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—
Chair

The Honourable Hedy Fry

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• (1545)

[English]

The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)): I call the meeting to order.

As you see, we have two hours. In the first hour, we have Facebook Inc, with Mr. Chan and Mr. Dinsdale, and from Google Canada, we have Mr. Kee and Mr. Brindle.

As you know, you have presented to this committee before, but at the request of the committee, you have been asked to come back to answer some questions. There are things that have occurred in the interim, between when you last appeared before us and today. Things seem to be moving so rapidly that we need to clarify a couple of things with you.

You know the drill. Each group has 10 minutes to present. You can decide how to do that. At the end, we will have some questions from members of the committee.

Without any further ado, I invite Mr. Chan or Mr. Dinsdale to present on behalf of Facebook.

[Translation]

Mr. Kevin Chan (Head, Public Policy, Facebook Canada, Facebook Inc.): Thank you very much.

Madam Chair, members of the Standing Committee on Canadian Heritage, thank you for this additional opportunity to present our views as part of your study of the media and local communities.

As most of you already know, my name is Kevin Chan and I am the head of public policy for Facebook Canada. With me again today is my colleague, Marc Dinsdale, the head of media partnerships in Canada.

[English]

Since we last appeared before the standing committee in November, we have made some important announcements in our early efforts to address fake news. I am pleased to share today with the committee our progress in this area.

As Mark Zuckerberg, Facebook's founder and CEO, recently wrote:

Giving everyone a voice increases diversity of perspectives, but there is more we can do to build a shared perspective—to reduce polarization, sensationalism and misinformation.

I am pleased to report that we are hard at work putting together initiatives and partnerships that we believe will address this issue here in our country.

On December 15 last year we announced work in a few key areas to fight fake news. Facebook strongly believes in giving people a voice and believes that we cannot become arbiters of truth ourselves. We are thus approaching this problem carefully, launching tests and learning from our experiences. We will iterate and extend them over time. We have focused our immediate efforts on the worst of the worst, on the clear hoaxes spread by spammers for their own gain, and on engaging both our community and third-party organizations.

Our areas of work consist of the following.

First is easier reporting. We are testing ways to make it easier to report a hoax if you see one on Facebook, which you can do by clicking the upper right-hand corner of a post. We have relied heavily on our community to report problematic content in other areas and we hope that reporting can also help us detect more fake news.

Second is flagging stories as disputed. We believe that providing more context can help people decide for themselves what to trust and what to share. We have started a program to work with third-party fact-checking organizations that are signatories of Poynter's international fact-checking network's code of principles, including ABC News, *The Washington Post*, and Snopes.com in the United States.

We use the reports from our community to send stories to these organizations. If the fact-checking organizations identify a story as fake, it will be flagged as disputed and there will be a link to the corresponding article explaining why. Stories that have been disputed will also appear lower in news feeds. Once flagged, these stories will come with a prominent warning label indicating that the story has been disputed and cannot be made into an ad and promoted.

Third is disrupting financial incentives for spammers. We have found that much fake news is financially motivated. Spammers make big money by masquerading as well-known news organizations and posting hoaxes that get people to visit their sites, which are often mostly ads.

We are doing several things to reduce the financial incentives. We have eliminated the ability to spoof domains—that is, the ability to pretend to be a legitimate website—which will reduce the prevalence of sites that pretend to be real publications. Our advertising policy also makes clear that fake news sites are barred from using Facebook ads. We are analyzing publisher sites to detect where policy enforcement actions might be necessary.

I would like to now talk a bit about the Facebook journalism project. As we take steps to address fake news on our platform, we also recognize that we need to be working even more closely with the news industry. We know that our community values sharing and discussing ideas and news, and we care a great deal about making sure that a healthy news ecosystem and journalism can thrive.

That is why we announced last month the launch of the Facebook journalism project, a continuation of the work that my colleague Marc Dinsdale is already doing with news publishers across the country, collaborating with news organizations to develop news products, to learn from journalists about ways we can be a better partner, and to work with publishers and educators on how we can equip people with the knowledge they need to be informed readers in the digital age. I will expand on each of these areas in turn.

First, on collaborative development of news products, we can better serve the needs of people on Facebook and those of our partners when we work together to develop products. While we have worked with our news partners on this in the past, as part of the Facebook journalism project we will begin an even deeper collaboration with news organizations, connecting our product and engineering teams so that we can build together from the early stages of the product development process, evolving beyond Facebook Live, Facebook 360, and Instant Articles to even better address the needs of journalists.

Honourable members, you were briefed on these three products when we first appeared in November.

We also want to explore ways in which we can support and strengthen local news on Facebook, as well as emerging business models in an Internet age. Most importantly, we want to engage in regular meetings with the media and publishing partners to listen and learn from them. We will be launching a series of listening round tables with news organizations later this spring.

● (1550)

Second is training and tools for journalists. In addition to the newsroom training we currently offer, we are conducting a series of e-learning courses on Facebook products, tools, and services for journalists. We also recently acquired CrowdTangle, a popular tool among journalists to surface stories, measure their social performance, and identify influencers on different social media platforms. Last month we announced that CrowdTangle would become a free service for all of our media partners.

Third is training and tools for everyone. As we seek to support journalism, we will also be working on new ways to help give people information so they can make smart choices about the news they read and have meaningful conversations about what they care about. Some of this we will do in direct partnership with journalists. At other points we will work with educators and researchers. Initially, our main area of focus will be promoting news literacy by working with third-party organizations on how to better understand and promote news literacy both on and off our platform to help people in our community have the information they need to make decisions about which sources to trust.

We will help organizations already doing important work in this area and bring a consortium of experts together to help decide what

new research to conduct and which projects to fund. In the short term we are working with the News Literacy Project to produce a series of public service ads to help inform people on Facebook about this important issue. Our longer term goal is to support news organizations with projects and ideas aimed at improving news literacy, including with financial grants where needed.

Next month we are partnering with the Walter Cronkite school of journalism and mass communication at Arizona State University to convene a news literacy working group, bringing together top media thinkers and practitioners for a two-day, action-oriented meeting to review past news literacy research, identify new research questions, and assess projects for possible funding. I am proud that our news literacy working group will include distinguished Canadian journalist, Catherine Cano, president and general manager of the Cable Public Affairs Channel, or CPAC.

For more than a year now, people in Canada have been able to report a story is fake. Now we are engaged in preliminary conversations with potential media partners to see if we can bring our fact-checking initiative to Canada so Canadians can see which stories independent third parties have disputed. At this early stage in the process, we believe that our partnership with news publishers in Canada should be editorially unbiased and neutral, national in scope, and operate in both official languages. We would welcome feedback from the standing committee on these core principles.

The Chair: Excuse me, please, Mr. Chan. We wonder if you could slow down a little bit as the interpreters are having some problems.

Mr. Kevin Chan: Sure, I'd be happy to do that.

I'm just worried about my 10-minute allocation.

The Chair: You have two more minutes to go.

Mr. Kevin Chan: I really appreciate that, Madam Chair.

Later this spring, we will also convene a gathering in Canada of major English and French news organizations as part of the Facebook journalism project's series of round tables to listen and learn from media organizations and to collaboratively begin designing new products optimized for publishers.

Finally, we will partner with key Canadian stakeholders in the development of news literacy resources to promote critical thinking and judgment when reading and consuming news content. We are pleased to announce that MediaSmarts, Canada's digital literacy organization, has agreed to work with us on this exciting new initiative, and we expect to partner with a few other leading Canadian organizations on this important project in the months ahead.

• (1555)

[Translation]

Facebook is committed to creating a more open and more connected world. We believe our mission will help people all over the world be better informed, more empathetic, and more productive.

Our responsibility as regards the spreading of false news is an integral part of this commitment and we take it very seriously. In just three months, we have taken a number of initiatives, both on our platform and in cooperation with community stakeholders through our Facebook journalism project. I am excited to be working closely with my colleague Marc Dinsdale to further these initiatives in Canada.

[English]

I want to thank the Standing Committee on Canadian Heritage for listening to our presentation, and I am now pleased to answer any questions you may have.

The Chair: Thank you very much, Mr. Chan. You just came in at 10 minutes, well done.

Now we go to Mr. Kee or Mr. Brindle for Google Canada.

Mr. Jason Kee (Counsel, Public Policy and Government Relations, Google Canada): Thank you very much, Madam Chair.

First, I wanted to wish all the members of the committee a very happy Valentine's Day. We are pleased that you chose us as your valentine today.

The Chair: Did you bring the chocolates?

Voices: Oh, oh!

Mr. Jason Kee: We're pleased to be back to contribute to this important study and discussion that you're having with respect to the evolving media ecosystem, including emerging concerns around misrepresentative content or what some refer to as fake news.

Google's mission is to organize the world's information and make it universally accessible and useful. At the heart of that mission is the firm belief that a world that is more informed makes better decisions and leads to better outcomes. Accordingly, we take our role in connecting people to the best available information online very seriously.

Our users expect us to show results that include authoritative reporting from objective and informed journalists and publishers. Hence, we constantly invest in innovation to improve the quality of our results and are deeply committed to ensuring that credible and quality news sources survive and thrive on the web. We are equally committed to the Internet as an open ecosystem for expression and knowledge.

