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Chair

The Honourable Michael Chong

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• (1530)

[*Translation*]

The Chair (Hon. Michael Chong (Wellington—Halton Hills, CPC)): Welcome to the 26th meeting of the Standing Committee on Canadian Heritage on this Thursday, October 28, 2010. We meet today pursuant to Standing Order 108(2) about our study of the emerging and digital media: opportunities and challenges.

[*English*]

We have in front of us today on our first panel two witnesses representing two different organizations. From the Canadian Independent Music Association we have Mr. McKie, who is the president and chief executive officer. Welcome. And from the Songwriters Association of Canada we have Mr. Quarles, who is the executive director.

Without further ado, we will begin with an opening statement from Mr. McKie.

Mr. Duncan McKie (President and Chief Executive Officer, Canadian Independent Music Association): Thank you very much, Mr. Chairman.

I really appreciate this opportunity today to address your committee, and thank you to the committee members for inviting us.

[*Translation*]

First of all, I apologize for speaking English only. If you have any questions in French, I will try to answer them.

An hon. member: Try to make an effort.

Mr. Duncan McKie: All right, I will make an effort. My wife is from Val-d'Or so I have to speak French.

[*English*]

Thanks again.

The Canadian Independent Music Association, formerly known as CIRPA, has represented the interests of Canada's English-language domestic music production companies for 30 years. Today CIMA has over 170 member companies, including recording companies, music publishers, managers, agents, and other musical professionals from across the country.

CIMA is primarily concerned with the continued production and commercialization of English-language Canadian music and the support of the businesses and creative individuals who make Canada's music production industry unique in the world.

Canada produces some 2,000 new musical titles—that is albums in English—every year. This productivity has remained constant over the past several years despite the substantial issues faced by the industry with the advent of widescale file sharing. Canada has developed a system of regulated Canadian content requirements for radio, combined with financial supports from the Department of Heritage and others mandated by the CRTC to produce this outcome.

The Canadian system is much admired and often envied by other countries that did not have the foresight nor the political will to implement similar systems. Most of Canada's current musical production and most of the recent catalogue of musical works have been digitized and producers are aware of and are meeting the needs to distribute their works throughout the world in digital form with the correct formats and meta-data to allow the tracking of sales and distribution. This effort has been ongoing for some time, and it's beginning to show results as Canadian companies collect on international sales.

However, the digital age also brings with it a new means of promotion and a wide array of tools to encourage sales through creative marketing. It allows the media to access markets for new materials and makes worldwide distribution possible with considerably lower costs than in the physical world. Using social media and other tools makes it possible for our creators to connect in new and different ways with a much broader marketplace, and therefore brings Canadian creativity to a new audience.

The Canadian music industry has been one of the first of the cultural sectors to embrace this new reality and use it to our competitive advantage worldwide. The Canadian music industry has been one of the most innovative in developing a global marketing and distribution system, one where it's possible to sell Canadian content online in the newest and largest emerging marketplaces, like China and India and growing economies like Brazil, Russia, and Korea, as well as traditional marketplaces like the United States, the United Kingdom, and the European Union, where sales of recorded music are more robust, and in many cases improving.

Despite this progress, we are still hampered by widespread digital piracy in Canada, both at the level of individual consumers and on a more organized basis from P2P—peer to peer—sites, which operate without restriction. This has meant a well-documented, precipitous decline in domestic record sales. This decline has negatively impacted the ability of the domestic Canadian producers to create sufficient income to pay their debts and to reinvest in new materials, and most importantly, in Canadian artists and musicians.

Some pundits have suggested that this is only an issue that affects the largest players in the international music industry, but this is a fallacy and deflects attention from the Canadian situation, where small domestic players are more severely at risk than the international entertainment companies that operate in Canada.

Canadian sales of digital musical content are about half of that in the United States, and where Britain and Germany respectively have over 50 and 40 legal domestic download services, the Canadian number is less than half that, and many are simply white label copies of one another. And where mobility systems such as Nokia's come with music, and many others proliferate outside Canada, the Canadian market has been remarkably stagnant with respect to new music mobility services. We feel the lack of innovation in this area in this country is a major impediment to the expansion of sales opportunities for domestic producers.

In response to these challenges, domestically owned Canadian companies have become less dependent upon recorded music as a source of income and have developed other channels to create revenue. This new model, sometimes called the 360 business model or the holistic model, develops the artist's income potential through the sale of recordings in physical and digital form and includes revenue from publishing rights, TV and film licensing, live performances, and merchandise sales. Much of this business is done on the Internet and doesn't require a face-to-face business interaction. But at best, this is a promising transitional strategy, one that puts recorded music at risk and puts an enormous burden on the artist to tour.

Clearly that solution has its limits, and without some income from the recordings they produce, artists' careers will be short-lived, and the anticipated decline in recordings will certainly diminish Canada's reputation and cultural output.

● (1535)

Canada's creative industries must compete and succeed in a global marketplace. This is not news. But more than ever before, with the decline of the domestic market, success abroad will be critical to the long-term prospects of a musical act. At the same time, those countries where we are seeking access and success are increasingly active, using the same virtual tools the Canadians use to sell their materials and tours in North America.

European acts create their works and perform largely in English. MySpace pages representing foreign musical artists now number in the millions. Given this high level of competition, making a record and putting it out for sale on MySpace or YouTube just doesn't cut it. Where ten years ago a strong, independent Canadian artist might expect to sell 50,000 records in Canada, today 5,000 is considered exceptional. Award-winning acts will only sell 20,000 copies, at best, of their most recently released albums.

These numbers will not pay the bills. In the face of this limited success, Canadian acts are using public support and their own resources to tour abroad and to expand their audiences and create a market for their works. For example, as many as 350 Canadian musical acts might travel to Australia in any given year, and 140 might attend a South by Southwest music festival in Austin for three days in March.

This activity is critical to sustaining our industry. Although it may seem counter-intuitive that Canadians should perform abroad to sustain a cultural industry at home, we feel it is the only way we can continue to create sufficient commercial income to sustain our work. The more promising an act, if European and U.K. markets are examples of recent success, may foretell better prospects for Canadian popular music.

In order to continue to create and commercialize our popular music, governments at all levels must continue to invest in Canadian companies and artists, especially where access to foreign markets is concerned. As the organization most actively engaged in the development of music export opportunities, CIMA has led Canadian missions around the world. Our destinations include the U.K. and Europe, as far east as Bulgaria, Japan, China, Singapore, and Australia, South America, including Argentina and Brazil, and the United States, which continues to be our most important music export market.

With the help of the Ontario government we have engaged part-time representatives in London, Los Angeles, and Singapore to assist our companies and artists who wish to tour or sell in those regions. We provide an efficient and effective means of accessing these markets and supporting the Canadian musical brand in both languages.

We must thank the Department of Canadian Heritage for the ongoing assistance provided by the Canada Music Fund, and we can assure you that this assistance is used responsibly and productively. But more help is needed if we're to succeed in our goal of increasing Canada's worldwide music market share. In that light, benefits received in the form of copyright royalties and levies, such as the private copying regime, will be critical to our ongoing success and should not be reduced or allowed to atrophy.

In the end, we should all remember that the success of Canadian music companies and their artists will be to every Canadian's benefit. Canadians recognize this and have always endorsed public sector support for their creative industries. Every Canadian takes great pride in the international success of artists such as Michael Bublé, Leslie Feist, Arcade Fire, Metric, and Bruce Cockburn. If you help us, we'll keep up the good work.

Thank you.

● (1540)

The Chair: Thank you, Mr. McKie.

An opening statement now from Mr. Quarles.

Mr. Don Quarles (Executive Director, Songwriters Association of Canada): Thank you very much. I appreciate your inviting us here today.

My name is Don Quarles. I'm the executive director of the Songwriters Association of Canada. *Je veux parler en anglais*. I hope that's okay. My French is limited. Thank you very much for inviting us to speak.

Just as a quick summary, the SAC is a national non-profit arts service organization. We've been around for a little over 27 years. For the most part, we're advocates for Canadian songwriters, but we're mostly known for the educational work we do with aspiring songwriters right across the country. We've been very fortunate to be the beneficiary of some funding from Canadian Heritage, through the Canada Music Fund, via the SOCAN Foundation. We've been delighted to have been able to put on literally hundreds of events over the years that funding has existed.

