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## **Standing Committee on Canadian Heritage**

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**EVIDENCE**

**Tuesday, January 31, 2017**



**Chair**

**The Honourable Hedy Fry**



## Standing Committee on Canadian Heritage

Tuesday, January 31, 2017

• (1540)

[Translation]

**The Vice-Chair (Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP)):** Good afternoon. I call this meeting to order. I will chair the meeting in Ms. Fry's absence.

For technical reasons, I will speak English. In this way, the witness will hear what I have to say in his own language.

[English]

Mr. Greenspon, no worries, I'll speak English. It's no issue at all.

Thank you very much for your presence here. I can tell you, having gone through the report, that we are very grateful, since it's a very complete study.

We had prepared for you to speak for about 10 minutes, and obviously we may have tons of questions for you, but if you feel that you need to speak for longer than that, I think I'll let you go through your presentation, no matter the time, if people agree with me.

We have consent on this.

Please go ahead with your presentation. Thank you very much.

**Mr. Edward Greenspon (President and Chief Executive Officer, Public Policy Forum):** Thank you, *et merci*, Monsieur Nantel. I will say that you're a more generous chair than some, because I was told that I'd have five to six minutes, so my presentation will perhaps be shorter than 10 minutes and not longer than that.

In any case, I am pleased to be with you here today to speak about the "The Shattered Mirror: News, Democracy and Trust in the Digital Age". I'm joined by two of my colleagues from the Public Policy Forum: Claude Lauzière, who is one of our policy leads at the Public Policy Forum, and Carl Neustaedter, who is our director of communications.

[Translation]

The Public Policy Forum is proud of its consultative process and of the report it produced.

[English]

But we're not the Standing Committee on Canadian Heritage, and so I think all people who care about the state of news in Canada have high hopes for your deliberations over the next while.

I am struck, as I'm sure you all are, by how increasingly important the questions of news and democracy look with each passing day. Last week we saw more layoffs at Postmedia. Over the weekend we were reminded of the importance in the United States of a free and strong press. The coverage of the terrible shootings in Quebec City speaks to the need for reliable news and the role of news in communities seeing themselves reflected in their communities.

[Translation]

I know that we do not have much time, and that you have had an opportunity to read the report, or the media coverage of the report. I will take five minutes or less to guide you through some of our twelve recommendations.

[English]

I'll spend one minute on analysis, and I'm happy to answer questions.

As you'll see, there's a long diagnostic section at the beginning of the report.

On the analysis, I think we've documented fairly convincingly not just the sharp decline of revenues in the traditional media, especially in newspapers and increasingly in local television, but the fact that there's an unsustainable acceleration of this downward trajectory. Perhaps more disturbing to me in our study was the absence of indicators that new digital-only news operations have the capacity to fill this growing democratic gap.

Several of our recommendations are, I believe, simple enough.

The first is rectify the perversity that Canadian companies are charged sales tax on digital advertising and subscription sales but foreign news companies are not. We believe that's simple enough to address, and 20 to 30 countries have already done so.

Two, address the lack of clarity that inhibits philanthropic organizations from investing in journalism in Canada.

Three, bolster the "informs" part of the CBC/Radio-Canada mandate in a world with not enough genuine news and increasing volumes of fake news.

Four, remove digital advertising from CBC.ca and Radio-Canada.ca. This is something that they have said they are open to as well now.

We say this not because we think this money will shift to Canadian publishers—which is a bit of a pipe dream, I think—but rather because we think it's good for the CBC not to be distracted from its core mission of serious news by chasing clicks and eyeballs, which has, we believe, more serious repercussions digitally than it has for television.

At the heart of this report is a modernization of section 19 of the Income Tax Act that would rebalance the playing field in favour of news organizations providing original civic news for Canadians. This has several elements, and I just want to go through these, because this is technical in some places. The committee is very familiar with these issues, so I think you will understand it, but I don't think it has been universally understood.

Number one is to extend section 19 to the Internet, a matter that often tends to be treated as a more simple thing than we believe it is. The original sections 19 and 19.1 were intended to change advertising behaviour. It is less likely that behaviour would be changed with regard to digital advertising, and therefore a different approach is required.

The second element is to address the new realities of international trade agreements—when I say new realities, I mean from the 1960s and 1970s, when sections 19 and 19.1 were introduced—which don't allow public policy to be based on corporate nationality. We've chosen two new criteria: one, that a news organization is subject to taxation in Canada; and, two, that it meets a minimum threshold of journalistic investment in Canada.

Three, instead of either being able or not being able to deduct advertising costs under section 19, we've recommended moving to a 10% levy or withholding tax on distributors of news that fall outside of our section 19 criteria. This borrows from the approach of the long-standing cable levy.

• (1545)

I would say that the penalty of not being able to deduct under section 19 is not something that is used or has been used very often. As I said earlier, those elements were meant to change behaviour, and they did change behaviour. The Internet advertising world is a very different world, a much more complex world. We expect that maintaining those kinds of criteria would be very difficult to administer.