A free and open web is a vital resource for businesses and citizens in Canada and the world, and ensures that the public has access to a range of diverse viewpoints. It enables the widest possible range of innovation, experimentation, and creativity, allowing news publishers to experiment with new business models, reach new audiences, and succeed on their own terms.

Dealing with propaganda and misinformation is a perennial challenge. Rumours, misinformation, inaccurate reporting, and

propaganda have been issues for the past two centuries, from pamphlets to hoaxes, from tabloids to false accusations against opposing candidates in political campaigns. The Internet has made it easier for publishers to distribute such information, but at the same time, it has also made it easier than ever for citizens to find and access reputable sources and get more facts to counter propaganda and misinformation.

This is an issue that needs to be addressed properly. Drawing a line between what constitutes fake news and what is otherwise shoddy or inaccurate reporting, opinion, or advocacy can be arbitrary and challenging. Facts are often hard to verify and even reputable sources can provide varied and inaccurate accounts.

Google favours an approach built on maximizing access to information to users rather than acting as arbiters of truth. This is a challenge that's at the very core of our corporate mission and values. As our CEO, Sundar Pichai said, we will "work hard to make sure we drive news to its more trusted sources". We understand that this is a complex issue and want to be thoughtful in any of our responses.

There are a number of ways in which Google is working to ensure users have access to high-quality information on the web. We respect that same old, same old isn't good enough. We want to keep pioneering efforts to serve the best possible results to users and support the success of the news ecosystem.

Today, I want to highlight three approaches to this issue that we think are the most pertinent to this committee's investigation. First is a collaborative approach with news organizations driving traffic to news sites through Google News and initiatives like Google's News Lab. Second is our recently announced labelling of fact-checked articles, and third is our efforts to tackle the issue at the source, targeting bad ads, sites, and scammers online.

Aaron.

• (1600)

Mr. Aaron Brindle (Head, Communications and Public Affairs, Google Canada): Thanks, Jason.

This committee heard previously from us about our various collaborations with news publishers in Canada and around the world. Collaboration and partnership are central to our approach to the news. Globally, Google Search and Google News send over 10 billion clicks a month to publishers' websites for free, representing an opportunity for publishers to grow and monetize their audience.

Google News, our service that aggregates news headlines and links to sources, is a white-list service. Publishers are reviewed and approved before they are eligible to be featured as part of our news corpus. Google News features over 75,000 publishers globally, including almost 2,000 Canadian publishers. Our review process is rigorous and is aimed at separating news websites that conduct original journalism and analysis from non-news websites such as pure news aggregators, marketing, content not dealing with current events, or websites that deceive users about their ownership or their primary purpose.

To be clear, reviewers do not assess the quality or accuracy of each news website nor do they assess or rank political viewpoint or ideology.

Google News aims to provide diverse perspectives on news stories. Under each news story, Google News offers links to several other articles from different news publishers on the same story. This exposes users to different perspectives on the subjects that interest them and allows them to select for themselves which publishers' accounts they wish to read.

Further, Google News highlights content from local news sources by including a “local source” tag to showcase local coverage of major stories. Not only does this allow for the local section in Google News to link to stories in regional papers, it ensures that national or international stories include a local perspective where available, and it is consistent with our goal to surface diverse perspectives.

We don't just work with publishers on Google News. We help them leverage the best of the web. News Lab is an initiative from Google that is wholly dedicated to helping news publishers make the most of digital opportunities.

To do this, we offer face-to-face training in newsrooms, online resources for journalists—notably, including Google Trends, which we provide based on input from many publishers—and we support research that can be of help for publishers.

We've also been partnering with the broader news industry to work on the problem of verification for several years now. For instance, we are a founding member of the First Draft News coalition, an organization that is helping efforts to improve social news gathering and verification. We also support the Trust Project, which is investigating ways to distinguish authoritative journalism from promotional content and fakery, and effectively signal its trustworthiness.

For many years, Google News has marked links with specific source labels such as “opinion content”, “user-generated content”, or “satire”, which help readers understand what they are about to read and encourage them to consider the source and nature of the information. More recently, we launched a new label in Google News for fact-checking. This tag highlights news that's been fact-checked and verified by authoritative organizations, including news publishers and independent fact-checking organizations. The tag is currently available in the U.S., the U.K., Germany, and France, with more countries, including Canada, soon to come.

The fact-check industry has reached a level of growth that makes this kind of work possible and we are strong supporters of fact-checking initiatives. Google has provided support for more than 10 different efforts looking at fact-checking and authentication, adding six new projects at the end of last year. We are very enthusiastic about the future of our collaboration with this growing fact-check community and its implementation across our platforms.

We look forward to sharing more with the committee about our progress on this front at a future meeting.

This leads us to our last point.

Mr. Jason Kee: Google does a lot to combat bad ads and bad sites online. In 2016, we took down 1.7 billion ads that violated our advertising policies, more than double the number of bad ads in 2015.

Our publisher partners use our AdSense platform to make money by running ads on their sites and content. We have strict policies in place to keep Google's platforms and networks a safe environment for our advertisers, users, and publishers. When a publisher violates our policies, we can stop showing ads on their site or even terminate their account.

We've had long-standing policies prohibiting AdSense publishers from running ads on sites that help people deceive others. In November, we expanded on these policies, introducing a new AdSense policy directed at misrepresentative content. This policy helps us to take action against website owners who misrepresent who they are and deceive people with their content.

From November to December 2016 we reviewed 550 sites that were suspected of misrepresenting content, including cases of impersonating news organizations. We took action against both misrepresentation and other offences, and nearly 200 publishers were kicked off our network permanently.

In conclusion, this is a challenging issue. We don't have all the answers, which is why we host events such as the News Lab Summit and Newsgeist. Both are important forums that bring together people across the news industry with technologists to discuss issues like these and to generate new ideas.

We thank you again for the opportunity to contribute to this important discussion. We look forward to answering your questions today and continuing this important dialogue with the committee and members beyond today's meeting.

• (1605)

The Chair: Thank you very much.

We're going to go to the question part of this. The first round is a seven-minute round. The seven minutes includes questions and answers, so I would ask everyone to try to fit as much content as they can into that time. Please answer short questions briefly.

Ms. Dabrusin is first, for the Liberals.

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

I want some clarification about what programs are already running in Canada and which ones aren't, because I've heard about a lot of different programs.

I was going to start with Facebook, because I just went to check out Facebook right now. I see that if I want to report something, I have the choices, “It's annoying or not interesting”, “I think it shouldn't be on Facebook”, or “It's spam”.

Are those the only three categories I have available right now?

Mr. Kevin Chan: No. If you click through the flow a bit more, there's one that says, “This is fake news”, or uses some language like that; you can report it.

This has been available for a year now in Canada. What we are looking to do is to find ways to make it more prominent; we're testing that out. Some of it we may find works really well. Some of it may work less well. Part of the way we think about making design changes and product enhancements is to test them and see how people interact with them. That is what we're looking to do with the reporting flows.

Ms. Julie Dabrusin: What kind of data have you managed to pull together over the past year as to the number of reports coming through on fake news and whether you're able to keep up with the volume of fake news reports? How many do you disregard as not being fake news?

Mr. Kevin Chan: For the existing reporting flow from a year ago.... I think you'll appreciate that we need to be very careful about how to categorize fake news. We're focused on the worst of the worst, and you have to be careful that you don't capture things such as satire or opinion or that sort of thing. We need to be very careful about how we approach this.

What I can share is that one of the signals we use to figure out whether or not to prioritize a piece of content on News Feed is based on some of these reporting flows that you're talking about. For example, if we see lots of people reporting a particular article, that is one signal that may factor into how content may be down-ranked in News Feed.

Ms. Julie Dabrusin: I was looking at some discussion about Facebook's policies concerning fake news, and one criticism was that people could choose to flag things that are just an opposing point of view. They disagree, but it might be completely accurate. They simply disagree with the opinion expressed. There was a concern that what might happen is that you would have a deluge of people saying, "This is fake news", when in fact they're trying to downgrade something they disagree with.

Mr. Kevin Chan: I think you're exactly right, and that is why we have been very careful, especially with the new initiatives that we're pioneering. We're very careful about how wide to draw the circle. The scope will be very narrow at first.

We're very much in the testing and piloting phase. We're focused on the most egregious examples of fake news, in which it's clear and easily verifiable that something did not actually happen. We want to learn from that before we roll it out in a more comprehensive way. We want to be careful that we don't inadvertently capture all of the other things you are rightly concerned about.

•(1610)

Ms. Julie Dabrusin: I was looking at Abacus Data, which had a study from August 2016 in which they said that 21% of Canadians hear news first from Facebook now. The only level higher on their grid was 29% from TV.

Then I was looking at *Vanity Fair*, which quotes Elliot Schrage—

Mr. Kevin Chan: He's my boss.

Ms. Julie Dabrusin: —president of global communications, marketing, and public policy. The article was published December 2; I'm not sure when he said it. He said:

For so long, we had resisted having standards about whether something's newsworthy because we did not consider ourselves a service that was predominantly for the distribution of news. And that was wrong!