Music file sharing is perhaps the most challenging problem facing the music industry, but at the same time it is potentially of enormous benefit to music creators and offers stakeholders a rare opportunity. I know that seems like a bit of a controversial statement, but it's something we certainly believe. We believe that music file sharing, once monetized, becomes its own solution, much as the case was with broadcasting when it was the perceived problem of the 1920s.

Netflix, the iPad, Kindle, and other devices and models are now providing significant legal alternatives for the film and book industries. Other cultural industries are working their way through the issues of the digital age, where one-size-fits-all does not necessarily work.

In the case of music, on the other hand, a decade after the advent of Napster, legal music services such as iTunes constitute less than 10% of music acquired over wired and wireless networks. The vast majority of performers and songwriters will never make a living on earnings from live performance, merchandise, and other sources.

There's a common myth that we hear these days: why not just hit the road and tour? Do 300 dates per year, sleep on floors, and drive a 12-year-old Ford Econoline van. You will still come back broke. That's usually the way it goes, not to mention, how do the songwriters who aren't in the band get paid, or the producer, or the recording studio, or anyone else for that matter? Yet millions of iPods, iPhones, and other music players are sold annually and tens of billions of songs are file-shared.

The SAC is a strong supporter of copyright. Really, we've looked at several different models and reached out to everyone who might be able to help with developing a solution, including sister creative organizations; labels, both indies and major labels; futurists; and international copyright experts. In the end, the SAC did what all great songwriters do: they take the best ideas and they put them into one.

The idea and solution were inspired by two tested and robust methods of monetizing copyrighted works. The first is the collective administration of performing rights, and the second is cable television. First of all, the performing rights method has been around for 160 years or more and going strong. Revenues—certainly in Canada—are up 40% in the same 10-year period that labels have seen a decline of almost 50%.

Similarly to performing rights, we propose that file sharing be licensed, not taxed or levied. The end user would be licensed; revenues would be pooled; and pro rata distribution, based on non-intrusive data collection, would be made to songwriters, performers, labels, and publishers. Consumers would continue to use the

technology of their choice, such as BitTorrent, Gnutella, and social networking sites.

The other model, the cable television model, is where ISPs and mobile providers would become business partners. Basically, we could all access a choice of packaged content. One might argue that access and content have already been monetized. The bottom line is that we are hoping to bring that back to the creators.

● (1545)

There has been some discussion as to what you charge for something like this. It could be \$1, it could be \$5 a month. In order to give you some sense of the math, in Canada if it was \$3 a month per household licence fee, that would generate upwards of \$360 million annually. To put that in perspective, SOCAN, our performing rights organization in Canada, currently earns \$250 million for performances. To compare that to the U.S., you could probably multiply that by ten and you would come up with a similar estimate.

There are other benefits for such a model—just in case you're worried about something other than money. Music file-sharing technologies offer a worldwide paid distribution system for creators at every level of accomplishment and every musical genre. For established creators, this model offers unprecedented global marketing and a distribution tool. For the aspiring writers, niche genres, and ethnic and aboriginal creators, it provides an opportunity to develop a global audience. Record labels aren't usually interested in this group yet, but they can still reach out and find an audience and make enough to keep developing their craft.

For record labels and music publishers, file sharing offers significant new and ancillary revenue streams. Their expertise in artist development, marketing, and promotion will be critical to the careers of emerging performers and songwriters.

Most artists and songwriters are trying to find a way to cut through the noise. That's always been the problem for artists and it still will be, and no one can help more than record labels.

ISPs can reduce their bandwidth costs, develop and participate in new synergies, and differentiate their services. They can store or cache popular songs on their own proprietary servers, develop their own portals, and sell value-added services, etc.

Ultimately, for the audience or the fans or those of us... Sometimes we're referred to as users, consumers, or pirates. Unlike our colleagues at labels and publishing companies, songwriters and artists have a direct relationship with their audience. This audience likes what the artist is doing and therefore they've created a relationship. The point is we would like to give it to them and we would like to ensure that we get paid for it. It sounds like a win-win.

So for a reasonable monthly fee people continue doing what they're doing, no behavioural modification is required, and anti-infringement measures would finally make sense. According to a University of Hertfordshire study done in 2008, 80% of file sharers would pay for a legal way of doing so.

If you couldn't buy bread, you would have to steal it. It doesn't make sense to go after illegal file sharers until and unless you provide a legal option. If 80% are willing to pay and the other services, such as iTunes, are another 10%, now you're dealing with a 10% infringement problem and not a 95% infringement problem as we are today.

Like the clubs of Paris in the 19th century and the broadcasters in the 20th century, infringement has preceded licensing. Licensing these infringers led to innovation, growth, and great music.

Copyright owners are usually chasing users, not the other way around. And the notion that licensing will stifle innovation is simply not borne out by history. People have always shared music and they always will. Sharing music has always been a part of our culture. And those of us who make music are an essential part of that culture. We embrace it.

Those who work with us to monetize it will have a long—and we believe profitable—future ahead. The Songwriters Association of Canada, in concert with other creator groups, consumers groups, collectives, and rights holders, is working towards the initiation of a business-to-business pilot project to put these ideas to the test in the near future. We invite our colleagues and all stakeholders to explore exciting new options with us and we urge the standing committee to support this initiative in order to ensure that there will be a future for Canadian music creators.

Thank you for your attention and your consideration.

The Chair: Thank you, Mr. Quarles.

We'll have about 40 minutes of questions and comments from members of this committee, beginning with Mr. Simms.

• (1550)

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-
sor, Lib.):** Thank you, Chair, and thank you to our guests.

I'll be splitting my time for my first question.

Just very quickly, we have received so much testimony here in the past couple of years about what is out there and this nebulous concept of the new business model, it's nice to see that you've come with some concrete examples. But I see the trend here, which is going towards the idea of that collective as opposed to getting in a situation where it's the user who pays directly, and if there is an infringement of that then obviously you go after that individual.

We're horrified by the fact that there are people going after young kids through courts, through litigation and that sort of thing. I have to come to terms with how the revenue is going to be pulled in from that collective and distributed evenly. Could you just give me a brief explanation to zero in on what you are talking about? A lot of people do not understand the concept of the collective and the licensing situation. Could you give us that very briefly? And then Mr. Trudeau will ask the next question.

Mr. Don Quarles: Absolutely.

The collective will probably work in a way that is not dissimilar to the way other collectives work. SOCAN is a good example. They basically distribute to artists and songwriters and music publishers. The private copy folks will also have a distribution.

I will walk you through the process. Essentially our concept is to create a paid access point licence fee, which in my case I would pay to Rogers. Essentially those moneys would then be pooled together and would go to a collective, and their distribution would have to be transparent.

Tracking is currently done by a number of firms. We've worked with one in particular to get data. That is a company called BigChampagne in California. Essentially they track BitTorrent traffic. They track files shared. In fact they do it for the major labels to tell them how much money they've lost. That's the irony.

In any case, money would be pooled. We're proposing it would be paid out on a pro rata basis. So let's say Bryan Adams gets 10,000 files shared that week and I get two. I'm going to get my share of that pie. So that is essentially how the collective would then distribute the money.

Mr. Scott Simms: It's no reflection on your talent, I'm sure.

Mr. Don Quarles: Yes.

Mr. Justin Trudeau (Papineau, Lib.): You mentioned a \$3 per household fee to the Internet service providers. I personally think this is a really interesting idea. It's one I've heard of before. I'm glad to be substituting in on a day when you are appearing, because I'd love to ask you a few more questions about how it works.

What's the average cost to a household for Internet service per month? Obviously there are different plans, but in Canada what are we talking about, roughly?

Mr. Don Quarles: I don't know. I can only speak to my own situation and those I'm aware of, but typically I think people are paying anywhere from \$25 to upwards of \$100 a month, depending on what they're getting.

Mr. Justin Trudeau: How many different Internet service providers are there in Canada? It's not like cable companies, of which there are a limited number. I get the impression there are a lot of smaller operations. What sort of feedback have you gotten from the Internet service providers themselves to the idea that you might be tacking an extra fee onto what they're offering?

Mr. Don Quarles: I think right now they are balking at everything, because the Supreme Court has said they're not liable for what goes through their pipes. That being said, we have had some private discussions with a couple of ISPs that are very intrigued with this idea, because the way we've laid it out we want them to be a partner and not an adversary in this.