Fourth, we estimate that the 10% levy would produce revenue of \$300 million to \$400 million a year. This money would go to an arm's-length future of journalism and democracy fund. We find this approach superior in many ways to tax credits. It generates money to support journalism and digital news innovation from the \$5.5-billion digital advertising pie rather than from the government's treasury. The governance structure we have suggested for the fund would keep the government out of decision-making about where the money goes. These are critical points. I am a journalist, like some of you, and I want to keep the government as distant as possible from both supplying money to the fund and disbursing money to news organizations. This was a concern that came across in the public opinion research we did. I think it's a concern that the industry shares. We are trying to develop something that is independent of government once the structure is set up.

Why is this better than tax credits? Tax credits are more prone to politics, we believe, than our proposal. You can see this right now in Ontario, where the newspaper industry is lobbying to be reinstated in the Ontario digital media tax credit scheme. The newspaper industry should not be lobbying government any more than is absolutely necessary. I'd rather it be absolute zero, but certainly they should not be having something, losing it, and trying to get it back again. This is not good for an independent press. Tax credits also tend to reward equally those organizations that spend their money wisely and those with less stellar records of managing their enterprises.

I have been asked in recent days who would qualify for this fund. My answer is that any bona fide news organization can apply. We were very conscious not to be excluding either early-stage news companies that need help to grow or the established news companies that still provide the vast majority of news.

Beyond the application for funds, we hope that this new fund will be more creative than we can anticipate. We have suggested, as well as the application process, four initiatives that the fund would support.

One would be a badly needed local news initiative under the auspices of the Canadian Press, an underappreciated national asset with high standards and good infrastructure.

Two, we favour an indigenous news initiative to cover the institutions and debates of indigenous democracy, particularly on a local level. In our round tables across the country, we were struck by some very small indigenous news operations that were trying to hold indigenous governments to account in the same way that occurs here on Parliament Hill, but that were completely devoid of resources to be able to do it.

Three, we suggest a legal advisory service to bolster smaller news organizations in pursuing investigative journalism. These organizations tend to get chilled very easily by intimidation, and if they go down this route, it's very expensive. We want to create incentives so that they feel freer to pursue more aggressive lines of journalism.

Finally, we suggest that the funds support a research institute. In the course of our research—and I'm sure you've had the same frustration—there are just so many things that seem impossible to find out, particularly in Canada. We don't know how much fake news there is in Canada or where it comes from. We don't know what happens when a community loses a local news organization. We don't know where news originates, as opposed to where we access the news. We don't really understand very well the public attitudes to news, democracy, trust, and other kinds of essential information.

These are some of the pieces we are looking at. I'd be happy to answer your questions.

I was just at a public policy event at the Château Laurier. Steven Chu, the former energy secretary for the United States government, was speaking there. He cited a Chinese proverb that I thought was pretty good: it was that if you don't change directions, you'll end up where you were heading. I think where we're heading at the moment isn't very great.

Thank you.

•(1550)

**The Vice-Chair (Mr. Pierre Nantel):** *Merci beaucoup*, Monsieur Greenspon. Thank you very much.

We'll start the process of questions from both sides.

Ms. Dabrusin will be followed by Mr. Vandal, if I'm not mistaken.

**Ms. Julie Dabrusin (Toronto—Danforth, Lib.):** Thank you.

I want to start by clarifying who commissioned the public policy report. Can you clarify that for me, please?

**Mr. Edward Greenspon:** Yes. "Commissioned" is an interesting verb. I'll clarify this as well as I can.

We were asked initially if we might look into this issue by the department of heritage and by ISED. We said we were very interested in this issue and we would like to do this. We emphasized that we're not a consulting firm, that we are a think tank and a public policy forum, and that anything we would do we would be releasing publicly and that we would take ownership of our product.

In order to underline that point, we said that we would seek other sponsors for the project, so we found three foundations: the McConnell foundation, the Atkinson Foundation, the Max Bell Foundation—and I should say that, coincidentally, all three were funded by one-time newspaper money, when newspapers made lots of money—and four private sector corporations. We wanted to stay away from media corporations, but we found four publicly spirited corporations that were willing to finance this as well, which were TD, CN, Ivanhoé properties, and Clairvest investments.

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

I was really interested, because I was reading some of the pieces that were put out by journalists in response to this report. I was wondering if you could give me some feedback. Andrew Coyne, in an article, wrote about your report that "It is irreproachably responsible, admirably high-minded, and profoundly wrong." It seemed, when I read through it, that his most essential concern was that he did not like the recommendation that there be public intervention, that there be that public funding piece. I saw that echoed in a few other articles as well. How would you respond to that?

**Mr. Edward Greenspon:** I think there were several journalists who went down that line.

First off, I'd say I don't like public intervention either, but I also don't like media that are losing their accountability and civic responsibilities and their capacity to do that kind of work.

I think that Andrew noted in parentheses in his article that we are friends. We've had this debate off and on for 25 or 30 years. I was familiar with his column. We went to graduate school together. I would just say that several critics, including Andrew, all worked at

one time for *Maclean's* magazine. *Maclean's* magazine receives funds every year from the Canadian periodical fund. That doesn't seem to impair its ability to be editorially independent. What we are suggesting is much more hands-off than the periodical fund. Ipso facto, I think Andrew Coyne proves the point.

[Translation]

**Ms. Julie Dabrusin:** We have three minutes?

[English]

**The Vice-Chair (Mr. Pierre Nantel):** You have four minutes left.

**Ms. Julie Dabrusin:** I will pass it to you.

**Mr. Dan Vandal (Saint Boniface—Saint Vital, Lib.):** Thank you very much.

I am interested in your indigenous journalism initiative. You've actually put quite a bit of thought in there, "support and training structure for the coverage of indigenous...institutions". I believe you are making the recommendation that this responsibility be embedded with APTN, which I'm very familiar with.