We have a responsibility here. I think we recognize that.

Building on that, how do you define Facebook's responsibility as a news carrier?

Mr. Kevin Chan: We take our responsibility very seriously, ma'am.

You'll appreciate that this is precisely why we've spent so much energy in just the last two or three months to build out efforts to address fake news. Looking to the future, as I said, we're really pleased to be able to work to develop programs and initiatives, a lot of which my colleague Marc Dinsdale will spearhead, to engage further with news organizations in Canada, both to better understand what their product needs may be in the online space, but also to further refine the way we think about how we help in the distribution of content in a way that makes sense for them from the monetization standpoint. That again is, as you recall, one of the things we talked about last time we appeared, in November.

Ms. Julie Dabrusin: Part of the reason I raise this is that when Mr. Greenspon came to speak about his study, he mentioned that as an editor of a newspaper, even the letters to the editor that appear are within his responsibility, that he has responsibility for what is published in his paper even if it's not from his own journalists but is coming as a letter to the editor.

I was wondering whether you feel that you share that same kind of responsibility that an editor would over a newspaper.

Mr. Kevin Chan: We talked a bit about that at the women's science event over the weekend in Toronto.

I think letters to the editor are letters to the editor. Many people who are posting and sharing on Facebook are sharing with each other. While I can see why Mr. Greenspon would say that, I don't think that on deeper analysis the comparison is apt.

Ms. Julie Dabrusin: All right.

You both mentioned satire, which is an interesting twist on all this fake news and on how to identify fake news as well.

I guess what I'm wondering is this. We're using the term fake news, but do your organizations, Google and Facebook, have a term called "fake news" or a definition for it?

Mr. Jason Kee: Internally we tend to use the phrase "misrepresentative content", mostly because I don't think the term "fake news" has any defined, cogent meaning anymore.

Richard Gingras was here previously, and pointed out that it took three weeks in the United States for fake news to become egregious, clearly misrepresentative sites from 15-year-olds in Macedonia who are trying to capitalize and make money off perpetuating fake information to CNN and *The New York Times*.

Clearly, the challenge has been that there actually is no clear definition. "Misrepresentative content" clearly identifies the most egregious instances of it and also covers the instances in which we are capable of taking action much more readily.

Ms. Julie Dabrusin: Facebook, do you have a definition? Do you use the term "fake news"?

Mr. Kevin Chan: I would just echo the point that what we're looking at initially is content that is clearly not true. Regardless of how one may term it, what we're looking at is making sure that people who see content have a reliable sense that it is authentic content. That's what we're looking to ensure.

The Chair: Thank you.

We're going to move on now to Mr. Van Loan from the Conservatives, for seven minutes, please.

Hon. Peter Van Loan (York—Simcoe, CPC): Madam Dabrusin just talked about satire. I think of Sarah Palin being labelled as having said, as we all famously know, "I can see Canada from my house". If you really know, it was never her who said that. That was Saturday Night Live's Tina Fey satirizing her, but most people think that's what she actually said.

That was well before the current controversies we're facing. In fact, I've pointed out that whether you're looking at the old tabloids or old newspapers that used to write from clear perspective.... Mr. Greenspon's *Globe and Mail* was constantly filled with stuff about Sir John A. Macdonald that was patently false, a lot of which is used as sources in our history books these days, because it was writing from a perspective

I'm of the view that because we're dealing with new technologies and new forms, the problems people point to about so-called fake news are problems of people adapting their media literacy. People are pretty good skeptics. I think historically they've been able to sort that out, getting the information. The challenge now is some people who, dealing with new technology, can't discern credible from non-credible sources.

I look at my own feed, and I was just looking through it now, and I went through about seven stories where someone corrected why that wasn't true or why that was satire or so on. People are picking that up and they're learning it from others. People are posting the alternate information, alternate facts, which has now become satire as well, but are giving the sources of information that prove why that story may not be true. People can assess.

What I enjoy hearing from you is the suggestion that part of what you're trying to do is focus a bit on encouraging the new media literacy. I think it will come on its own naturally, but anything done to encourage it is good.

What troubles me is the notion that you, I think, are viewed largely as a neutral infrastructure for information. Where do you cross over into becoming a controller of information and deciding, as editors, what is and isn't available? People are complaining from time to time that they get blocked and so on. I come down more on the side of freedom, and let the marketplace of ideas play itself out.

•(1615)

Mr. Kevin Chan: It's good to see you again, sir.

Thank you very much for your encouragement with respect to news literacy. I agree, I think we agree, that it is actually a key component of this. It's not an easy thing to do, but it actually requires a broader societal effort.

With respect to your question about being the arbiters of truth, as I noted in the opening statement, we certainly do not want to be that. That is why we are being very careful about how we put together initiatives to address the issue of fake news. That is precisely why we are working in partnership, and why Marc has spent a lot of time in the last little while speaking to other third-party media organizations to try to see whether or not organizations that have traditionally been focused on these types of questions would be willing to partner and

engage on this stuff. We certainly do not believe we are equipped to do it, and we certainly don't profess to have the expertise to do it.

The Chair: Mr. Kee, do you have anything you want to add to that?

Mr. Jason Kee: We would share the sentiment that we certainly don't want to be in a position to be the arbiters of truth. It is important to recognize that from a perspective of a search company, our purpose is to try to help our users find the most relevant information available. We respond to the inquiries we get. We respond basically to queries. We respond to those.

There are clearly algorithms that will sort that information, but it's based on what their query is as opposed to actual preferences.

Mr. Kevin Waugh (Saskatoon—Grasswood, CPC): I'm going to throw a curveball at you here. The *StarPhoenix* just reported that a Saskatchewan man has been found guilty of uttering threats on Facebook against the Prime Minister. He's been fined \$500, given nine months' probation, and so on.

There isn't a municipal police force in this country that all of a sudden doesn't have a number of people looking at Facebook, looking at Google, every hour for these stories. It has cost the taxpayers of this country millions of dollars.

Facebook, you've done very well. Google, you've done exceptionally. You talk a good game. Now all of a sudden I can go into the Saskatoon city police and I know there's a room 24-7 designated for watching Facebook and Google sites for this kind of information.

Who's going to pay for this other than the taxpayers of Canada?

•(1620)

Mr. Kevin Chan: Sir, on this particular point I'm not entirely sure that I understand what the police service may actually be doing. I can say that in some of the cases we've heard about, it's typically people who may report certain things they have heard others utter, and we have a process and good relationships with law enforcement whereby we can co-operate to ensure that things that are in violation of Canadian law are dealt with appropriately.

Mr. Kevin Waugh: Does Facebook Canada deal with it, or where does this come from?

Mr. Kevin Chan: We would work with the local law enforcement.

Mr. Kevin Waugh: Who is "we"?

Mr. Kevin Chan: It's the platform. It would depend on the specific case involved, but we are a global platform, so it depends on what particular issue we were talking about. Obviously—

Mr. Kevin Waugh: Do you monitor this? Do you monitor stories like this? Do you monitor stories such as that about the Alberta premier being harassed every hour?

Mr. Kevin Chan: Do we monitor it—?

Mr. Kevin Waugh: Or do you just leave it to the public to do it?

Mr. Kevin Chan: There are a couple of levels to this. As you know, sir, as we've talked about in the past, we have very good relationships with law enforcement and with government officials to make sure that we are able to be helpful with them when they encounter particular challenges.

But on the broader question about whether a platform or we—I think I can speak about all of our platforms—monitor the communications of the people.... We are very careful about the privacy rights of Canadians. There is a privacy law in this country, so if the question is whether or not there is an entity surveilling the communications of Canadians, the answer, at least from Facebook, is no.

Mr. Kevin Waugh: Okay.

When you flag a story—

The Chair: I'm sorry, Mr. Waugh, we've finished.

Now we will go to Mr. Nantel from the NDP.

[Translation]

Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP): Thank you, Madam Chair.

First of all, thank you for coming back to take part in our study. We are very pleased.

You must know that, in the view of everyone around the table, you have been real agents of change in recent years. Some companies are now facing competition that they might not have seen coming.

As to advertising revenues, while I was listening to the conversation, I was surfing the Internet and found that Facebook's advertising revenues rose from roughly \$7.8 billion in 2013 to nearly \$18 billion in 2015. I also found that your shareholder documents have reported that your advertising sales have recently shot up by close to 57%. So you are doing well financially speaking.

Did you anticipate that kind of growth at Facebook? I have heard you talk about this before and I got the sense that you were a bit surprised. Being able to print money is great thing, if I may say so, but it comes with a heavy responsibility to society.

Did your business plans at Facebook anticipate that you would make so much money, from advertising in particular? In any case, those are your only revenues, are they not?

Mr. Kevin Chan: It is true that most of our revenues are from advertising. That said, I don't think anyone anticipated from the outset that Facebook would be so successful. Thank you, by the way.

[English]

One thing we have talked about often is the degree to which companies that are operating in the space actually face many competitive challenges. You may recall that there was a time not so long ago when people were writing articles saying that Facebook would not be able to make the conversion to mobile and that it would ultimately not be a successful platform.