Mr. Justin Trudeau: I think the idea is elegant, in that you don't have to pay individually for the songs you use, and all Canadians are sharing in the behaviour that all Canadians are engaging in as monitored by various analyses and surveys and traffic monitoring.

One of the concerns I have is that right now we are talking about Napster or Gnutella, and music sharing out there in general. But the increasing use of BitTorrent and larger files and downloading of Hollywood movies and such I think begins to fall outside the \$3 return for musicians. So are we worried, or is there much thought put into keeping it limited to music? Are there worries that we're going to open up the floodgates and suddenly everyone will be open to movies as well?

•(1555)

The Chair: Thank you, Mr. Trudeau.

Go ahead, Mr. McKie and then Mr. Quarles, and then we'll go to Mr. Pomerleau.

Mr. Duncan McKie: I want to make a comment or just inform you of other studies that exist on the same topic.

You're probably aware of the French three strikes laws that are now enforced. The studies that underpin those were done by an economist at the University of Paris. He's a very accomplished individual. He estimated that the value of music to an ISP with respect to delivering new customers, let's say, was approximately 20 euros a month. Even though you might peg it at three, our objection is that it's not enough, because our system has lost over \$600 million in record sales since 2000. A great proportion of that, of course, has been lost by our labels. And we're the creators. We're not the songwriters, but we're the creators of the licensable goods in many cases and own the copyrights—

Mr. Justin Trudeau: Are you against the idea?

Mr. Duncan McKie: I'm not against it, but I think it has some challenges and I think we have to understand the facts.

The Chair: Thank you very much.

Mr. Quarles, do you have a brief comment to that, or shall I go to Monsieur Pomerleau?

Mr. Don Quarles: It's our objective, of course, to ensure that the amount... We'd be delighted if it was \$20 a month, as you can probably imagine, but the reality is that we realize this is a part of the industry that's broken and that can't be fixed. Quite frankly, if you try to stop it, it's just going to appear again somewhere else times ten.

The Chair: Thank you very much.

[Translation]

Mr. Pomerleau, you have the floor.

Mr. Roger Pomerleau (Drummond, BQ): Thank you, Mr. Chair.

I want to thank both of you for very clear and interesting presentations.

Mr. McKie, you are in the creative space. We certainly agree that creators have to be protected. In the digital world, it is creators who are at the root of the organization's profit. No creators, no creation; no creation, no distribution; no distribution, no market; no market, no profit. So, the creator is definitely the most important part of the process. One might even say that the creator is the goose with the golden egg.

We have seen—and all the groups which testified before you have said so—that the more there is concentration of the digital market at the international level, the less money the creators make. We saw that the new digital platforms, like MP3s, are not monitored and that people use them to make copies without having to pay anything. That is why my colleague, Mrs. Lavallée, who is a regular member of this committee, tabled here and then in the House a proposal to ensure that a fee would have to be paid when people purchase audio devices like MP3s that have an internal memory. This proposal has been tabled and debated in the House.

What do you think of this option, Mr. McKie, which would allow us to collect funds for the creators?

[English]

Mr. Duncan McKie: Well, the original law, which applied to tape recorders, essentially, the private copying levy, didn't just apply to tape recorders. If you read it, it's technologically neutral. It says, essentially, that any device that is capable of receiving an audio recording should in fact pay a levy. There should be a levy imposed on those devices.

But the judge in the Superior Court who made the decision most recently that digital audio recorders would not be subject to the levy made an error, in our view. Now, judges make errors. We feel he made an error. We did not have the resources to challenge that decision in the Supreme Court of Canada, unfortunately.

There's a legislative solution, but I know it's not very palatable, obviously. People don't like to impose costs against consumer goods, but, frankly, I think at the level of the law a mistake was made. The private copying levy should apply to any device that is capable of recording music. This is our official position and we've stood by that position all the way along. We don't feel, however, that that's a licence for people to download illegal materials. They are two different matters, and one should not confuse them.

•(1600)

[Translation]

Mr. Roger Pomerleau: As for you, Mr. Quarles, you stated that you looked for ideas and that you kept the best ones. Your solution, if I understand it, is to collect a monthly fee from people who have the means to download this stuff, and that is slightly different from my colleague's proposal in the House.

What made you conclude that these were the best ideas? Who supports your option in this market, especially in Québec? Which associations support your proposal?

[English]

Mr. Don Quarles: The easiest answer is that we had some studies done that were economic studies, a study done that was on international copyright and whether or not this would fit into the WIPO restrictions, and we also had a technological study done. The technological study we did determined that file sharing can't be stopped. Remember, we're talking about file sharing, we're not talking about copying. The private copy levy deals quite effectively with copying, but what we're talking about is file sharing. File sharing is one to many, if you will; that 's probably the best way to describe it.

Essentially, over the three and a half years that we've been talking about this proposal, we've talked to every stakeholder we could possibly talk to, including the Canadian Recording Industry Association, who immediately said no, this is crazy. Having said that, over time, we've incorporated changes in this model in order to accommodate consumer groups. PIAC, the Public Interest Advocacy Centre, is very supportive of our proposal, the Union des consommateurs is supportive of our proposal, and so is CIPPIC at the University of Ottawa. On top of that, we've also talked to independent record labels and music publishers, and although their associations have difficulty supporting such a thing, we have individual music publishers and labels that are interested.

We think, ultimately, that the bottom line is that this is dealing with a broken part of the industry. It's been broken for some time. It really needs to be addressed. How are we going to address it? Are we going to continue trying to stop it?

I want to be clear that we also want to ensure that we're not talking about websites that are commercial enterprises making money off of people's music. Those people should be dealt with in the way the law should deal with them. But what we are talking about is individual file sharing. That's really what we're getting at.

I don't know if that answers your question.

The Chair: Thank you, Mr. Quarles.

Merci, Monsieur Pomerleau.

Monsieur Angus.

Mr. Charlie Angus (Timmins—James Bay, NDP): Thank you.

This is a fascinating discussion.

Mr. Quarles, you were in a 12-year-old Econoline van. Ours was 15 years old when we went on the road. It's interesting just saying that piracy destroyed the market. When we were 18 and we were on the road, we could play six nights a week. There weren't a lot of other options. It wasn't that we were a great band, but when we hit Waterloo people weren't on the Wii or doing ten million other things.

The market changed substantially through many factors. People drank a lot more in bars then. That was a substantial factor. They didn't hire bands because they wanted music; they hired bands to sell alcohol. We have a whole number of factors—demographic shift. We're left now, as you say, with a broken model. The old model is not coming back. We are going to have to find new opportunities.

I'm interested in your example, because we've had these technological threats in the past. In the early 1920s live musicians went after the recording industry. They said if you have records, people won't hire live musicians. The recording industry got set up and the recording industry said if you let radio come in, who is going to buy records? I was at the Future of Music Coalition meetings in Washington, and T Bone Burnett had a fascinating statistic. He said that by the late 1920s, record sales had dropped by 80%; by the early 1930s, it was 91%. Now, I'm sure the Depression had a huge part in that.

Did they outlaw radio? Did they put locks on it? They monetized the stream. Once they monetized the stream, they had found a new model.

With your option, Mr. Quarles, there have been attempts to try to do this: the SOCAN versus the association of Canadian ISPs. The court case ruled against SOCAN because they said the pipes themselves were basically dumb to what was within them, and you couldn't hold them liable unless they were made aware of copyright infringements.

Given the fact that the ISPs are now selling their own content—they're content distributors—they are also using deep packet inspection, so they actually have a very good sense of what's going through their pipes. Given the fact that tracking mechanisms like BigChampagne can track the BitTorrent traffic, do you think the case could be made, outside of a business-to-business model, where they might voluntarily sign on, but that the original judgment in SOCAN v. the Canadian ISPs might be overturned at this point because they can no longer say they don't really know what's being carried through the pipes?

•(1605)

Mr. Don Quarles: We're not going to hold a lot of hope in a judgment being overturned. Having said that, it's certainly our hope to come up with a business-to-business solution, one that doesn't require a change in legislation, one that doesn't require a lot of effort on the government's part, to be honest with you. We're actually looking for a business solution, and we want to include the ISPs as part of the solution. Whether they're a mobile provider or an Internet service provider, they're the ones that are going to be the delivery mechanism of the future.

Music may end up using cloud technology. The bottom line is whatever we move forward with, we hope for it to be technology-neutral, because we know this is probably not going to exist. It's going to be something else that we're going to be listening on or accessing music on.

