environment is really changing this. One of the fastest-growing areas in digital right now is video. It's really interesting. Blogs were the flavour of the month for a while, all kinds of different things. Video is one of the fastest-growing areas, and it partly has to do with the whole streaming thing.

**Mr. Seamus O'Regan:** I just want to interject, because we just heard recently from community television, and I found it very interesting because they talked about community television as the model as it exists right now and how it's depreciating, etc. Community television is alive and well, and it's called YouTube. That's where you find Wayne and Garth. They wouldn't be worrying about getting on the community network now. They're on it.

**Mr. Douglas Knight:** I'll take a U.S. example, because when I founded ImpreMedia, which is the largest Spanish-language news thing in America—we had daily newspapers in New York, L.A., Chicago, and all over the place—we put cameras into our reporters' hands. The big Spanish-language television network in America, Univision, could not afford to have their crews covering all the primaries. The primaries are one of the greatest soap operas in political anything. So in the last primary cycle and the primary cycle before, the pictures, the video, coming from the primary races came from our newspaper reporters. We put it up on our own site. It was up on YouTube, but it also got fed to the broadcaster.

So I guess one way of looking at the cost there, and the decline of revenue, is greater cooperation between those who are in the professional news business.

**Mr. Seamus O'Regan:** Right. Thank you, sir.

**The Chair:** You have a minute.

**Mr. Seamus O'Regan:** No, I think I'm sharing my time. Am I sharing my time?

**The Chair:** You're not down as sharing your time, but if you are....

Mr. Vandal.

**Mr. Dan Vandal (Saint Boniface—Saint Vital, Lib.):** To Mr. Smith, in terms of community and campus radio, on average, across the stations you represent, what's the most popular? Is it independent music, docudramas, information? What do most of the stations air?

**Mr. Luke Smith:** Hands down it's Canadian music. Canadian content is the bread and butter of our radio stations. CiTR in Vancouver produces a magazine highlighting local musicians and they release compilation albums.

On the whole, 15% of programming is spoken word and news, and the rest of it is music. By our licence conditions from the CRTC, no more than 10% of that can be hits or other genres such as country, so it's vastly Canadian.

**Mr. Dan Vandal:** That's interesting. I have a French community station,

[*Translation*]

Envol 91 FM, Saint Boniface.

[*English*]

They've suffered reductions in advertising from all levels of government. There was a time years ago when I think all levels advertised.

Is that a common theme across the country?

**Mr. Luke Smith:** Sadly, yes. I think the government advertises through one particular agency, and that agency won't work with campus and community stations because we don't have Numeris data, and Numeris is the listenership project. It's simply too prohibitive and costly for our stations to participate. We're talking about tiny stations in small areas.

• (0945)

**Mr. Dan Vandal:** Right.

**The Chair:** Thank you.

Now we have Mr. MacGregor for three minutes.

**Mr. Alistair MacGregor:** Thank you, Madam Chair.

Mr. Knight, in your opening remarks you talked a bit about strength in diversity. We've all heard how some magazines last longer than others. Could you tie that in to your strength in diversity comments, and elaborate a bit more? Canada is a very diverse nation and a lot of magazines exist for niche markets. Sometimes those niche markets funnel down into nothing, and they become non-existent.

**Mr. Douglas Knight:** Thinking about and studying the whole strength in diversity thing in this country is deeply interesting, because it's not just about making sure you've covered every niche group and you're telling their stories. That's important, but it's not just that. It's also the language Canadians use in telling everyday stories about any conflict or anything that's going on in their communities. It's the way Canadians frame their conversation that is different. It's subtly different, but once you start looking at it, you say, "Oh my God, it's a lot different."

When I was living in New York.... This is kind of interesting. I will tell you that in a Spanish-language newspaper it's one language, but it's 22 countries of origin. They could hardly talk to each other. It was unbelievable to have a Canadian come down and say, "Okay, guys, put down the guns and let's have a real conversation."

If you look at how Canadians talk to each other about anything, you find that there's a really interesting way of engaging that dialogue over many years. As magazines or other broadcasters, when we actually do start to drill down into the stories of newer Canadians and into the stories of first nations.... There's a tremendous focus on the Far North right now, which is really neat, with great voices. Sheila Watt-Cloutier was up for a political writing award at last week's Politics and the Pen. You hear these voices, you watch the way they construct their stories, and you say, "That's very Canadian."

That's what we need to make sure we don't lose. If we make a story that's just about winners and losers, black and white, in that up or down kind of American dialogue.... Forgive me if there are lawyers in the room, but I will tell you, having employed U.S. lawyers and Canadian lawyers, there's a difference in how they

approach the problem. My U.S. lawyers want to win. My Canadian lawyers want to get a deal done. You see that in every story you read, when you look at it and say, "Oh, okay, we heard different, a little bit different." But we are different, and that difference is hugely important.

**The Chair:** Thank you very much.

That was an excellent session, I think. I want to thank Mr. Smith, Mr. Knight, and Mr. Holmes for really giving us a lot to think about. I think you engaged everyone. Normally I would have something to ask, but I think all the bases were covered by everyone's questions. I want to thank you for coming. You really shed light on a lot of things.

Thank you for your inspiration, Mr. Knight.

We will now move to an in camera session. It will take about a minute for us to get that process going, so we will recess for a minute.

*[Proceedings continue in camera]*

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