That is something we oftentimes remind ourselves of, because while we can appreciate that things have been going relatively well, we are very mindful that things can turn on a dime. There was a very key moment just a few years ago, again with this migration to

mobile, and the question was that we didn't have an app. You'll recall that Facebook originally was a desktop platform, and there was a big question about whether or not we could make that transition.

•(1625)

Mr. Pierre Nantel: I was about to ask you about that. Who is your competition?

In going through the shareholder brochure from Google, we see that social networks, such as Facebook and Twitter are big competition. That document also says that competitors include “General purpose search engines and information services, such as Yahoo, Microsoft's Bing, Yandex, Baidu, Naver, WebCrawler, and MyWebSearch”. That's in the first line under “Competitors”.

Really? I remember using Yahoo 20 years ago. Aren't you the main—95%—search engine offered?

Mr. Jason Kee: Not necessarily. It depends a lot on the individual marketplaces. That's why it fluctuates, but there's still strong competition from Bing, from Yahoo, and from some other basic search engines, particularly in places in Asia, for example. It's a completely different marketplace environment.

Also, it depends a lot on the nature of the business. As Google, we're in a lot of different businesses. Google Search is one aspect of the business. The advertisements we've talked about are another aspect, where there are number of key players. Facebook is one, as are Twitter and AOL. Yahoo is also a significant player there. It depends a lot on the individual business line.

Mr. Pierre Nantel: To me, what clearly happens in our sphere....

How much time do have left, Madam Chair?

The Chair: You have about two minutes and a bit.

Mr. Pierre Nantel: Thank you.

The main idea is that you've just come up with a miracle product and everybody is buying it. In Canada, if you're looking for clothespins, there's a 90% chance that you're going to go to Dollarama. You may sometimes buy them at Canadian Tire. You will go to such stores for such products. When people search for services such as advertising, for example.... Because we may talk about consumers, but what we're talking about here is advertisers. They buy advertising services, just like many of us do as MPs.

You are really into big business. I don't know how to evaluate the numbers for your business in Canada, but I tend to wonder how much of that company presence is here in Canada for such a big business. If Elon Musk sells Teslas in Canada, he will open a garage. I haven't verified this, but I guess there is a Tesla Canada branch, and they've sold, I don't know, 200 Teslas. They have such-and-such a profit and so many employees and stuff. What is your corporate presence and what are your job creation and returns for us here in Canada?

Mr. Aaron Brindle: Google Canada has just shy of a thousand employees across four offices in Montreal, Ottawa, Toronto, and Waterloo. In Waterloo, we have engineers working on products that touch billions of people around the world, from our ads to—

Mr. Pierre Nantel: Creating the software and...?

Mr. Aaron Brindle: Yes, that's correct.

We have some of the world's leading researchers and great minds on AI research, and that's happening out of Montreal and Toronto as well. We do have a sales presence in Toronto and Montreal, but we are an engineering company with many engineers based right here.

Mr. Pierre Nantel: Thank you.

For Facebook, Mr. Chan...?

Mr. Kevin Chan: We also have four offices across the country, including one in Montreal.

When we think about the economic impact of Facebook, we largely are thinking about how other companies, particularly small businesses, are leveraging the impact. We did a study about a year ago. Deloitte did an independent study, which found that the economic impact was in the tens of billions of dollars in Canada alone.

We're looking at connectivity impact. We're looking at marketing impact. When you think about platforms, I think that's probably the best way to look at it. How many people are actually building things on top of these platforms to grow their businesses and to grow the economy?

Mr. Pierre Nantel: I had the chance to visit Google's offices in Montreal. It is absolutely a super place to work. I can agree with that. I was working at Cirque du Soleil and I can tell you that there was a close competition in the quality of the work environment.

Is the volume of advertising sales all effected by Google Canada Incorporated or do the sales go direct to Mountain View?

• (1630)

Mr. Jason Kee: The sales are all done through Google Inc., which is actually through Mountain View, their American parent company.

You're right. The reason we have an employee base in Canada is largely driven by the fact that Canada has tremendous engineering talents. That's why we set up an office in Waterloo. There isn't necessarily a full connection between the level of advertising versus the level of employees, because they're very distinct in terms of the business side.

Also, as Kevin just mentioned, as platform companies, measuring our investments in a country by the number of direct employees isn't an accurate reflection of our value.

Mr. Pierre Nantel: I understand.

Mr. Jason Kee: Our value is about how we provide value to other Canadian businesses, to the hundreds of thousands of Canadian businesses—if not millions—that use our advertising service to reach new markets and generate revenue that way.

The Chair: Thank you.

We've gone well over time on that one, but I thought the answers were of interest to the committee.

Now we're going to go to Mr. Breton, for the Liberals.

[*Translation*]

Mr. Pierre Breton (Shefford, Lib.): Thank you, Madam Chair.

Gentlemen, thank you for being here today for a second time.

I would also like to talk about the issues surrounding advertising that my colleague Mr. Nantel raised.

You know of course that our current study pertains to the media and local communities. I heard my colleague say that advertising revenues had skyrocketed. Congratulations, that is great news for you. Moreover, we also learned this past year that, in most communities, local media have seen a 50% drop in their advertising revenues, which is what yours have risen by. Advertising is the main revenue source for them as well, and they are now in a very precarious position.

You surely know as well that this generates a lot of jobs right across Canada. I don't have the figures, I don't know how many jobs exactly, but you mentioned 1,000 people at Google. We have not necessarily heard about the number of employees at Facebook, but I would guess there are easily tens of thousands in Canada in various local communities. Several witnesses over the past year have suggested that the Income Tax Act should be amended to favour the local media since these advertising revenues are going to American companies.

I would like to hear from each of you about these various suggestions that have been made to us by the majority of representatives from the media, unions, business and organizations that have appeared before us over the past year.

[*English*]

Mr. Jason Kee: It depends a lot on the individual proposal. As you know, there have been quite a number of them.

With respect to the issue around the tax treatment of advertising expenses, which is probably one of the more prominent ones that have been raised, we have concerns about it just because of the way it would be implemented.

To make a long story short, it's effectively a tax on Canadian advertisers. It assumes that there's a direct relationship between the advertiser and the publisher, the buyer and the seller—which doesn't actually exist in a lot of digital advertising anymore—mostly because it was the policy of the day in the 1960s. It also assumes that there's a direct substitution between the ability to find something on an online service, like a Google, a Facebook, or a Twitter, and a Canadian equivalent that you could actually invest in alternatively, which actually isn't the case.

When the policy was developed in the 1960s, there was clearly a similarity between foreign broadcasters and Canadian broadcasters, and between foreign newspapers and Canadian newspapers. That doesn't exist online. If you want to advertise a beauty product to a certain audience in mobile apps, there may not be a Canadian equivalent to approach. As a result, changing tax treatment could actually be punitive. There just may not be an alternative.

Again, I think there are some significant challenges with that approach.

Mr. Kevin Chan: I won't get into too specific a comment other than to say that I think the question—and I think Mr. Nantel may have asked me that in November—is probably best posed to Canadian advertisers. I'm not the technical tax expert, but ultimately—if I understand correctly some of the proposals that have been floated—the mechanism through which I wish this largely would happen is some kind of levy on Canadian advertisers.

The parliamentary committee can recommend, obviously, whatever it chooses, in its wisdom, to be appropriate, but I think the question, perhaps, may be important for Canadian advertisers and marketers to answer.

• (1635)

[Translation]

Mr. Pierre Breton: I would like to know how it works when your company publishes news online. We know there is a lot of junk and a number of news creators. Can you explain how it works? Do you have agreements with those news creators? On your sites in Quebec, for example, you publish news from *La Presse*, the *Journal de Montréal*, and the *Devoir*. Do you have specific agreements to do that? Do you rely on regulations or a specific act to collect all this news and put it on your sites? How does it work?

[English]

Mr. Kevin Chan: I can start, and maybe my colleague Marc can fill in some of the details.

In general, as I indicated back in November, the principle it operates on is that people and organizations are able to publish what they wish on the platform. I would say that the vast majority of this content is what people, organizations, newspapers, other local news outlets, and broadcasters themselves publish directly onto the platform. We do not have, in any way, a relationship in that regard.

As I also indicated—and maybe here I'll turn to my colleague Marc—where there are specific products that they wish to publish their content through, such as Instant Articles, which loads faster, as you'll recall, sir, and where they reap the majority of the revenue from these products, then I believe that we do and we will work with them in partnership.

I'll turn to Marc.

[Translation]

Mr. Marc Dinsdale (Head, Media Partnerships, Facebook Canada, Facebook Inc.): Thank you, Mr. Chan.

As my colleague just said, any amount of content can be published on Facebook. People and companies can publish as much or as little strategic content as they wish. Most of the time, they want to increase their audience and their distribution.

In the case of *La Presse+*, the promotion strategy was to present it as a new service. I worked with them to formulate recommendations to better direct the public to *La Presse+* in order to boost revenues in its environment.

There are programs that are starting in beta format, in a limited way. The Instant Articles program started with two or three partners. The partners in this program can put their own ads in their content in the Facebook environment and retain 100% of the revenues. If they do not have direct advertising of that kind, they can use our Audience Network program, which offers shared revenues.