Mr. Charlie Angus: Mr. McKie, in terms of how we find solutions, you had suggested that they had found the cost to an ISP would really be in the range of 20 euros. I don't know anybody around this table who would go up politically and say that we want to slap an ISP with a 20-euro thing. That solution would be dead.

The other solution would be three strikes. Now, I know there are people who like that, but I don't know if any of my colleagues want to go out and say that they're going to cut off some family's Internet after three strikes. That, to me, seems like it's problematic. We've seen the RIAA solution, which had 35,000-plus lawsuits. Some of them were spectacularly disastrous. How much more could you make people hate record companies than those lawsuits?

Then we have to start finding revenue streams. That seems to me a solution to this. There are little revenue streams here and maybe elsewhere. I'm interested in the private copying levy. I know CRIA has been against it; they think it supports illegal downloading. We don't believe that. We believe it's one badly needed revenue stream when other revenue streams seem have to dried up.

You're supporting the private copying levy. Have you talked with CRIA about how to bring them back inside in support of the private copying levy?

Mr. Duncan McKie: We have brought them back some way. They're prepared—I think they testified in front of this committee—to support the levy insofar as it doesn't provide a haven for file sharing. That has been their position all along, I think, although it was articulated more recently.

That's really our position too, honestly. As I said before, we think that the judgment was in error. We think that private copying is a necessity. It should apply to DARs. There are countries in the world, such as France, that have very rigorous copyright enforcement regimes and private copying levies levied on DARs, and they seem to coexist quite well.

As I say, I think CRIA has made some progress towards a position that at least recognizes the need in Canada for this revenue stream, but it wants to limit its application so that it doesn't imply that copyright infringement is justified under that regime. That's what I understand their position to be.

• (1610)

The Chair: Thank you very much, Mr. Angus.

We'll go to Mr. Armstrong.

Mr. Scott Armstrong (Cumberland—Colchester—Musquodoboit Valley, CPC): I can't wait to go home and surf the Internet and try to download some of that Charlie Angus band.

Mr. Charlie Angus: We're on iTunes. It's Charlie Angus and the Grievous Angels. That's G-R-I-E-V-O-U-S.

Mr. Scott Armstrong: You can pay me for that plug later on.

First of all, thank you both for your presentations. It's great to have you here.

I was interested in your discussion on innovation. What can the federal government do to foster innovation in our domestic industry and help exploit both the domestic industry and the foreign industry?

Mr. Duncan McKie: The federal government does a lot already, and I have to admit that we get a great deal of support from Heritage Canada. We had a renewal this year of the Canada Music Fund, but we also had some cutbacks in areas that I feel were really constructive. In particular, I don't think Canadians feel that sending their artists overseas is a waste of money or some kind of party. I think that's a media-induced illusion. I think we have to send our guys outside of this country.

When Avril Lavigne sang at the Winter Olympics in the closing ceremonies, did anyone not feel proud at that moment? We need those kinds of moments in our cultural life, when Canadians are feted outside of Canada and make money outside of Canada, frankly. If Michael Bubl  couldn't play in the United States, Michael Bubl  wouldn't be the big star he is today. The same is true of C line Dion and Nickelback and all of these other great Canadian groups. Canada's just not a sufficiently large market for creating an income that supports artists at that level and allows them to reinvest in other artists in Canada, as Avril's label, Nettwerk, which is one of our members, did for years.

We really need those supports to encourage our artists to exploit foreign markets and develop there. They can stay in Canada and be residents of Canada but make their money abroad, come back here,

and reinvest in other artists and have them grow. As they do that, of course, they're going to create musical works that all Canadians can hear and benefit from.

Our goal is to expand export marketing and to sustain the current domestic supports we have in place right now. Those have to be retained and hopefully expanded. But you know, it's a capital-intensive industry. It's expensive to compete with all those other people. The Chinese are learning to sing in English, guys. This is the great competitive wave that's going to be faced by artists around the world. So we just have to continue to invest in our people.

Mr. Scott Armstrong: Thank you.

Mr. Quarles, you talked about how music file sharing needs to evolve from an illegal network to more of a licensed distribution mechanism of some sort. And you said that 80% of Canadians have said that they would pay to be legal and to legalize themselves.

Domestically, I can see some merit in that, but internationally, there are going to be accusations that we're actually stealing music or legalizing the theft of music. What do we say to our trading partners if we implement your strategy and your solution and they accuse us of that?

Mr. Don Quarles: There are a couple of things. Let me clarify. The study that was done was done at the University of Hertfordshire, which is in the U.K. So it's a U.K. study. It's our hope that we do a similar study in Canada at some point. But representing 80% of those who file-share was really important in that the results showed that people would like to pay if they could.

Now, that tells me that if they knew that part of what they were paying was going to go back to the creators of the music, most people, and I'm sure most people around the table, would probably nod their heads and say that it sounds like a great idea.

• (1615)

Mr. Scott Armstrong: To clarify, are you talking about a levy that would be on every household in Canada, or would it be specifically on people who download music? Someone like my grandfather or father, someone in their seventies or eighties, doesn't even have an iPod. They don't download any music. They've never done that. Are they going to be asked to pay this, or would it be something just for people who use this system?

Mr. Don Quarles: Well, when we first introduced this and started talking to some of the consumer groups, that was a big concern. It's a concern for me personally. I mean, my mom says she doesn't download music, but Charlie seems to think she does. The notion for us to create an opt-out was important. We would propose that there's an opportunity for people to opt out so they don't have to pay.

Now, of course that helps to bring it in line with WIPO treaties, but it also helped the consumer groups; it became a much more palatable experience for them.

Mr. Scott Armstrong: I have one more question.

You've brought this to us. You represent one specific group within this industry. What about the Canadian recording industry and other groups? What do they feel about this solution you've presented?

Mr. Don Quarles: We talked to the Canadian Recording Industry Association probably three years ago, when we first started talking about this. At the time they were convinced that CDs were coming back. That's what they told us.

Sorry, Justin, did you do that on purpose?

Mr. Justin Trudeau: No, that's just my cough.

Mr. Don Quarles: But some of the major labels are coming around. There is some movement. Warner Music was trying to create a similar kind of licensing scheme, if you will, with something that has since disappeared. It was their attempt to create a portal, I think.

I think many of us have seen samples of websites that have come and gone, attempts to monetize music. For instance, iTunes supports maybe three to five million songs. Well, there are probably 100 million songs out there. We're really trying to capture something that is beyond our control.

The Chair: Thank you very much, Mr. Quarles and Mr. Armstrong.

Mr. Trudeau.

Mr. Justin Trudeau: Thank you very much, Chair.

I'm interested in going on with this. I think there's real merit to both the simplicity of this idea—the lack of need for government to do much around it—and the possibilities of industries working together to reach a fair solution.

What do you think the impact would be on companies like Apple's iTunes, for example, if all of a sudden you could legitimately go on Acquisition or LimeWire, or whatever, and pay your \$3 a month for music, when Apple is charging, in a sort of proprietary model, at \$1 a song? Are you getting a lot of resistance to this idea from companies like that?

Mr. Don Quarles: When we first started talking about this, that was a big concern. With those that are legitimate download services, that was a concern.

In other words, what's going to happen to iTunes? The reality is that BitTorrent and files shared are a different level and quality of music. iTunes provides added value, and so will other companies that come out of this. There will be innovation from this because there will be companies that will determine what we need and want.

Mr. Justin Trudeau: I think that's consistent with the movement we're seeing away from the web and towards the net. People are choosing applications to access their content, even if they have to pay a few dollars for something they could have found for free on the Internet, but it's troublesome to find and evaluate.

One other issue is that I can already hear certain critics announcing that you're proposing an Internet tax, the way the iPod levy was transformed into an iPod tax. The way I understand a tax, it is collected by governments and goes to government coffers. The \$3 a month, or whatever it ends up being, would be directed at a separate organization, and artists. So in no way would it actually be a tax. Is that my understanding?

• (1620)

Mr. Don Quarles: Yes, absolutely. In fact, the more transparent it is, the better for everyone, especially the consumer, especially those

of us who are sharing music. We want to know that it's going to the right place.

The collective would obviously have to be made up of songwriters, artists, record labels, and music publishers, and probably ISPs. In other words, there's a collective that ultimately is going to then pool the money, and then it will get dispersed based on this pro-rata distribution.