You also have this service being financed by the fund for the future of journalism and democracy. Could you tell me a little bit about this fund that you envision? Is it the same fund that you referred to earlier in your presentation? Could you talk a little bit about the entire initiative?

**Mr. Edward Greenspon:** It is the same fund. We are suggesting that although the fund would be open to applications—and we would expect applications both for providing more capacity in what we call civic-function journalism and for supporting digital innovation—we aren't in the business of picking which business models are going to win and lose, but I think history's moving in a particular direction, and it's obviously a digital direction. Beyond those two uses, for which organizations or independent journalists would apply to the fund as they would apply to granting councils—with suggestions that we hope would be more creative than any of us around the room are going to come up with—we suggested funding these four other initiatives. An indigenous news initiative is one of the four.

There's not enough coverage of local indigenous democracy or local indigenous governments in the country. APTN has a national mandate, by and large. It's an excellent news organization. We wanted these initiatives to have the benefit of the standards and the cultures of excellent news organizations, like the Canadian Press for the local initiative and the APTN for the indigenous news initiative.

•(1555)

**Mr. Dan Vandal:** Has there been any consultation with APTN in making this recommendation?

**Mr. Edward Greenspon:** Yes. We've had two conversations with APTN. Carl had a conversation with Jean La Rose and Karyn Pugliese, and I had a conversation as well with Jean La Rose.

**Mr. Dan Vandal:** Obviously this is something that they would like to follow up on.

**Mr. Edward Greenspon:** I don't want to imply that they're responsible for this suggestion, but I certainly didn't want to blindside them and hear that no, they think this is a terrible idea. I think they would be concerned about the details and how it would unfold, but they're certainly interested in it conceptually. They're aware of it and interested.

**Mr. Dan Vandal:** Can you tell me more about the fund for the future of journalism and democracy? You estimate that the indigenous initiative would cost \$8 million to \$10 million annually. How large would this fund be on an annual basis, and how would it be financed?

**Mr. Edward Greenspon:** The estimates for 2016 showed \$5.5 billion of digital advertising revenue in Canada. That was up from \$4.5 billion in 2014. Of that, we would not be placing this 10% levy on those who pay taxes in Canada or those who invest more than 5% of their revenues into journalistic operations in Canada. I think we can probably safely say that something in the area of \$3 billion to \$4 billion of that \$5.5 billion would be subject to this levy of 10%.

As I think perhaps the committee heard from other evidence presented here, in one of the quarters in 2016, according to a survey done by comScore, of 4.7 billion ad impressions served up in Canada, 82.4% were served up by Facebook and Google. Canadian publishers and broadcasters combined served up 11.5% of the ads in Canada.

In terms of the vast majority of that revenue, some revenue may shift, and we allow that some revenue may shift, but we don't expect a lot would shift, because this is not 1976. This is not moving from advertising on *M\*A\*S\*H* on CBS out of a Buffalo or a Plattsburgh station to advertising on *M\*A\*S\*H* on Global TV. It does not have the same simplicity of substitutability that we had back then. We expect that less would shift, and therefore more would be subject to levy. We estimate that \$3 billion to \$4 billion of revenue would be subject to levy.

If you stayed with the system as it works now, which some people have suggested, to just take away the deductibility, the deductibility effects are 26% on average across the country. We're suggesting 10%; 26% seems to us perhaps confiscatory, in some ways.

Perhaps my colleagues here would—

[*Translation*]

**The Vice-Chair (Mr. Pierre Nantel):** Thank you very much, Mr. Greenspon.

[*English*]

We'll go to Mr. Van Loan, please.

**Hon. Peter Van Loan (York—Simcoe, CPC):** When Canada was quite young, every journalistic publication, every newspaper, had a perspective. In fact, it went so far that in the campaign handbooks that the political parties provided to their supporters, there would be a list of the newspapers that were acceptable for them to read. The newspapers all came from a perspective.

Then journalism evolved a little bit. When I was in grade 2, we studied newspapers and we were told that it was all objective but that we should be careful not to believe everything we read. Then, a little bit later, they started introducing media literacy courses into schools,

because you had to be able to learn to read between the lines and apply critical thinking and so on.

My point is that all these things evolve over time, and I think people have the ability to adapt to these evolutions and sort them out and find their way.

You say here in this report on page 3 in your opening stuff:

The 'truth neutrality' of the dominant digital platforms is incompatible with democracy.

I'd say that if somebody was writing 120 years ago, they would say the truth neutrality of all these printed publications was incompatible with democracy because they represented just one view or another, on the extremes.

It's not the technology that's at issue, in my view; it's how people choose to consume and want to consume. Wouldn't it be the case that what you're really talking about here is the public's literacy in the new medium, about how they are beginning to understand—as I think they do, and I don't think you give them credit for this—that everything has to be approached with skepticism? Increasingly, people do. I think I give them credit for that.