For the most part, the service we offer our partners in Canada is content distribution; they can then direct users to their own platform and thereby increase their distribution and subscription numbers. We can also offer them a Facebook environment where they can collect their advertising profits directly.

Mr. Pierre Breton: Thank you.

Do you have anything to add, Mr. Kee?

[English]

Mr. Jason Kee: This is one of those instances where our services are very different in kind. Google News and Google Search drive traffic to news websites. We don't publish content. We don't replicate it. The only things we'll reproduce are headlines and snippets, which are basically a sentence or two describing what an article is, mostly so a user would know what they're clicking on when they're being driven to the site. We drive that traffic to the original site.

Google News is not monetized, which means that we don't run ads on it. We don't earn any revenue from it. Google Search rarely monetizes through search enquiries that are related to news. Essentially, this is a service that we provide for free to provide an audience for our news publisher partners, for them to basically monetize and capitalize on. As a consequence, we don't engage in a licensing activity with them because we don't produce anything that would need to be licensed.

[Translation]

Mr. Pierre Breton: Thank you.

[English]

The Chair: Thank you very much.

We may not be able to do a second round because the votes moved us forward. We have about three-quarters of an hour to deal with our second hour. I thought we would end this round.

Mr. Van Loan, stop looking so disappointed. We will have to end this hour.

I want to thank Google and Facebook for being here.

There is one thing I wanted to ask you, which is something that has always interested me. As you well know, for any other platform for communications, whether it's telephone, telecommunications, TV broadcasts, radio, or print news, including letters to the editor, etc., if these spread false messages, or if libel is spread by any of these platforms, they're liable under the Criminal Code. This is why you'll have editors at newspapers tell you that they need to check what is put into a letter before they put it in: because they're responsible.

The only platform that has not been deemed to be responsible in a real way for both of those things—false messages and libel—is the digital media. Your platform has not been moved into that. Is this something that you feel would help you ensure that the kind of “news aggregations” you're putting forward are subject to the same rigour that other platforms are subject to? Do you have a comment on any of that?

• (1640)

Mr. Jason Kee: I have a few things. First, I'm not certain I would agree with your characterization that, for example, telephone companies are liable for the content that travels through telephone lines. A core principle of carriage is that a provider of a service is not liable for the content provided through the service, much like Canada Post is not liable for carrying a letter that contains libellous or otherwise problematic content.

This is a principle that developed and informed what we call the “safe harbours”, particularly in the United States, with respect to online platforms, the concern being that if online platforms are liable for the content of their users, they will not actually be able to function. We deal with such a volume of content. Google indexes trillions of websites every single year. Then there's the sheer volume of content that Facebook deals with. We would not possibly be able to manage that. If we were liable for that content, we wouldn't be able to function.

I take your point in terms of Mr. Greenspon pointing out that he'd be liable for a letter to the editor, but he as editor-in-chief chooses to put that letter up. If we have to pre-approve content online, that means the Internet basically comes to a screeching halt, because you just can't deal with the sheer volume of it.

The Chair: Actually, I will tell you that I am not wrong. I'm just reading the Criminal Code, and subsection 372(1) is about “false information”.

As well, subsection 298(1) reads as follows:

A defamatory libel is matter published, without lawful justification or excuse, that is likely to injure the reputation of any person by exposing him

—or her—

to hatred, contempt or ridicule, or that is designed to insult the person of or concerning whom it is published.

There are some clear pieces. By using the telephone to do such a thing, the telephone company has a liability under law to be able to find out who that person was, etc. There is some clear content in the Criminal Code.

What I'm saying is that other groups are responsible. They have to verify and be responsible for what goes on. This is really what we're asking about today, about the fact that if you're going to call something “news” or if you're going to spread false messages that harm someone.... I mean, I would never say “poor Ms. Palin”, but there you go. She's now saddled with having said the most idiotic thing, but she didn't say it. Tina Fey said it on *Saturday Night Live*.

I think there is responsibility on...which is where the term “false news” is coming out now, that it is in fact occurring. You can sue a newspaper. You can sue television. You can sue for any of that in the Criminal Code.

Is that going to make a level playing field? Should there be a level playing field? I'm not saying that it's my opinion one way or another. I have been asking this question. It is a confusing question for me, and I'd like to hear your take on it.

At any rate, you said it would be impossible for you to do, but it is something I wanted to put on the record—that I don't understand and am confused about it, and I wanted to have some clarification on it.

Did you have something you wanted to say?

Mr. Kevin Chan: I think Jason had a very good perspective on it, but I would just continue, if I may, with all due respect, Madam Chair, with the analogy of the phone.

As you were saying, liable laws obviously would apply on Facebook as well, but it would apply in the same way as you illustrated with the telephone in the sense that the individual who uttered those words would be the one liable. I think similarly on Facebook, we have very strict community standards. Where people are saying and doing things that are unlawful, those things are removed from the platform. Certainly parties can pursue other parties for violation of Canadian law.

We have great relationships, as I noted earlier, with law enforcement. We co-operate with them to make sure that they have the evidence they need to prosecute as appropriate.

• (1645)

The Chair: I'm not talking about prosecuting. It's the responsibility for news to be not only verifiable but accountable. That's what we're talking about here. That's simply what I'm asking about.

At any rate, thank you very much for coming. I appreciate your coming on short notice to shed some light on the things we wanted to discuss since your December appearance. Thank you.

We will suspend for a few minutes while we get the next group in.

•(1645) _____ (Pause) _____

•(1650)

The Chair: Welcome. I'm sorry you don't have an hour because of the votes. We've been cut down to size here.

I want to thank Mr. Brazeau from the Competition Bureau for coming.

I know both of you are here. We just wanted to clarify some of the information you gave us at the beginning of this study, because one of the things the study was mandated to look at was the effect of media consolidation.

At the time we spoke to you, there had just been the consolidation of the newspapers not long prior to that, so you commented then. Since then, a year has gone by, and some new things have surfaced with regard to the result of that consolidation. We just wanted to know if you had any update or other commentary to give us, or if you felt there were some things you could enlighten us on regarding this issue.

You have 10 minutes, please, and then we will go to a question and answer period.

Mr. Julien Brazeau (Associate Deputy Commissioner, Competition Promotion Branch, Competition Bureau): Thank you, Madam Chair, and good afternoon.

As you have mentioned, my name is Julien Brazeau. I am associate deputy commissioner at the Competition Bureau, and I'm joined by my colleague, Anthony Durocher, who is deputy commissioner of the mergers and monopolistic practices branch at the Competition Bureau.

My understanding is that the committee does have some outstanding issues or questions regarding the Postmedia-Sun transaction, as well as the "no action" letter the bureau released upon concluding its review.

During our previous two appearances before the committee, my colleagues and I outlined the manner in which the bureau conducts merger reviews, as well as the factors that are taken into consideration.

It is important to reiterate that in the context of merger reviews we take a look at a number of factors, including the level of economic concentration in a given market and the market shares of the merging parties, the degree to which the merging parties compete with one another, as well as the presence or absence of legitimate and effective competitors that can curtail the exercise of market power by the merging entity.

In examining a merger, the bureau obtains information from a wide variety of market participants, including suppliers, customers, regulators, and competitors.

[*Translation*]

I would stress that when reviewing mergers, the bureau's focus is on economic competition and efficiencies related issues such as the impact of the merger on prices or, in the case of media mergers, advertising rates and readership. As you well know, in conducting our analysis, we are bound by the four corners of the Competition

Act. The factors that are to be considered in a competition analysis are set out in section 93 of the act, as we stated during our last appearance. It is important to note that it is the combination of factors—not the presence or absence of a single factor—that is determinative in the bureau's assessment.

While the bureau's focus is primarily on price and output, we also consider the proposed merger's likely effects on non-price dimensions of competition such as quality, choice, service, and innovation. These factors are approached from an economic lens and considered especially in markets in which there is significant non-price competition.

Let me now turn to what occurs when the commissioner decides not to challenge a transaction. This is done when, after a thorough review of the evidence, the commissioner is satisfied there will be no substantial lessening or prevention of competition, or that there are efficiencies which are greater than and offset any anti-competitive effects. In such a situation, the commissioner may issue a no action letter, indicating that he has decided not to challenge the transaction at that time but reserving the right to do so within one year following closing of the transaction. That is the statutory limit in this regard.

As a practical matter, given the extensive collection and analysis of information in a complex investigation such as Sun/Postmedia, a no action letter is regarded as an effective form of clearance on which parties can rely to close their transactions. To reopen a merger investigation in a case where the bureau has already provided the parties a no action letter, the bureau would likely require some new evidence, within the first year post-closing of the transaction, which materially affects the bureau's competitive assessment in the first instance.

•(1655)

[*English*]

I know that the committee is well aware of the March 25, 2015, statement regarding the commissioner's decision to issue a "no action" letter in his review of the Postmedia-Sun transaction. That statement contained the information that the bureau was able to publicly disclose at the time of the merger review.