Mr. Justin Trudeau: On the opt-out option, is it not a concern that if everyone can say that they don't really download music and choose to opt out, that would have to be enforced? Would the ISPs be monitoring that a person actually downloaded a song over the month and they didn't pay their \$3, or is the faith that people will understand that “This is your \$3, so you can feel good about yourself” going to be enough to make the business model work?

Mr. Don Quarles: Well, I'm not a lawyer. However, what I've been told is that if in fact they are opting out, and they choose to ignore what they've just opted out of, it's a different law. We're dealing with different legislation that already exists for that.

Mr. Duncan McKie: Could I make a comment?

We, and ADISQ in Quebec, represent most if not close to all of the domestic record production in Canada, so we own all the copyrights to the stuff that's going to be traded on these networks. I don't want to debate Don on the merits of the system, but I was for 25 years a researcher, and the last research I did was on this phenomenon, before I came into this association. Half of Canadians never purchased a CD in the year 2005. They didn't. Half of the country never purchased music. And the top quintile, the top 20% of purchasers, purchased 15 to 20 a year.

So the market for music in Canada has always been highly skewed: young men 18 to 34 buying lots of stuff on an ongoing basis. So when you talk about the opt-out provisions, the problem with that is, if it's true to history, half the people won't be in it. So it cuts your revenue in half immediately. That's problematic, from our perspective.

It's not that we don't appreciate SAC's determination to pay us. We love it, it's great, and I think it's an interesting idea to debate. But our companies, as I tried to illustrate in this document, are proceeding on a different assumption, that this won't happen and they're going to have to create new business models where the revenue streams are going to come from other areas to support their artists. That's where we're going today. That's the “Canadian cool kids”, like the Arts & Crafts, who have Broken Social Scene, and companies like that. They're not proceeding on the assumption that they're going to be paid this way.

The Chair: Thank you, Mr. McKie.

Thank you, Mr. Trudeau.

Monsieur Pomerleau.

[Translation]

Mr. Roger Pomerleau: Thank you, Mr. Chair.

Mr. Quarles, you said that the Union des consommateurs generally supports your idea. Is the type of support you have received theoretical, by which I mean only for the basic principle, or have you looked at specific monthly amounts with those people?

[English]

Mr. Don Quarles: We didn't actually talk about monthly amounts. They had our initial research, which included between \$1 and \$5 a month. They knew that we were talking about that range. We're not actually hung up on what the amount is. If in fact this was something we needed government support on, I would assume that someone like the Copyright Board would determine that based on discussions with consumers and based on discussions with the industry. But the reality is we're less concerned with the actual amount than we are about getting this going now. There's an urgency.

[Translation]

Mr. Roger Pomerleau: You are not the only one to say so.

Mr. McKie, you referred to a 360 strategy. I did really get what that means. What did you mean by that?

[English]

Mr. Duncan McKie: If you think about the old model, a company in the record business would make a record, sell 50,000 to 100,000 copies of the record, somebody else would sell the publishing rights, someone else would manage the band, someone else would create merchandise and sell it. There might be five or six companies involved.

Today, new companies that are starting up—and I mentioned one a minute ago, Arts & Crafts in Toronto, which had Leslie Feist and some other great new acts—they are all of those things in one company. So they're a publisher, a management company, a merchandise company, a record label in one entertainment company. The artist then becomes the brand, and then all of these opportunities to create revenue are brought back into that company.

In their case, one of the artists is actually a partner, and this is unique in the entertainment business. Where the artist becomes a partner in the company, all these revenue streams are focused on the brand. The artist is a brand. For them, for example, Broken Social Scene is a brand, Leslie Feist is a brand for Canada, and they have these different business—

• (1625)

[Translation]

Mr. Roger Pomerleau: It is part of the new strategies that you are thinking of implementing.

[English]

Mr. Duncan McKie: Yes, and that's a strategy based on building business. We expect and appreciate all our *révérence*. We're not going to give it back. But on the other hand, we think we need a positive business model that builds opportunity based on new approaches to structuring businesses.

Canadians are good at this because back in the seventies there were guys doing this already. My chairman, Bernie Finkelstein, tells me all the time that he was the first 360 company and has been so ever since. It's something that's interestingly unique to Canada, and well suited to the way we develop—

Mr. Roger Pomerleau: Irving in New Brunswick is a bit like it.

Mr. Duncan McKie: And Donald K Donald in Montreal; Donald Tarleton is also an example.

The Chair: Thank you.

Mr. Richards.

Mr. Blake Richards (Wild Rose, CPC): Thank you, Mr. Chair.

I would like to follow up a little further on this, and we'll call it a tax. I know the other side doesn't want to call it that. They're notorious, of course, for wanting new taxes on Canadians. Certainly on this side, I don't believe in that sort of method of doing things.

Rather than discuss the idea of a levy or a tax, or whatever you would want to call it, on Canadians and more money out of their pockets, if I were to say that wasn't something that I would support, what other methods would you see as ways we could deal with ensuring that there is recognition for the value that is provided by the work of our artists, but not unfairly punishing Canadians who may not necessarily subscribe to seeing money come off their monthly cable or Internet bills?

I would encourage you to give some thought to that, and if you have other suggestions you could throw out there, I'd be open to hearing what those are.

Mr. Don Quarles: Let me first of all clarify that it is a licence we're talking about, not a tax or a levy.

I think it's important to note that there are many songwriters out there who don't have the luxury of benefiting from touring or from selling CDs off the stage, selling T-shirts, or selling concert tickets. So it's as important to us to come up with a solution that is good for the songwriter as it is for the artist-songwriter, because these are people who have to put bread on their table.

If you had a consumer on one side of the table and an artist-songwriter on the other side of the table, and the consumer said, "Gee, I don't want to pay for music", because that's really what we're talking about, the artist-songwriter would basically say, "Well, then, I don't eat this week". I think there's a logical and very simplistic view and way we can present this proposal.

This is just one part of the industry. This isn't the be-all and end-all. It's like my buddy walking down the street and he breaks his leg. Am I going to put a band-aid on his shoulder, or am I going to focus on his leg, which is broken?

We need to focus on the biggest part that's really hurting. It's been ten years. I think we're due to focus on it now.

• (1630)

The Chair: Thank you very much, Mr. Quarles.

We'll finish this panel with Mr. McKie. Go ahead, Mr. McKie.

Mr. Duncan McKie: Mr. Richards, I'd like to take a crack at your question.

When you look at the annual returns in music industries around the world, some are actually positive. That's a lesson for Canada—which ones are, and why. Sweden is one, as is the U.K., Australia, and Korea. It isn't all bad news.

One of the things these countries have is very aggressive infrastructure development in the mobility sector and ISP sector. That's something we don't have here—seriously. That's a real problem for Canada. We were one of the most advanced nations in the world 10 years ago in terms of connectivity, but are now lagging behind and rated 27th or 28th on the OECD ratings, both in terms of cost per person and bandwidth speeds. So we're in a bad position that way.

What the Ontario government is contemplating—I know you don't like to take lessons from Mr. McGuinty, “Premier Dad”—is setting up things like venture capital funds to support infrastructure development. Governments get paid back for these investments in the end, which are not just grants or loans. In Ontario's case, these are of a substantial size—\$100 million, \$150 million, to which our companies would have access and others who want to develop the Canadian infrastructure for distribution.

So when you only have 20 download sites and the Germans have 50, it doesn't take much imagination to figure out why it is they have a positive upswing in their digital music sales. They just have better and more distribution. We just don't have it. So our ISPs have been really lazy, having these managed monopolies, of course, and really lazy in setting up these opportunities for our distribution system.

So we have to look at all of that. I agree with Don that it's not just one thing; it's all these other things, but that's a critical component right now of our ability to recover sales.

The Chair: Thank you very much, Mr. McKie.

Thank you, Mr. Quarles.

We will suspend here for five minutes to allow our panel to switch over.

- (1230) _____ (Pause) _____
- (1235)
- (1635)

The Chair: I'd like to welcome our next panellist before our committee on Canadian heritage.

Representing Jumpwire Media, we have Mr. McGarry, president.

We'll begin with your opening statement, Mr. McGarry.

Mr. Gavin McGarry (President, Jumpwire Media LLC): Hi. I appreciate you inviting me down to speak. I read most of the reports that were created from the one that I believe you did back in April.