A lot of people who are accustomed only to the old traditional media perhaps don't have the same skeptical eye, but I put it to you that younger people do have it and are nicely adapted. Isn't it a question of adapting our media literacy as we evolve to this new technology? We're trying to put our finger in the dike and push a bunch of money through it to keep the old stuff alive. Why would it have any more impact on people than it has over the past several years when they were still fighting?

They're losing their revenue, perhaps. They're not being consumed as much. That model with those old traditional outlets is not working from a business perspective, but if people are looking for that kind of information, surely the same kind of people who seek it will begin to figure out who they want to trust and seek out that information in the new context. Aren't we just going through a dynamic transition? Isn't it the case that trying to make things the way they were and keep things the way they were through government intervention simply will never succeed?

● (1600)

**Mr. Edward Greenspon:** Thank you for the question, Mr. Van Loan.

I'd say that I'm first off sensitive to the history, having spent a good part of my career in George Brown's descendent newspaper. The days that you speak of have been referred to in the academic materials as the libertarian age of the press, in which truth and falsehood grappled in the way that John Milton described in "Areopagitica".

We have some problems with that today. In those days there were 20 newspapers per community; now there are maybe one, maybe two, and some radio outlets.

**Hon. Peter Van Loan:** But as you say, there are 20 or 30 digital options.

**Mr. Edward Greenspon:** I'm going to come to that.

One of the problems with truth and falsehood grappling is that if you're in a filter bubble, you actually don't get exposed to the grapple very much. You get exposed to information that reinforces your views going in.

I think that the issue isn't... I think you're pointing to a very provocative paradox that we're seeing. People have never had more access to news than they do today. That's clear and that's a very good thing, but there's also a drying up of the source of original news. There's more debate in digital form than there's ever been, which is good for democracy, and there's more opinion that's exchanged, which is good, but the source news that all this is based upon is shrivelling up. There's no science for this, I must say, but based on union data that we were able to gather, we estimate that one-third of journalism jobs have been lost since 2010. There are fewer reporters on the ground, day in and day out, working as professionals who report things.

There are more bloggers who might come across things, which again I think adds a level of vibrancy to the whole system. I actually hope to see the kind of world that you described, in which digital-only options were actually employing people not just to process information, comment on information, and be opinionated on information, but also to actually go out and find out things. It does exist in some places, but it's much smaller than what's been lost on the other side.

Finally, when I talk about truth neutrality on page 3, I'm not talking about a debate between, let's say, Fox and CNN, or whatever that might look like. What I'm talking about is what's patently true and debatable and what's patently false and not debatable, which pollutes the system, and people are having a lot of trouble discriminating. There's a lot of data—or rather, there's some very convincing data from Ipsos and Buzzfeed, which did some work together after the U.S. election, showing that people were very confused by the things that were patently false.

• (1605)

**Mr. Kevin Waugh (Saskatoon—Grasswood, CPC):** Thank you.

I did read most of your 103-page report. I asked the Library of Parliament, because many people who came to our committee over the last year wanted handouts. They want this, they want that. I have not been able to get my head around what you talked about in section 19, the advertising expenses that are incurred for the purpose of earning business income that can generally be deducted from the income as an operating expense. I tried to get that figure, but the Library of Parliament could not give me that figure. I would think it would be a rather large figure.

**Mr. Edward Greenspon:** Could you clarify for a second? By “that figure”, do you mean the amount that would be deducted?

**Mr. Kevin Waugh:** Yes. What is that number? No one can give me this number. You come forward with \$300 million to \$400 million a year. I've not been able to get from the Library of Parliament or anybody this number that I can deduct if I take an ad through the National Post or your former paper, a full-page ad that I can deduct on my income tax. I would like to know that number. I'd like to know that number, because we keep on saying the CBC gets this, the CBC gets that, but I want to know what a business gets out of this ad in a newspaper. I can't find this number, this deduction that

they get that you are talking about in section 19. I don't know that number. They don't know that number. We need to know that number.

**Mr. Edward Greenspon:** Okay. Let me take a little run at trying to explain the circumstances around why we don't know that number, if you will.

What section 19 does is it takes away the normal-course business operations of any business for non-Canadian-owned publications. It's slightly different for magazines because it's based on Canadian content and that was post-NAFTA, but just leaving that aside, it takes it away.

There's about \$13 billion of advertising in Canada a year. About \$5.5 billion of it is digital, so it's outside of section 19. That leaves \$7.5 billion of non-digital advertising. That is, if it's going to a Canadian operation, it's just getting the normal-course business deduction that a steel company would get, or a grain company on the Prairies would get, or anybody would get. I think the question, and so the greater mystery in some ways, is how many people are outside of section 19 and are being denied the right to the normal-course deduction. That's a number that I don't think anybody knows, and I think that number is probably close to zero, in fact.

**The Vice-Chair (Mr. Pierre Nantel):** *Merci.* I'm sorry, Mr. Greenspon; we have to go back to the Liberals.

Mr. Seamus O'Regan, please go ahead.

**Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.):** Thank you, Mr. Greenspon.

I was going to mention Andrew Coyne as well. It's almost as if he could be a member of the committee, which would probably make it even more interesting than it already is.

He speaks to this, and as you said, you've had this debate for some 20 to 30 years. Anybody who was in the field of journalism or who respects good journalism is always going to be reticent to see any sort of government involvement, although we'd be kidding ourselves to say that there's obviously not some now.