It's worth repeating that the bureau conducts its investigations in a confidential manner and that all information that's gathered, whether it be through voluntary disclosure or through formal powers, is kept confidential. The law requires that we do not comment publicly until certain steps have been taken, such as the issuance of a "no action" letter. Even in those instances, we are required to keep confidential any information that is not public. This is to ensure the integrity of our investigations and to ensure that information provided to us by the parties or third parties, information that can be sensitive at times, is kept confidential.

Finally, I'm aware that this committee has expressed concerns over job losses that have occurred, especially follow the Postmedia-Sun transaction. While we recognize that mergers can unfortunately have a negative impact on jobs, the purpose of the bureau's review of a merger is to determine whether it's likely to result in a substantial lessening of competition or prevention of competition in a given market. That is, it's a market-power based analysis focused on price, output, and non-price dimensions of competition.

In the Postmedia matter, the bureau found that the print newspapers and the markets in question were facing a steady and continuing decline in readership and that the parties' ability to exercise market power was constrained by existing market conditions. Under such conditions, job losses, while painful to those who are impacted, are often the result of a competitive process as firms work to align costs with demand or realize efficiency gains.

I would also note that the bureau's release made reference to the parties maintaining separate editorial boards. However, this was not a factor in the commissioner's decision to issue the "no action" letter. Rather, these facts were included as information in our position statement on the review.

The focus of the bureau's review was not on what the parties said they would do, but rather on whether they would have enhanced market power. Based on a review, the evidence and economic analysis did not establish that the merged entity would have enhanced market power, and no subsequent information or evidence has caused us to re-examine that conclusion.

Following the conclusion of a merger review, companies involved are not required to consult the bureau on their future business decisions unless they've entered into an agreement to remedy an anti-competitive harm found during the review. In the case of the Postmedia-Sun transaction, we did not find a need for a remedy, and they are therefore not obligated to consult with the bureau on business decisions, including those related to staffing.

Of course, the commissioner of competition is able to address abuses of market power and other anti-competitive conduct or information or evidence that raise competition issues and come to light, including after the completion of a merger.

I know there are many other issues of concern, as you've raised already, Madam Chair. I'll conclude my remarks here, and my colleague Anthony and I will do our best to answer your questions at this time.

The Chair: Thank you very much.

Now I go to the question part, which is a seven-minute segment, and that includes the question and the answer. I hope that we can get in as many questions and as many answers as we can.

I would like to begin, from the Liberals, with Mr. O'Regan.

Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.): Thank you both very much for coming. It's extremely important that we're able to talk to you again given the current media climate, and given I think the increasing urgency of this report.

I don't want to get into any specific merger because, as you said, there are confidentiality issues. I guess what's important here is to look at where we are right now. As I understand it, and this was research that was done out of Carleton University and its Canadian media concentration research project... It's quite thorough. When you look, it makes the argument based on market share that we have the highest concentration, highest level of vertical integration, across media ownership of the 28 countries that they studied, which were mostly European markets or large markets like China, India, and Egypt.

When you are looking at a merger acquisition, does that factor in? I'm not leading anywhere with this question; I'm quite honestly wondering. Is the end result not within your jurisdiction?

• (1700)

Mr. Julien Brazeau: I'll jump in, and then I'll let Anthony speak to the specific criteria that we look at in the context of a merger.

Absolutely, we will look at the level of concentration in a given market and what impact that might have. To the extent that we're looking at a transaction, we will try to predict what impact that transaction will have on competition in a given market. Absolutely, those are things that we consider, but I'll let Anthony respond.

Mr. Anthony Durocher (Deputy Commissioner, Monopolistic Practices Directorate, Competition Bureau): To your question on vertical integration, the answer is that it's absolutely something that we would examine in the context of a merger. Of previous examples of vertical integration mergers that the bureau has reviewed, one would be the Bell Media-Astral transaction. That is one where we did require a remedy to address the competition concerns flowing from that merger.

Historically when people think of competition law, they think about horizontal competition, about two companies that compete head-on with one another. Equally important is being mindful of vertical integration, where companies may have an incentive to foreclose access to key inputs to competitors. There is a framework in place that we would apply in vertical integration mergers to ensure that access will not be foreclosed to competitors unduly, which could harm competition. It's something that we're absolutely mindful of, and we have taken action in the past to address vertical integration in the media space.

Mr. Seamus O'Regan: We understand that you're dealing with the same velocity of change that we're attempting to deal with here as well, but looking at the end results... Lately, I've been reading about and getting my head around diagonal integration, which is another dimension, I guess, so if I look a bit befuddled...

Canada is unique in the world in that all the biggest TV services except CBC are owned by telecom operators. I think there's a tendency on behalf of many of us, perhaps, to think that this is a global issue and that we're just along for the ride like everybody else, but we have gone from 19th in 2004 for media concentration—vertical integration, cross-media ownership—to third in 2009. As you mentioned, with Shaw's Global takeover and then Bell's with CTV-Astral, we're now number one.

I guess we can get into conjecture, but certainly, if you want to get into consumer choice or obviously things that are not really within your bailiwick, such as editorial content, that's extraordinary. We're number one. That's not somewhere you wanted to go if you're the Competition Bureau, is it?

Mr. Julien Brazeau: From a competition perspective, obviously, the more competitors that are in the marketplace, usually the better it is, because that leads to greater product choice, lower prices, and things like that.

As I said, we do take a look at concentration, but at the same time, just the fact that an industry is concentrated.... We have to look at the specific marketing question as well, at how we're defining the market and what the product is that we're taking a look at, even though there is perceived to be a lot of market concentration. In the context of Postmedia specifically, we saw, on the advertising side at least, that there were dollars being reserved for print media versus dollars reserved for digital media.

All that is to say, I guess, that the level of concentration itself is not necessarily an indication of anti-competitive conduct in the marketplace, but again, it's something that we look at closely.

Mr. Anthony Durocher: To add to that response, it's also something that the CRTC examined. My understanding is that they have a vertical integration framework to deal with behavioural aspects of how vertically integrated media companies can utilize their assets. Also, I think what you would hear from the industry is that this, too, is an evolving ecosystem, with greater numbers of people cutting their cords and adopting Netflix for their needs as well.

The overall climate of competition in an industry is something that we stay on top of as well. I think our colleagues at the CRTC are very much on top of it as well.

• (1705)

Mr. Seamus O'Regan: I understand that. Going by the 2008 diversity of voices policy, let's say for the TV market, if there's a single owner that afterwards would end up with less than 35% of the total market share, then it gets the green light. At 35% to 45%, they'll review it. At over 45%, it's rejected.

For yours, I think you're more subtle, as I understand it. You're looking at relative changes and concentration. I just don't think that as the Competition Bureau this is necessarily where we want to be—the number one most-concentrated media ownership country in the world. It just doesn't seem to bode well for anybody.

You've told us about the things that you need to look at. I would make the argument, in fact, that we're less.... As difficult it is with job losses—and certainly we know many of these people and their colleagues—I think that what this means for lack of voice and for consumer competition, for a lack of diversity in voices in this country, is really quite shocking. Perhaps what we'll need to do is make recommendations that either the terms under which you review this marketplace are different or that this be taken to somebody else, perhaps, because the end results are not, I think, what we want. I'll leave that for your comment.

Mr. Julien Brazeau: I know the focus, obviously, is on this issue of diversity of voices. As I mentioned in my opening remarks, looking at the issue of diversity of voices traditionally falls outside the scope of the factors that the bureau looks at, which are advertising rates, readership, price and outputs, things that are easily quantifiable.

As for whether the bureau should be enabled with powers to take a look at those things, I think if you look generally internationally at some of our partners like the U.S. and the U.K., their approaches are similar to those of Canada, whereby their competition authorities are mandated with doing more of an economic concentration review, and their broadcast regulator takes a look at this issue of diversity of voices.

Mr. Seamus O'Regan: Except their concentration levels aren't nearly what ours are....

Mr. Julien Brazeau: I understand that. I think just with regard to that issue of diversity of voices and whether the bureau should opine on it and whether that power should lie with the bureau, the bureau definitely enforces the act that it is given. Obviously we report through the Department of Innovation, Science and Economic Development, and I think that question would fall better to them, given that they are the policy lead for the issue of competition policy. But certainly, if Parliament decided that those powers would lie with the bureau, the bureau would administer the act we were told to administer.

The Chair: Thank you very much.

We go now to Mr. Waugh for the Conservatives.

Mr. Kevin Waugh: Thank you.

It's good to see you both again.

We did bring up the sale of the *National Post* to the Sun, and the issue of all the editorial decisions being made in one room, but supposedly, were too different. We did talk about Bell and Astral, and so on. We've seen a lot of the bigger newspapers swallow up the medium or low ones in small cities, and then all of a sudden, when things are bad in that market, they just throw that away.

What are your thoughts on that and what you have seen? There is nobody lining up to do a newspaper in any city in this country right now. We've seen the charts here for the last year. There is no competition, because who the hell wants to buy a newspaper other than the *National Post*?

Do you want to buy one? No, nobody wants to buy them. It's a dying breed. Just look—every day, it doesn't matter if it's Guelph or Nanaimo or wherever, right? Eventually there will be no work for you because there'll be no newspapers. I'm serious on this.