I should probably just give a bit of background about who I am. I am a proud Canadian, but I live and work in the United States. I left Canada in 2004 to go and work in the U.K., because I wanted to understand the mobile space and nothing was happening in North America. I had a TV production company and an advertising agency and, maybe wrongly, I tried to merge them. I thought there was a real opportunity, and it didn't work as well as I'd hoped. I left because the funding issues in trying to get TV shows off the ground were so difficult and so time-consuming that I just felt it would be better to go and look at something somewhere else.

I have a European passport and I went to Europe. I landed at Endemol, which is one of the world's biggest TV production

companies. They do *Deal or No Deal*, *Big Brother*, lots of big TV shows, formats from around the world, a lot of reality.

I landed there, luckily, and at the same time Endemol was owned by Telefónica, which is giant Spanish conglomerate that also owned O2, which is the biggest mobile operator in the U.K. It was a very interesting experience to be inside a mobile operator, because I realized that nothing was going to happen for five or seven years; it was so archaic, so difficult to deal with, that we were dealing with the content people internally, and it really wasn't helping.

When I was at Endemol I saw an opportunity in 2005 to create a cross-media, or cross-platform, business development department. They managed to give me some money, I created it, and it was great for about a year. I left to come back to Canada for a few months, and then I went to work for a company in New York called Joost. This was probably one of the leading web video companies in the world, and they squandered \$100 million in two years. They were the leaders. Unbelievable.

It was a great experience, I must say, but there was a lot of learning—a lot of learning. It was owned by the Skype guys, the guys who created Skype and Kazaa. So it was a peer-to-peer sharing network.

I just came in at 4 o'clock and heard you talking about BitTorrent and that sort of thing.

So when I was in New York I left Joost—I could see it was going downhill—and started Jumpwire, mostly because people kept asking me for strategy. Because of my background, because no one had the experience I had, I was becoming one of the leaders in the world at what I did. So I've gotten to work with *Discovery*, Indian companies, Australia, and Russia. We helped bring Hulu into Russia. It's been really exciting. We're only a year and a half old and it's been a real ride.

We just opened a Toronto office, because I am Canadian and I'm proud to be a Canadian. It's a really interesting time that's happening right now. I read through the study and some of the questions you asked. Unfortunately, I don't think I'll be able to address too many of them, because I haven't been in Canada long enough. But what I would like to say is that when I came back, I sat on a jury, just recently, for the CMF, because I wanted to understand where the funding had gone in the last five years. So I sat on the experimental jury that recently gave out a whole bunch of money. It was a really great experience, because I think this is the future of what funding should be in Canada. It was such a relief to come back and work on the funding side and see, “Here's a great idea. We'll get some innovative ideas in and then, you know what? We're going to take equity in them.”

VC is a big problem. I have to deal with VCs all the time. I'm looking for investment currently. It's a nightmare. To have the government involved as a VC seems questionable, but since I went through the process, I was really encouraged, because the shows, the innovative ideas that came through the experimental stream, were not about Canada. They were just good ideas.

That's where I want to focus the last few minutes of my presentation. I think the real future, that we talk about with our clients, is that if you're doing a five-year plan, you're probably not in your right mind. We don't really plan for any of our clients around the world more than 18 months out. Why? Because things change so quickly, there's absolutely no way. And for you, trying to build legislation around that....

I had an interesting discussion yesterday about the role of government in what's happening. Are you guys leaders? Are we supposed to lead the world, or are we supposed to lead from the middle, as everybody says?

• (1640)

I think what I came down to is that Canada has always led. When I left to go to the U.K. in 2004, we had 75% broadband penetration. When I went to the U.K., they had 50%. So 50% of their entire populace was on dial-up.

When I was in meetings, it was like I was from the future. I'd say that we tried that in 1998; it didn't work then and it's probably not going to work now. We have ten megabit down, and we've had it for five to seven years.

We led there, and we now lead in the most per-capita online video or web video watching. Canadians absolutely are so much higher than anyone else in the world, and yet we're not capitalizing on it. We're still spending time trying to determine how we can link it in with broadcasters.

At Jumpwire, essentially coming back into Canada in the last...I've given up. We do a lot of work with broadcasters, but the key problem I'm hearing right now is from production companies coming to me and saying that the broadcasters want all the rights. They want the rights, but they're not willing to pay for them.

So we've come up with a strategy, which I'll happily tell you. It's to go and get the rights for mobile, for online, for merchandising before you go to the broadcasters, then force them to ask you how much they're worth. It's difficult—I've also been on the broadcast side. How much are these things worth? But there are people making a lot of money out there, and I think that's important to acknowledge.

From our company's standpoint, in New York, I use the three territories that I spend a lot of time in very specifically.

The creative comes out of the U.K.. It's probably the most creative stuff I've ever seen in the world. They've had Shakespeare. They've got great training. You know, they use 40,000 words, we use 20,000.

When I sat in those development team rooms at Endemol, I saw probably the most innovative ideas ever. They cannot sell their way out of a paper box. There's just absolutely no way. But the Americans can. They're the best at it.

Here's what we started doing. When I built the cross-platform department, I said we're testing everything in Canada. Why? It's because it's the most diverse country in the world. If we want to do something for Korea, I can go to Koreatown in Toronto, I can buy up the billboards around it, I can test something in a very small market very quickly on a savvy audience. That's the way we work it, and it works quite well.

The three things I want to focus on, and we tell all our clients this, are data, web video, and mobile. For data, I have two key areas. I don't know whether you're focusing on these. Privacy is obviously is a big one, but there's also access. I want access to all the ISP data. I think I should have it. Can I get it under the freedom of information act? I don't know. Will they ever give it to me? Probably not.

But we built—we use BitTorrent—a \$250,000 tracking machine. We're the leaders in the world in what we do. It's a filtering system. I have a Ph.D. on staff who tracks every TV show, every movie, all music in the world on BitTorrent, and we sell that information back to the content companies. And it is such a difficult sell: "I don't want to be associated with BitTorrent." But I'm like, "This is what your people are doing; why don't you want to leverage that?"

So we have a long way to go, but there's a lot of opportunity here. I think that when you look at web video and how we lead the world, we need to capitalize on that. We need a fund specifically for that.

YouTube knows. We spend a lot of time with the guys at YouTube. Canada was the first place they opened a secondary office. Facebook, the secondary office was in Canada. Yelp, Twitter—you name it—they all come to Canada, because they cannot believe that this small country uses the Internet so much.

We're not the type of people to stand up and beat our chests and say we're number one. We just continually move ahead. But we are absolutely the laboratory for the world, and I don't think we're exploiting it. If you guys can help this, that would be helpful.

The final point for me—we can talk some more, and you can ask me some questions, if you want—comes down to the question of how do we leverage one of the most culturally diverse and digital-savvy countries in the world? That's what I want to do with my company, and I'm not really sure how to do it.

As we move forward, I'm not sure what my company is. Things are moving so quickly I can't get a handle on it. Anyone who says they can is definitely not being truthful, shall I say.

Thank you.

• (1645)

The Chair: Thank you very much, Mr. McGarry.

We'll now have about 45 minutes of questions and comments from members, beginning with Mr. Simms.

Mr. Scott Simms: Thank you, Chair.

Thank you, Mr. McGarry, for your words. You cut right to the chase; love it.

Earlier we had an individual talk about a new business model, per se, and how we get around the fact that people are using this music, through file-sharing, that sort of thing, peer to peer? You're seeing this in a bird's eye view of what's going on and the sheer bulk of money that's not being transferred back to artists.

What do you envision as a new business model for individual artists or distributors to get their money?

Mr. Gavin McGarry: Here is my vision. Artists are already being paid for their content. In fact, I met with a gentleman at Ericsson, over in Europe. Most people don't realize that usually, for the IP-blocking services for BitTorrent, most people are paying 10 Euros or \$10 to block their IP so that they can use BitTorrent. That far outstrips the amount of money they would have made on the content that people are downloading.

People are already paying \$10 a month for the content.

Mr. Scott Simms: That's the IP-what, again?

Mr. Gavin McGarry: It's an IP-blocker.

Mr. Scott Simms: Do you want to explain that, just very briefly?

Mr. Gavin McGarry: You have an IP address linked to your computer, and if you block that IP address, people can't necessarily determine where you are or who you are. A lot of people use this when they use BitTorrent or use streaming sites.