You stated very clearly in the report that journalism must be independent from government, which means that whenever we talk about tax credits or financial support of any kind, we have to be so careful about it. I mean, as you said, any bona fide news organization can apply for the fund, but then it comes down to how we determine what a bona fide news organization is. We heard from hither and yon, from all sizes, shapes, and colours of news organizations, or at least organizations that argue that they are news organizations, and the classification becomes very difficult.

If government does take a more active role, as you seem to be recommending, how do we make sure we protect journalistic independence? Surely—and I come back to this fairly frequently on this committee, and so I apologize to my colleagues—we are not the only functioning democracy to be dealing with this right now. As you were exploring the issue, did you find any other examples in other countries of how they may be succeeding at this in varying degrees?

• (1610)

**Mr. Edward Greenspon:** Let me take your first question first, and I'll try to be as quick as I can.

I think there are two colliding principles. It's unfortunate that they're colliding, but they are. One is journalism, news media. We all want it to stay as far away from government as possible. As you say, that has not always been so. Section 19 has been around since 1965. The CBC has been around since the 1930s. There is policy that governments have put in place. Nonetheless, that's principle one: we want to keep journalism as independent from government as possible. However, we want journalism, and particularly the reporting of original news of a civic nature, to be vibrant in a country that's lost 225 weekly newspapers, 25 daily newspapers, one-third of jobs, etc. We have a problem. How do you deal with that?

I think the public is very much onside with your view and Mr. Van Loan's view and my view that we don't want to create a dependency here in any way, that it would not serve democracy well. This is why we rejected the tax credit route, which I think has been the prime route that many in the industry have been advocating for. That route would have the industry coming back to government every year about its tax credit, and government every year doing its budget, looking at the consolidated revenue situation, having to decide whether to keep the credit at 20%, move it to 15%, or whatever. You'd be in a constant policy relationship, which is not good.

This is why we try to invite a structure—and I think this is really important to your question—such that they're not coming to government for this fund, but they're coming to what I like to call a double-arm's-length agency, which would be more independent than the Social Services and Humanities Research Council or NSERC or the Canada Council. It's set up on a governance structure that's used by the Canadian Foundation for Innovation, which is kind of complex, but ultimately the board of directors is not appointed by the government and the CEO is not appointed by the government, unlike the CBC, for instance. It's more independent than we are accustomed to. That would be making the determinations.

Now you may make the argument that it would not be sufficiently accountable, but the money is also not coming directly from government. The money is coming from an industry levy. We are trying on both sides of this equation to keep government as distant as possible. Government is required to set up the structure for this, clearly, but after that, government's out. You don't need to come back every year and do what's happening in Ontario right now in the lobbying for the return of the tax credit.

**Mr. Seamus O'Regan:** Is there anything internationally, anything in other jurisdictions that you found as other governments grapple with this?

**Mr. Edward Greenspon:** Well, you know, many countries, as I've said, have got rid of the unevenness on VAT or sales tax. Many countries have opened up and made it easier for philanthropic organizations to invest. There's no such thing as a kind of section 19 in any country in the world. There are some funds that have been created. Section 19 is uniquely Canadian for the unique situation of a smaller country on top of a huge exporting country. Section 19 is unique out there.

There are countries that have set up funds of one sort or another. France negotiated a fund with Google at one point. Google has its European initiative fund, which will be coming to an end. Google tells me that it came under political pressure at a particular moment in time. They told us in the course of our work that they don't have the intention of renewing that fund.

There are a few kinds of different ideas out there. There's nothing that I think grabbed us. I think countries are struggling with it. The Scandinavian countries used to subsidize the second newspaper in every city, but they found that there is no longer a second newspaper in every city to subsidize, so that's not a sustainable policy.

I think there's some opportunity here to show some leadership.

• (1615)

**The Vice-Chair (Mr. Pierre Nantel):** You still have a good minute to go, because we have a nine-minute period. This person is so competent that he gives a very long answer, but we all need it.

**Mr. Seamus O'Regan:** He's used to deadlines.

**Hon. Peter Van Loan:** We should let the chair have a set of questions.

**The Vice-Chair (Mr. Pierre Nantel):** That's so beautiful. I will at the very end. Thank you.

**Mr. Seamus O'Regan:** Let me ask you a personal question, then, as somebody with a lot of experience in the field. Let's just say that in a perfect world, everything in the report was implemented. How then would you feel about the state of journalism in Canada?

**Mr. Edward Greenspon:** I would think in a sense that we've given it a boost to try to find answers. It's incumbent upon companies and individuals to find these answers. Some companies have been innovative. I'm sure you've heard from *La Presse*. They've been very innovative and very impressive. The great risk to *La Presse*, to some extent, is the next generation of development, because they'll have to go back and do another API development. What they've done won't last, given the changes in technology and the expectations. It's going to be very expensive. Are people going to foot a \$40-million to \$50-million bill to do that again?

I hope that this will help people get up the hill, particularly the younger digital upstart companies that have no capital to work with whatsoever. I think there's creativity but not capital. I would like to see them have an opportunity to maybe invent a future that we can't imagine.

**The Vice-Chair (Mr. Pierre Nantel):** Thank you, Mr. Greenspon.



Now we're back into a shorter period of questions of about five minutes.

Go ahead, Mr. Waugh.