As the Competition Bureau, have you changed the way you look at it? Do your guys go back every five years? What is the procedure if you do that?

• (1710)

Mr. Julien Brazeau: I'll let Anthony talk a bit more about how we define product markets and what we take a look at, but we don't actively, I would say, monitor specific industries, because our law is general application law. We take a look at cases when they come through the door and we do a thorough investigation based on the facts that are given to us, but we don't actively monitor on an ongoing basis.

That being said, as I mentioned, in the context of a merger, to the extent that we've authorized a transaction or provided a "no action" letter, there's a 12-month period in which the bureau could decide nonetheless to review, but there would have to be material information that would suggest that the analysis or the competition analysis has changed or that there are new facts that we weren't aware of at the time of our review to get us to reopen a transaction.

That being said, I'll let Anthony speak to how we define specific markets and what we determine to be competitors or not be competitors in a given case.

Mr. Anthony Durocher: Maybe I'll put it in some context. The Competition Act is a law of general application. We look at mergers in every industry you can imagine under the sun. In a given year, we would review anywhere from 200 to 250 mergers. Every single one of those cases is evaluated based on the facts and evidence we get from the marketplace. For any given merger review, we would interview all sorts of relevant stakeholders, review internal company business records, and when required, look at the data to inform our decision.

With respect to the newspaper industry in particular, like a lot of other industries in Canada, it has evolved. You're right. Market forces are such that companies need to innovate and change. Consumers' habits are changing as well, and we're seeing shifts. I can tell you that, at the bureau, we try to stay on top of those changes as much as we possibly can so that every single one of our merger reviews is well informed as to where the market is now and where it could be headed in the future.

Changing consumer habits are something that impacts a lot of industries outside of newspapers as well. The best we can do is make the most informed decision we can at that point in time regarding the competitive impact of a merger. A large part of that involves defining the relevant markets as well, which enables us to calculate market shares. Under the law, we cannot challenge a merger on market shares alone. We have to look at barriers to entry, the nature of effective remaining competition, and the nature of change and innovation in the marketplace, and ultimately come to a landing with respect to a merger of whether it substantially lessens or prevents competition. Our mandate is to look at a merger, answer that question, and react accordingly.

The newspaper industry is one where we've had recent experience reviewing transactions, and I think we are very mindful of the changing nature of the marketplace.

Mr. Kevin Waugh: When we talk about Facebook... We all see the graphs of everyone switching to Facebook. How does it affect the Competition Bureau? They come here today and talk about a journalism project, yet they have not hired one journalism student, or anyone at all. They just take their information from other providers. Is it your job, as a Competition Bureau...?

We're seeing Facebook being the face of news in this country, if not right now, certainly within the next 12 months. They've just about caught up to television, and they've surpassed newspapers. Who regulates that? How do we deal with Facebook when we see what we have seen in this country, especially in the last 18 months?

Mr. Julien Brazeau: We certainly don't regulate Facebook. The bureau itself is not a regulator, nor does it have any adjudicative

powers. That being said, I agree that the industry is evolving quickly. To the extent that there is a transaction to be proposed in this sector, we would definitely look at who the competitors are now in that sector. To the extent that the product market, in particular, has Facebook as a competitor—whether it be Facebook or Google—we would certainly consider the impact it is having on a specific marketplace and determine its role in the competition in that sector.

• (1715)

Mr. Kevin Waugh: I would say that they have a huge impact in this country right now. What can you do about it?

Mr. Julien Brazeau: Absent an actual transaction or specific anti-competitive conduct by the parties, the bureau wouldn't go about regulating Facebook in terms of its activities. Again, we're not a regulator of businesses. We enforce the Competition Act to ensure that businesses don't engage in anti-competitive conduct. To the extent that there is evidence that any party would engage in anti-competitive conduct, obviously we would investigate that fully and determine whether remedies are needed.

The Chair: Thank you.

Now I'll go to Mr. Nantel.

[*Translation*]

Mr. Pierre Nantel: Thank you very much, Madam Chair.

Thank you for coming to testify before the committee once again.

My colleagues have asked some good questions. Mr. Waugh asked about competition. Let us look back 10 years, although not much has changed since then. If Leon's furniture had wanted to buy the Brick, I imagine you would have stepped in because that is something that can affect the market, suppliers, and customers.

On the other hand, since Facebook and Google do not have branches or stores in Canada, do not have accounts, do not sell advertising in Canada, do not have salespeople competing to attract clients and so forth, you cannot step in. Is that correct?

Mr. Julien Brazeau: We will certainly look at the impact on competition.

Mr. Pierre Nantel: But there is none in their case.

Mr. Julien Brazeau: The Competition Act applies to all organizations that have activities in Canada. As long as Facebook, Google or any other organization has activities in Canada or has an impact on competition in a market, we will certainly look into it.

Mr. Pierre Nantel: Have you thought of looking into it?

Mr. Julien Brazeau: As to Postmedia/Sun Media, I would have to look at the file. We have certainly looked into certain digital products. As part of that analysis, we determined that the products complemented each other rather than competed with each other.

Mr. Pierre Nantel: That was three years ago, but the sales figures have increased considerably since then.

Did you say that Industry Canada is the department responsible for your office?

Mr. Julien Brazeau: Yes, it is Innovation, Science and Economic Development Canada.

Mr. Pierre Nantel: That is incredible. Once again, they have been asleep at the switch for the past six or seven years. They said it was a matter for Canadian Heritage and did nothing for this industry as it faced challenges and a dangerous degree of concentration.

How many people at the Competition Bureau work on these files?

Mr. Julien Brazeau: We have roughly 400 employees, at three regional branches.

Mr. Pierre Nantel: Of course you work on a wide range of subjects. I could cut you some slack since everyone is surprised by the vulnerability of our regional media and local production. Organizations that provide over-the-top services have set up shop here and now it is the law of the jungle. Everyone has been caught off guard. Let me say, however, that the Competition Bureau should be on high alert.

Perhaps you need to develop new areas of expertise. What you are looking at is a far cry from the stamping of steel girders by Dominion Steel and U.S. Steel. This is quite different. Metal is very important, but the democratic voices that are expressed through the news media are crucial.

Not to be disagreeable, but you just have to look at the front page of the *Ottawa Sun*, with the headline "Fatal distraction". The front page of the *Ottawa Citizen* has the exact same headline, in the same type, as does the front page of the *National Post*. If you go into a smoke shop in Ottawa, you see three different newspapers with the same front page. How can someone say then that they prefer the *National Post*? It is not possible.

We heard Mr. Godfrey say that the print media are in danger. It is true, but then he received a \$2.3 million bonus. I think that would be enough to keep a newsroom going for a long time, and employ a lot of people. It is hard to figure out.

What would you like to have? What could we do? For our part, we have to find solutions.

You maintain that Google and Facebook have monopolies right now. Do you know if anyone at all has raised that issue as regards Google and Facebook? They can lead people as they wish, since they are alone in their respective niches.

Moreover, what could we do to revitalize you or, alternately, to create a separate entity?

Mr. Julien Brazeau: First, I will briefly answer your first question, and afterwards I will ask Mr. Durocher to add his comments. Then we can answer the second question.

As for the authorities in the world who have studied the issue of Google's apparent monopoly on information, many countries have looked at Google's situation in the United States and the European Union. The Competition Bureau did examine the allegation of non-competitive behaviour by Google due to its dominant position in the market. That study is now complete.

I'm going to yield the floor to my colleague so that he can speak to you about it, and then I will answer your second question.

• (1720)

Mr. Anthony Durocher: We conducted an in-depth study on Google's business practices in Canada, especially as regards

allegations of its abuse of its dominant position. This was an in-depth examination over several years. We published our results about a year ago, in April 2016; we took this very seriously. As you know, for many people and companies, Google is a platform to access the digital economy here in Canada. So this was a very thorough examination.

When we receive complaints about activities in the market, it always comes down to proof. Our mandate is to conduct investigations and bring files before the Competition Tribunal to see if there is cause for legal proceedings. In fact, we have to have proof, witnesses and documents to support a file. That is what you need in cases like Google's.

Mr. Pierre Nantel: And yet Mr. Godfrey had said that he was going to maintain distinct press rooms for those three newspapers, and so he lied to you. Are you not in a position to intervene?

As for the concentration of media, I am the first to say that it may be preferable for these three newspapers to merge. They are like three collapsing walls that are holding each other up in the face of digital media. The fact remains, however, that this whole affair is based on the illusion of a variety of viewpoints.

Did he lie to you, yes or no? Why did you not act?

Mr. Julien Brazeau: As I said briefly in my remarks, information on the two distinct press rooms was information the parties provided to us, but that was not the basis for the bureau's analysis.

The decision that followed, that is to say merging the two press rooms, had repercussions on employment, which effect was obviously regrettable for those who lost their jobs. However, since this factor was not included in the predetermined list to be considered by the bureau, there was no case for reopening the file.

Mr. Pierre Nantel: Aside from the job loss, there is also an impact on the variety of points of view on information. Was that one of your analytical criteria?

Mr. Julien Brazeau: Who is in the best position to speak out on the issue of information diversity? It is not a criterion we usually study. Our analysis is really based on the economic aspect, and market efficiency.