The real key here, and the reason I built my company this way, is that I could see five years ago that everyone was already paying for content: they were paying for it with their data. People have been paying for content for a long time. People think that data is not worth anything and that they can't monetize it. But actually, you can; we do it all the time.

What most people don't realize is that BitTorrent is a file-sharing service. Each person has a little bit on their computer. But the interesting thing is that the trackers that track all the BitTorrent traffic moving through are public. Anyone can grab this data—the government, companies like mine. You just have to have a very good filtering system. The person who built our filtering system happens to be a friend of the Bram who built BitTorrent. So we have the best filtering system in the world, no question.

But we also have a Ph.D. on staff who knows how to clean that data, because the data can be very messy. First of all, if you're downloading an episode of *Being Erica*, and it's episode one, and you can also download the entire season of *Being Erica*, most people will put that as one thing. You have to strip that out or filter it to make sure that you have two separate areas: how many people are downloading the whole season and how many people are just downloading one episode. This is what we talk about when we talk about filtering.

Going back to this whole idea that you're paying with your data, there is so much free data on the web right now. When you set up a Facebook fan page, if you're the person who sets it up, you get all the free data. It's all there.

If you look on any YouTube video and look beside the views, click on the down arrows and you will see nothing but data, free.

Most people say that's not monetizable. It absolutely is, and if we had an Internet connection I could show you right now all the free data that's out there, that we use all the time. And BitTorrent is the same way.

People say that people haven't been paying for their content. No, they haven't been paying for it with money, but they've been paying

for it with something that's better than money—it's their data. I'm always a bit shocked when people say, "Well, that's not really money." I'm like, "Yes, it is."

We talk with lots of music people all the time, and there are a lot of indies.... The music business is in disarray, and anyone who comes in here is going to be upset: their entire business model has collapsed, and they've been trying to preserve it. And I don't blame them, but there are all these indies that are changing the way it's done now. I meet them all the time. These young guys are making....

I mean, how much money do you really need to make, as an artist, if you're doing it yourself? If you make a couple hundred thousand dollars a year and you live out in Fergus, Ontario....

An hon. member: Life's good.

Mr. Gavin McGarry: Life's good: in Canada, with free health care....

● (1650)

The Chair: Life's good in Fergus anyway.

That's my hometown.

Mr. Gavin McGarry: I know.

Did you see what I did there? I was making you look good.

Voices: Oh, oh!

The Chair: Life is great in Fergus, with or without the royalties.

Mr. Gavin McGarry: I was just looking at all your websites. You guys are doing a great job. Every single one of you pops up as number one in Google search.

Voices: Oh, oh!

Mr. Gavin McGarry: MP, member of Parliament—nice job.

Mr. Scott Simms: I'd like you to monetize my data, then. That would be great.

This is very interesting, because the impression we get is that everyone seems to be madly off in different directions to find this new type of model. So what you're saying is that the model is there; it's just underutilized.

But is there anybody using it the way you have described?

Mr. Gavin McGarry: Oh, my God, yes—I mean, so many. There's a brand new ad agency in Minnesota that no one knows about. It's probably going to be one of the biggest in the world. It's called Axiom Partners. All they do is data. They just look at data and then they go and sell the data back to the brands and say, "Here's what everyone's doing."

The amount of free data online would baffle them. To get a client, I walk in, set up my computer in front of the CEO, pull down all their content, and show them all the free data out there. By the time I leave, I say, "This is your demographic, your psychographic. I just saved you a million dollars. When do you want to hire me?"

It's that simple. I'm surprised everybody's not doing it. But they are; there's a whole underground world of people—under 30, generally, which I am not—who are running these new companies that are starting to....

It's all about data. It doesn't get any more than that. There's something called an ad locker where you can put your ads. It recently came out, and I'm trying to find the information. My apologies if I got the name wrong. Essentially, it's this whole idea that you pick the ads you want advertised to you, put them in a little locker, and wherever you are on the web they're advertised to you, right? You don't see anything else. You just see the ads you like.

I think it's a genius idea. But this is all done on data.

The Chair: Thank you very much.

[Translation]

Mr. Pomerleau, you have the floor.

Mr. Roger Pomerleau: Thank you, Mr. Chair.

Honestly, I have to admit that I have understood absolutely nothing in...

An hon. member: Ah, ah!

Mr. Roger Pomerleau: I will have to ask the question again so that you may perhaps express your answer differently.

Let us suppose that the music of an artist is used on the Web. How can he be paid for that? You talked about data and all but...

[English]

Mr. Gavin McGarry: Who's we?

Mr. Roger Pomerleau: We?

Mr. Gavin McGarry: How do we make sure that they get paid? Who's "we"?

Mr. Roger Pomerleau: The government; us.

Mr. Gavin McGarry: This is really difficult and controversial, because quite frankly—

Mr. Roger Pomerleau: The government has nothing to do with it?

Mr. Gavin McGarry: No, no, I'm not that republican; I'm an eco-capitalist.

There is a long history of artists being abused by large companies who...and I have to be very delicate here, because they are some of my clients. But there has been a long history of artists being abused by people who find a way to place barriers to entry, and then leverage that, and give the artists, or the sports celebrities, or whatever....

If a gentleman who plays basketball is making \$100 million, I can guarantee you there's an owner who's making \$1 billion. And it has always been that way.

But now it has shifted. The paradigm has completely changed. It's been disrupted. Everyone is running around like chickens with their heads cut off. And I get it. But now I meet all these bands who create their own content. They place it on YouTube. They monetize it themselves. They don't need record labels. They don't need the government. They don't need anybody. They do it themselves. With the Internet and the advent of mobile, it's a do-it-yourself entrepreneurial world, which is what artists started out being anyway.

My sister is a painter, an artist. I run the business side of what she does, and it's difficult. Artists are all over the place. There will come a time when they will require people to do business for them, but I'm noticing that most of them do it themselves. They find a friend who helps them out, and they make a lot of money.

Like, if you're 16 or 17 years old and you're making \$10,000 a month, we have a bigger problem. How are all these giant multinational companies we build going to entice a 16-year-old to work for them for \$500 a week? It's not going to happen.

I have that problem now. They're like, "Why would I want to work for you when I can make ten grand a month on YouTube?"

I spoke at Ryerson University two days ago. I was shocked at how many 22- or 23-year-olds in radio and television weren't making a thousand bucks a month on YouTube. I threw that out to them. I said, "Why aren't you making a \$1,000 a month on YouTube?"

So I've sort of danced around your question because I don't want to be too controversial, but you obviously see what my side is. I'm like, no, we're going through one of the biggest revolutions since the Industrial Revolution. A lot of people, generally older, are pretty upset because their entire business models have collapsed, and they're just trying to get towards retirement.

You're seeing it happen. In New York eight weeks ago, every single one of the major publishing companies, including Condé Nast, changed their CEOs. Most of them were under 50.

You have to be able to speak both languages. I speak some French and a little English. When I go to Quebec I feel like an idiot. But when I'm talking about digital or analog, I am completely comfortable in both worlds. I have no problem. I can talk to very technical engineers about semantic web and cryptology—all the way up to CEOs of major multinational media corporations. That's my job. I am the guy in the hammock. I'm the age group that has to translate for both.

And that's the future: the future is that I'm not sure what's going to happen next.

• (1655)

Mr. Roger Pomerleau: So we're off, at my age.

Mr. Gavin McGarry: No.

Mr. Charlie Angus: You've got to get on Facebook, man. You'll be okay.

Voices: Oh, oh!

Mr. Justin Trudeau: He's still doing his MySpace page.

Mr. Gavin McGarry: Yes: MySpace is ripping it up. MySpace is a mess.

So here's what we tell our clients, and I'm speaking from experience. I was hired twice as an SVP of digital media to go into content companies to fix them. Three or four years ago they said, "We need someone in digital media". A TV production company tried to bring me in. I was there for three months and I left. They thought I built websites.

Digital is everything. It's not just one little part. It's everything. We tell our clients now, and these are big clients, such as Naspers out of South Africa, "Do not get rid of your senior executive people. Train them."

We built part of our company...and it wasn't something that I tried to do. We train all these CEOs and SVPs. We tell them what they need to know.

For TV companies, the person who's creating the content or signing the programming doesn't need to know the ins and outs of how a TV works, exactly how a mobile phone works, or even how a video camera works. He just needs to know how to use it and create some content for it. So don't fire all your middle-manager guys who have been there for 10 years, because you're going to lose all your experience.