**Mr. Kevin Waugh:** What do we do with Google and Facebook? For the last year, everybody who has sat where you are sitting mentioned those two dynamic companies.

**Mr. Edward Greenspon:** Yes, what do we do about Google and Facebook? I have mentioned that they were responsible for 82.4% of the ad impressions in the quarter that was measured, and in the United States, in the quarter that we talk about in the report, there was a \$2.7 billion growth in revenue year over year in that quarter, of which \$1.4 billion went to Google, \$1 billion went to Facebook, and \$300 million went to everybody else.

There was a great reluctance toward a lot of policy types of solutions, but we heard a receptivity from the public to tax Google and Facebook. That didn't seem a principled approach to us. They are two very successful innovative companies that have hit the sweet spot with Canadians and people all over the world.

Nonetheless, I think that when you've got that kind of consolidation of the Internet, consolidation over both audience and revenue, it's an issue that should be considered by policy-makers, and I don't think it's a national issue. You're talking about a global company, and I think that's beyond the ken of one country itself to address, but I think it's worth considering.

I wouldn't want to penalize success, though. I don't believe in that, but I would like to have a system. The cable companies are a good example. The cable companies were seen to be common carriers that were profiting from content created elsewhere, so a levy was placed upon them. I'm not placing a levy on Facebook or Google, but I recognize that a lot of that levy could very well fall on them. We've taken a principled approach to that.

I think the other question about Google and Facebook is whether they should take the responsibility of the publishers for the non-truth neutrality issues. When I was the editor-in-chief of *The Globe and Mail*, I was responsible for everything that appeared in *The Globe and Mail*, including letters to the editor. If a letter to the editor was defamatory, that was my responsibility as the editor-in-chief, and not the writer of the letter to the editor; and I believe it's a principle that if you publish something, you should be responsible for the quality of what you publish. That seems to me a fairly obvious fact that isn't obvious to everybody.

• (1620)

**Mr. Kevin Waugh:** Even more so now, after Sunday's incident in Sainte-Foy. We saw so many fake news stories out of there. It was disheartening.

**Mr. Edward Greenspon:** The problem's heading north.

**Mr. Kevin Waugh:** Do you have any opinion on Netflix?

**Mr. Edward Greenspon:** No. I just think it's outside the purview of our study—

**Mr. Kevin Waugh:** Yes, it is.

**Mr. Edward Greenspon:** —but it's obvious that what we recommend around HST would apply to Netflix too.

**Mr. Kevin Waugh:** Okay.

**Mr. Edward Greenspon:** And it has, in all the other countries that have any service that's delivered digitally.

**Mr. Kevin Waugh:** Some think the newspaper industry is archaic. They've never moved past the 1930s. You've been in it for decades?

**Mr. Edward Greenspon:** I joined after the 1930s.

**Mr. Kevin Waugh:** If you look at a newspaper from 1900 and you look at a newspaper today, you see they haven't changed much in 100 years, other than the ads.

**Mr. Edward Greenspon:** Yes. There's more space for editorials.

I have some sympathy and some lack of sympathy. When I was in the newspaper business, I think I was on the reform end. I was the advocate and founding editor of theglobeandmail.com, and I think the newspaper industry.... I can do glass half full and glass half empty, really. I think they've been trying to innovate. I think some people.... I like the fact that we have news organizations with different strategies. To me it's healthy that people are experimenting with different kinds of strategies. Certainly, as we discussed earlier, *La Presse* has been wonderfully innovative.

There is a disparity in the quality of what newspapers have tried to do and how they've responded to their own crisis, and in the civic function too, and that's another reason I don't think treating everybody equally with tax credits and showering tax credits on them would be as good a means as having something that can judge quality. I recognize that opens up a situation in which somebody is doing that judging, but it seems to me that we've crossed that in this country with other kinds of granting councils.

**The Vice-Chair (Mr. Pierre Nantel):** Thank you, Mr. Greenspon.

[Translation]

Mr. Samson now has the floor.

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

I have two questions.

[English]

I will say this in English because I'm grappling with that notion that you brought forward of the double-arm's-length agency. That sounds even deeper than the Senate's sober second thought.

[Translation]

When you say that the government would be responsible for the structure, I expect you are referring to the whole issue of innovation and Canadian content in rural areas, in minority settings.

Are you there yet? You have to apply to access those funds.

**The Vice-Chair (Mr. Pierre Nantel):** Just a moment, Mr. Samson.

[English]

Can you take the question? Did you get it in English?

**Mr. Edward Greenspon:** Yes, but I didn't hear the last of the words. How would this agency distribute funds...?

[Translation]

**Mr. Darrell Samson:** It's the second part of the question.

[English]

It's an application process, so it's those structures put in place by government that you're indicating, and you have to confirm those that I shared and you may have some other pieces to that. How would that application and the determination take place, in your opinion?

**Mr. Edward Greenspon:** I purposely didn't want to go too deeply into that, because I feel that if this agency is set up, people are going to have to operate this agency, and they're not going to be me, and how they're going to make their determinations, I believe, will be based on precedents in other funds. Whether applications will be peer-reviewed as they are in academic councils, for instance, I'm not sure, but what concerned me most was the governance structure and that the governance structure be distant from government. I just commend, as I say, the Canadian Foundation for Innovation as a model the committee might want to look at in that regard.

You spoke also about the regional and local challenges. This is an incredible challenge, I think.