Mr. Pierre Nantel: So this issue must be submitted to another body, perhaps the CRTC, even though we are talking about the written press.

Mr. Julien Brazeau: I cannot say who would have that responsibility. I will leave it up to you, as parliamentarians, to decide.

However, I can confirm that for broadcasting and television broadcasting, even though the bureau studies transactions from the angle of economic concentration, the CRTC then examines more general matters of public interest.

The same thing applies in the area of transport. The Minister of Transport may review a transaction the bureau has studied in order to make decisions on more general issues of public interest. In addition, the Minister of Finance can do the same thing with regard to matters involving banks.

As I said, our analytical approach is really based on the market's economic efficiency. Our specialty is the study of quantifiable effects. As for deciding whether we are in the best position to—

• (1725)

Mr. Pierre Nantel: Clearly, you are not the ones.

[English]

The Chair: Thank you, Mr. Nantel. I think you've gone well over your time on that question.

Now, I go to Mr. Samson for the Liberals.

[Translation]

Mr. Darrell Samson (Sackville—Preston—Chezzetcook, Lib.): Thank you for being here, and for your comments.

I'll be honest with you, I am perplexed. In the bureau's description, it says that the organization is independent, and I quote:

[English]

The Competition Bureau, as an independent law enforcement agency, ensures that Canadian businesses and consumers prosper in a competitive and innovative marketplace.

[Translation]

For years and years, books have been written on the importance of competition, and yet here we are ranking first for our low level of competition.

Our country is enormous; it includes rural regions, diversity, minorities and new developments, but these are not criteria to be considered. Saying that the only question to be considered is the economic one constitutes a problem, I think.

I don't know about you, but I was saying to my colleague that we were elected to make changes and come up with recommendations to improve things. So, what happened over the past 50 years? No one else talked about it? These criteria that are important in Canadian society were always there and things have not changed that much. I find this quite problematical.

I would like to know what criteria and best practices the other countries use, as opposed to us, to ensure competition and not find themselves at the top of the list, but rather in 17th or 21st place among the list of countries with low levels of competition. Help me to understand.

[English]

Mr. Anthony Durocher: Without doing a full international benchmarking exercise, I can tell you that we're generally familiar with how our foreign counterparts apply their competition laws and antitrust laws. Matters such as the issue at hand about diversity of voices typically would not fall in the realm of antitrust laws. Antitrust laws are generally an economic tool that really assesses rivalry between companies and how businesses and consumers benefit from that rivalry.

As my colleague tried to outline, we are largely focused on facts and evidence, rooted in how competition impacts price, innovation, and other non-price dimensions of competition and output. We would really have to focus on evidence of rivalry as it is, in a given industry. Diversity of voices and issues like that are not typically

areas where you would necessarily see companies competing, or that would be taken into account in a competition analysis.

[Translation]

Mr. Darrell Samson: How can Canadians benefit from a lack of competition?

Mr. Anthony Durocher: We at the Competition Bureau are the champions of competition, and we strongly believe in its advantages. I can tell you that at the bureau we believe very strongly in our mandate, and we do everything we can to ensure that Canada's industries are very competitive.

When we hear about issues concerning the market share of some industries, such as the media, what is important for us is the definition of a relevant market. Under our act, we have to look beyond market share. We also have to consider barriers to entry, and the evolution of markets. We use all possible means to obtain sufficient proof and take the necessary measures when we observe a lack of competition resulting from a transaction or a merger. As we mentioned previously, for us it boils down to the proof that has been gathered in a review.

• (1730)

Mr. Darrell Samson: I understand what you are saying. However, we have a report to submit and recommendations to make. How can we ensure that you will take into consideration these criteria that are important to us? What is the solution? I don't have it. Do you have it? You have seen this phenomenon for a long time; it did not start yesterday. What are the criteria that allow us to better meet the needs of Canadians and to guarantee their rights?

Mr. Julien Brazeau: I understand your question and the questions the committee is raising. What is the solution to the need for a diversity of voices and to the consolidation happening in this market? I don't think the Competition Bureau is necessarily in the best position to tell you what the solution is, or what criteria you should adopt to ensure this diversity of voices, or what is needed to ensure it.

As we said, our analysis tends to be based on an economic approach. Moreover, we apply the act that governs us, and this issue of diversity goes beyond our traditional mandate. What is that mandate? What should be done? Must something be done to ensure a diversity of voices? I think that the committee and our department, which is more concerned with the overarching policies, would be in a better position to answer those questions.

Mr. Darrell Samson: It must be difficult for you to observe these deficiencies without being able to contribute to improving the situation.

Mr. Julien Brazeau: As my colleague Mr. Durocher said, at the Competition Bureau we like to say that we are the champions of competition. Our premise is that the more competitors there are in a market, the better the prices, choices and innovations.

We also believe that the markets will do what is needed to find a proper balance between the consumers and the market. It is not up to us to determine where that equilibrium should lie.

Mr. Darrell Samson: Thank you.

[English]

The Chair: Thank you very much.

I would like to pose one question to you, if I may.

One of the things there was agreement on when you allowed the *Sun* and *National Post* to merge was not editorials, but it was that they wouldn't combine their newsrooms. Well, they have. I just thought you should know that in Canada today, 99 dailies exist. This has been a drop in the amount of dailies. Of those 99 dailies, 45 are owned by Postmedia.

If we talk about competition, where is that competition when they own the majority of dailies? You're getting the same information going out to people and that's one of the problems.

I want to quickly add one thing, and then maybe you can answer. We talked a little about Google and Facebook. They have moved into something new. They have become news aggregators, and therefore, they are in direct competition now with people who do the news—newspapers, television, or radio. They are in direct competition. We now see that 21% of Canadians rely on both Google and Facebook to get their news, and 29% rely on TV. That tells you that competition has been dampened. That tells you there's a monopoly going on in these news aggregators, and there are problems that come as a result of this.

Those are two questions about the not combining newsrooms. What happens if a group agrees with you, under your decision-making, that they shouldn't do certain things and then they ignore it and do it anyway? What do you do? What is your recourse? How do you move that forward?

I think that this has been anti-competition, when you close down.... When you are now responsible for almost half the number of dailies in this country, that is saying a great deal. There is no competition for news, or the one competition that's come about is Google and Facebook, who are in direct competition and becoming monopolies.

Perhaps you could answer that, and also let us know whether you think there's anything we could recommend to maybe broaden.... The fact that you wanted them to have separate newsrooms means that you were concerned about more than just money, more than just markets, more than just financial implications. You were concerned about the diversity of news. That was underlying what you said originally.

I just wonder how you would answer that. Thanks.

● (1735)

Mr. Julien Brazeau: Thank you for that question.

I just want to clarify one thing in terms of what was in the bureau's release on March 25 and what information the bureau relied upon in reviewing the Postmedia transaction. Certainly we did mention this idea of having the two separate editorial boards, that this was a representation that the parties made, but as I mentioned to Monsieur Nantel, it was not a criterion that was considered as part of our review or a factor that was determinative in our review. That was information that was provided because we like to be as transparent as

possible, and that was information that the parties had agreed to release publicly. That was not a specific undertaking.

When the bureau issues a “no action” letter, it's a bit different from when we enter into a consent agreement with parties. When we review a transaction and we think there could be an anti-competitive effect, but there is a potential remedy or the parties agree to certain behaviour to remedy what we think could be an anti-competitive effect, then the bureau can negotiate a consent agreement with them that is registered with the tribunal. The bureau would continue to monitor to ensure that the parties don't run offside of that consent agreement. To the extent that they do, we could reopen the investigation and seek to proceed that way.

In this circumstance, because it was a “no action” letter and we hadn't relied on those representations on the newsrooms, given that the parties ultimately decided to merge those newsrooms, that fell outside of the scope. It was not a remedy that the bureau had relied upon in coming to its determination. That did not give rise to a need, in our view, to reopen the review and the transaction.

In terms of the effect on Google and Facebook, this is an industry that's changing quickly, as everyone has noted. Even since our last review, the market has evolved significantly as well. To the extent that another transaction were to present itself, we would certainly take a look at the landscape as it is now and make a determination on what the competition is. I couldn't provide hindsight in terms of the transaction based on the current situation of the market now.

The Chair: Based on the current situation, would you look at it again? Would you revisit the issue?

Mr. Julien Brazeau: The bureau has a 12-month window from which it reviews a merger transaction. That 12-month window has now lapsed since we reviewed the Postmedia transaction.

Again, the factors we were looking at in the context of the Postmedia transaction were advertising revenues and readership. For the purposes of our review of the transaction, we looked at both the dailies and the more broadsheet newspapers. We noticed there was differentiation between those two in the types of consumers who were consuming those. There was competition in the sector in terms of free local dailies as well who were in the market. There was competition as well from digital media in terms of opportunities for advertising rates.

A number of factors were considered at the time. Since that time, within the year that elapsed, we didn't see any material information that would lead us to reopen the transaction.

The Chair: Thank you very much.

I want to thank you for coming. It was very interesting.

Now I would like to entertain a motion for—

An hon. member: I move adjournment.

The Chair: This committee is adjourned.

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