I don't want to invoke myself too much personally on the committee, but I'm actually not completely and totally and historically a metropolitan elite. I come from an immigrant family and I had my first news job in Lloydminster on the Saskatchewan-Alberta border. Then I went to the *Regina Leader-Post*, and I've worked in different sizes of media organizations. I understand in a city like Lloydminster—and there are a thousand Lloydminsters across this country—how imperative news is and how the transmission lines of the community occur through news and the community seeing itself and reflecting itself and knowing what's going on.

This would lead me in two directions to your answer. We cite in the report that Prince Albert, oddly enough, seems to have a very interesting portal type of operation that's built on the base of local radio. Some people may be familiar with it. That may be a replicable model, but it might need some money to try to scale it. Scaling is very difficult, and maybe the fund might help with scaling.

In the CP local initiative, we could start by putting something like 80 reporters out across the country to cover things that are not covered. Through this not-for-profit second service of Canadian Press, this material would be available to everyone: the local blogger, the local radio station, the local newspaper, start-up operations, whatever. It would be available to everyone and it would have high standards.

We believe that news is a public good, and if a community felt that they were losing this public good and they wanted to petition the CP local initiative to say their community needed news or a community group wanted to petition and said they'd like to contract for a reporter to cover their community, they'd have no control over it. They'd just pay a three-year subscription or something like that. These are things that would be measured.

• (1625)

**Mr. Darrell Samson:** I'll stop you there, if you don't mind. I have a quick question on the CBC. I'd like you to touch on that, because we've heard so many people make reference to the CBC.

Could you expand on the recommendation you've made concerning the public broadcaster and how you see it evolving in the future?

**Mr. Edward Greenspon:** I don't think there's any solution to a trustworthy flow of civic news in the country that CBC would not be part of. I also don't think it would be good to have too much CBC and too little anything else, because part of a democratic solution is diversity of voices and perspectives in assigning the news.

We say three things about the CBC. We say about its mandate, which is to inform, enlighten, and entertain, that the “inform” part, given what's happened in news, should be heaved up, if you will.

Second, we say that it should get out of the digital advertising area, because this is distorting to newsrooms across the whole system, since every day they get feedback on how many eyeballs saw a story, not on the quality of the journalism or the impact it might have had journalistically. It's pushing them in the wrong direction from where the CBC should be going.

Third, we say we should start thinking about, considering, and perhaps experimenting in a small way with what's called a creative commons licence, meaning that CBC's news material would be available to this much wider media ecosystem that Mr. Van Loan described earlier. We recognize that might sideswipe certain news organizations that are also doing an important job. We want to be careful not to create a moral hazard situation here, so we propose starting with the not-for-profit sector, which is a new sector of news, if you will, that's emerged over the last three to six years, and go down that road.

We think it's a good idea in some ways. Theoretically we believe it's a very good idea for what used to be a public broadcaster to be a public provider of high-quality information to the entire system, which is also having trouble discerning between high quality and low quality. However, we want to proceed cautiously on that because of the perhaps unintended consequences that could occur.

• (1630)

[Translation]

**The Vice-Chair (Mr. Pierre Nantel):** Thank you, Mr. Greenspon. [English]

Considering the Conservative side seems to have passed on their question, I will—

Oh, you didn't pass. I'm happy I checked.

Go ahead, Mr. Waugh.

**Mr. Kevin Waugh:** Let's just pick up on the CBC digital advertising, because it's only \$25 million. We were here when the president of CBC indicated that they made \$25 million out of digital advertising. It's not a lot of money that they've made to date.

Now, what they have done is stripped newspapers of their talent, I would say. Many newspaper columnists—Robyn Urback, Jason Warick, David Hutton—have gone over to CBC digital. I would say that's where they're getting their input. Torstar and others were here. Right now in terms of the digital input, they're ahead of the newspapers, but advertising-wise, \$25 million doesn't seem like a lot of money to me.

**Mr. Edward Greenspon:** I agree with you. I don't think \$25 million.... I was a little bit surprised at the number when I saw it. I thought it would be a bit higher, but there you go.

**Mr. Kevin Waugh:** I will say that for television, it's over \$300 million. If they do no ads for television, which they tossed in on us late—

**Mr. Edward Greenspon:** Yes. Let me come back to that in a second.

I would say a couple of things. I don't think anybody would want to recommend that CBC not be in the digital business. Digital is the future. If you're saying CBC shouldn't be digital, you're saying CBC shouldn't be. You're not saying that today, but in five or 10 years, that's the inevitable conclusion. CBC needs to be in the digital business. Perhaps they don't need to replicate everything that is well supplied elsewhere, but I want to come here and speak of principles, not substitute my judgment for CBC management's judgment.

I think the bigger problem of the number of journalists in the system is not where they might be working, but whether they're working, in large measure.

**Mr. Kevin Waugh:** You didn't mention the \$300 million.

**Mr. Edward Greenspon:** Yes, let me come back to the \$300-million decision.

Madam Joly, and I'm sure the committee, is looking at the broader questions of the entire system and the digital impacts on film and television and other aspects. Ours was news. News isn't a major part of television advertising, and I don't think it's distorting to news in the way that I think it is actually distorting to digital. Figures that we have for CBC.ca show that about 75% of traffic comes there for news, and for Radio-Canada it is about 70%, if I remember the numbers. If I'm off slightly, I apologize to the committee, but those numbers are about right.

Those are news entities. CBC Television is a much more mixed entity. I'll leave it to the wisdom of you folks to figure that one out, but the digital one seemed obvious to me, because it was having effects on the news culture.

**Mr. Kevin Waugh:** I say that because when they lost the *Hockey Night in Canada* contract, they lost a lot of money for their news products. That's been well cited since they lost *Hockey Night in Canada* to Rogers. They've never made up that revenue to operate their newsrooms.

**Mr. Edward Greenspon:** I feel tempted to go down that road, but I don't think I should.

**Voices:** Oh, oh!

**Mr. Edward Greenspon:** I could go down that road with you privately, Mr. Waugh—

**Mr. Kevin Waugh:** Yes.

**Mr. Edward Greenspon:** —but I don't think it's my place here.

**Hon. Peter Van Loan:** *The Globe and Mail* wrote a great piece on that investigation.

**Mr. Edward Greenspon:** Okay, so I'm happy.

**Mr. Kevin Waugh:** You might have been there.

We're good. Thank you.

**The Vice-Chair (Mr. Pierre Nantel):** Thank you.

Ms. Dabrusin is next.

**Ms. Julie Dabrusin:** I want to talk to you for a second about the Copyright Act, because that is coming up for review this year.

You made recommendations in respect of fair dealing. I believe there was some discussion. Michael Geist was quite concerned about what you suggested. I wonder if that doesn't hit at the core of what a lot of our discussions are about right now. In your report you describe it as the “vampire economy”, or something like that, in which there are the content producers, and then there's how journalism is consumed at this point. Fair dealing strikes right in between that with regard to how or whether you protect it.

I was wondering what your thoughts are, in light of some of the concerns coming back, about how changing the fair dealing rules could actually be a problem for press freedom.

• (1635)

**Mr. Edward Greenspon:** I understand that the act is up for review in 2017. Our recommendation was that we need to look at this seriously in a particular way, and the particular way would be in terms of the rights of creators—I'm sorry, because I'm going to use that verb “monetize”—to monetize their content and to have a level of control over their content. Clearly I'm not talking about being able to take words to do a review of a book or a movie. I'm not talking about....

I'll just go back to a night in 1993, when I think it was CTV News that reported that Prime Minister Mulroney was going to resign the next day. I'm not saying that other people aren't allowed to then report that CTV News says Prime Minister Mulroney is going to resign tomorrow. I'm suggesting that in the very different world that existed before this digital age that taking holus-bolus somebody's content before they could even monetize their content seems to me something for the people who are looking at this act to consider very strongly, in terms of both how the news system is evolving and how technology has evolved.

**Ms. Julie Dabrusin:** Mr. Van Loan referred to a time when papers may have been very structured by positions, and each party would have its paper. In your report you suggest opening up philanthropic rules so that there could be charitable donations or foundations, different forms, to support media. One of the criticisms that has come back is that you will end up with more pieces that are purely partisan one way or another. I've just been reading the articles reporting on your report. I wonder what you think about that. Is it a problem that we would perhaps end up with more partisan or strongly opinionated papers?

**Mr. Edward Greenspon:** I think we are moving towards a culture of greater opinion and perhaps partisanship, as has been described. It's not a culture I feel terribly comfortable in, because I was brought up in a kind of...not what Mr. Van Loan learned in grade 2 about objectivity, but in fairness and balance.

I don't see any association between the recommendation around philanthropy and partisanship, in that the Canada Revenue Agency is reviewing some of these issues now around political activities and the policy role of charities and philanthropies, which in some ways are allowed.... I'm not a lawyer, but if you have a strict look at the law, it appears that they're allowed to alleviate poverty, but not recommend policy. They are allowed to offer relief of poverty, but not recommend policies that would alleviate poverty. That seems somewhat odd and antiquated to me. Nonetheless, I'm certain that what will remain is that they cannot engage in partisan activities. I think that any contributions they make to journalism would not be partisan in any way.

I speak in the report about the dangers of their distorting journalism. It may be best, at a very high level, to give to a news organization like ProPublica in the States, an investigative news organization that is supported by philanthropy, and then they stay out of their hair in the way that good publishers stay out of the hair of good editors. Alternatively, they may support things like the legal advisory service that we are recommending, or the research thing.

I put the caution to them as well that they not try to become editors, because they'll distort the mission of journalism and they'll burn their fingers.

• (1640)

[*Translation*]

**The Vice-Chair (Mr. Pierre Nantel):** Thank you very much, Mr. Greenspon and Mr. Neustaedter.

Thank you to you as well, Ms. Lauziere.

To conclude, I would have a question.

[*English*]

I keep scratching my head about this issue.

Mr. Ménard, when did we start this study?

[*Translation*]

**Mr. Marion Ménard (Committee Researcher):** That was February 16, 2016.

[*English*]

**The Vice-Chair (Mr. Pierre Nantel):** It was February 16, 2016.

When were you commissioned to do that study?

**Mr. Edward Greenspon:** That was June 2015.

**The Vice-Chair (Mr. Pierre Nantel):** Wow. Okay.

There is a lot of information for us to digest. Thank you very much for your time.

We will go in camera for committee business.

[*Proceedings continue in camera*]







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