We bring in the 22- or 23-year-olds who are familiar with this. It's actually a bit startling and shocking how many don't know, really, what's going on. So we bring them in at the bottom, we train up the senior executives, and we make them work together. That's all you can do.

• (1700)

The Chair: Thank you very much.

Mr. Angus.

Mr. Charlie Angus: Well, this is very provocative.

You know, we've heard over the last few years, when people have come in, a lot of kicks at YouTube: "Oh, YouTube; it's people watching videos of their cat." Obviously people really are shocked and horrified at what YouTube did. It changed.... It is television. My kids don't have televisions. They wouldn't think to buy a television if it was the last thing in the store available. They're on YouTube. But they're on YouTube through a wide variety of elements, and they're not watching people's cats flushing the toilet. They're watching content, because content is still king.

I'm interested in your experience with the CMF, because, you know, what is the role of the Canadian government? What is the role of our federal institutions? We created some really top-notch content creators. Take the National Film Board; to me, this is still one of the great film laboratories of the world. There's Radio-Canada. We created great content.

But it seemed over the years that the idea was that we had to create content because we had to make sure that Canadians didn't disappear. Then we had to create content so that the broadcasters didn't disappear. It was like culture became a kind of corporate welfare state. There seemed to be this mentality.

Now I'm looking at the possibilities that are there from the digital realm. But still, even with the Canadian Media Fund being updated, the vast majority is tied to the fact that you have to have a broadcaster, and the broadcaster is going to want 12 years' worth of rights, and he might show it or he might not show it. It's going to be a huge investment because you're not going to run a pilot unless there's a whack of dough there.

Meanwhile, there is this whole other world out there, where we could start getting buzz and hype and things could start happening.

I'm interested that you've found the experimental stream full of great ideas. It seems to me odd; it seems that we would say, okay, the experimental stream is over there, it's not the serious stuff, whereas I actually wonder if that's where the real serious stuff is going to be created.

Would you suggest that we actually open up this Canadian Media Fund so that more funding is available to just create content, and then worry about where it goes as secondary to the creation of content, and allow perhaps more of this just to get out there online?

Mr. Gavin McGarry: Yes, it's platform agnosticism. Being platform agnostic is key.

Yes, to create some sort of funding model that will be able to do that is important, and I'm not sure how you do that. One of the reasons I left was the number of hoops you have to jump through to get the funding, the fact that it has to have a Canadian flag in it. I've never believed in that. I think that we make some of the best content in the world, and I don't think it has to be....

Some of it is for Canadians, and all of it is by Canadians, but it doesn't have to scream "Canada". I live in New York, and what most people don't realize is that the entire media upper echelon is full of Canadians. The reason I'm in New York is that the O-1 visa I'm on eliminates anyone.... It's so difficult to get that only the best go to the U.S.

So this is our biggest problem. Are we creating funding in order to train people up so that they can go to the U.S.? Canadians are being hired like crazy in the U.S. because they know we're very well trained. We've had a lot of experience.

To answer your question, yes, I think we need a new funding model. I think the key is to fund things that make money on new platforms—mobile, YouTube, and so on.

Mr. Charlie Angus: I have a quick question here.

Again, the idea of whether the Internet is probably the greatest distribution system in history or it's a cultural tsunami that's wiping out our industries seems to be the thing that we go back and forth on.

The suggestion was made earlier, or the recommendation, about the "three strikes and you're out" principle.

Mr. Gavin McGarry: Oh my God, no.

Mr. Charlie Angus: If we make it illegal to trade, will that have an effect, from what you have tracked with BitTorrent and the number of files going? Is it realistic for us as legislators to act like King Canute, demanding that the wave shall recede, because it's a three-strikes principle? Is that even in the game?

Mr. Gavin McGarry: No. It's just the craziest idea I've ever heard. Because do you know what happens? I mean....

It's like no one reads history. Before there was digital media, before there was analog media, there were castles in England. You block people and they'll find a way around it.

The reason why Canada's number four in the world for BitTorrent downloads is that we want to watch American programming. We want to. We don't care. We want to watch U.K. programming. We want to watch programming from all over the world.

We keep restricting people, so they're like, "I'm not going to pay \$79 for the Hindi channel. I'm just going to go and get it online for free." Then we get mad at them, because, "Well, you were supposed to pay for that."

I think at 99¢ for a song on iTunes is way too expensive. I might pay 1¢, or I might pay 2¢, but I won't pay 99¢. It's ridiculous.

● (1705)

The Chair: Thank you very much.

Mr. Brown.

Mr. Patrick Brown (Barrie, CPC): Thank you, Mr. Chair.

This has been very interesting today, Mr. McGarry.

I want to take this in a different direction. What do you think the changing trends and the embracing of digital media mean for local television? I notice that in a lot of small towns and communities we're trying to see them embrace little bits of digital media, but it's still far away from where it is in the mainstream. What are communities going to have to do in Canada to make sure we don't lose that local content? When it becomes international and becomes national, I guess the worry is that it'll get lost in the wave of change. How do you still hear about your local charity events? How do you still have a medium that shares your municipal updates?

Mr. Gavin McGarry: You guys are all local, right? You're all members of Parliament. How do you do it?

Seriously.

Mr. Scott Simms: Householders.

An hon. member: Ten-percenters.

Mr. Patrick Brown: And even the mediums we do use, in terms of sending out lots and lots of mailings, that's becoming less of an effective medium. Not that it stops any of us, but it's becoming less of an effective medium to communicate when more and more people check their mail less often, especially younger people, of course.

I use social media to communicate with the younger people in my riding. As I say, I think it's getting harder and harder for a local newspaper to sell advertisements. I think it's getting harder and harder for local TV stations to stay open.

I worry that trend is going to continue.

Mr. Gavin McGarry: I have this discussion all the time. It's difficult, right, because it's not a discussion, it's a change. It's happening. If you look at Craigslist, that's local, hyperlocal. We spend all our time talking about hyperlocal.

People don't like to see change. They don't like change. They don't want their TV station to go away. They're used to sitting back and watching the local TV news.

I don't even read the newspaper anymore. I get all my information on Twitter. I'm following probably half of the members of Parliament to see what you are talking about. I know before I even get here who you are. I've been on LinkedIn. I can see all sorts of information. That we didn't have before.

With this whole change, yes, we have to make sure we're taking care of people who are used to that. It just means we need 25-year-

olds running the local TV stations, who are interested in TV, but understand social media and are able to connect with the younger and the older.

How do you regulate that? How do you deal with it? Well, the people are deciding, right? Crowd sourcing is where it's at. You decide what the local area wants. And that's what we're seeing on Facebook. People in Fergus, Ontario, don't really care about anything else but what's happening in Fergus, Ontario.

And Moses Znaimer was the first one to do this. It was all about local, local, local. Citytv is a perfect example.

Full disclosure: he hired me out of university.

I built a TV show 17 years ago at Western that was hyperlocal, but I figured out if I did a TV show on the campus, no one else could touch me. I'm just doing what CTV does. No one was allowed to come on that campus and shoot video unless they were a student. I was a student. I made \$26,000 a year. I paid for my university by using that exclusionary factor that most of our broadcasters have.

But now that's all changing. Could I do that today? Probably not.

Mr. Patrick Brown: You talk about opportunities for this changing dynamic. Do you see potential labour opportunities for Canada if we positioned ourselves in the right way? What advice would you have for us on a labour front, on how to tap into the new jobs that are going to be created in this industry?

● (1710)

Mr. Gavin McGarry: A lot of technology companies locate in Toronto now.

Mr. Patrick Brown: Why?

Mr. Gavin McGarry: Just because we have a really great education system. I live and work in America. I will tell you right now that it's shocking how little they know about the rest of the world.

Part of my job is when.... As I say, I start out by saying, "I'm Canadian. I understand what's going on in the rest of the world. There about a billion people who speak English on the planet. That's your new market."

Mr. Patrick Brown: How do we attract people like you to be in Canada?

Mr. Gavin McGarry: I love Canada. I'm here all the time. My wife lives here. I think someone said it before: it's a question of scale. If I'm located in New York, people want to work with me, the old-school guys. The young guys, they don't care. I could be in the middle of Minnesota, I could be in Toronto, I could be in Fergus. It doesn't matter.

Most of the people I deal with on a daily basis who run our web shops and do our stuff are all over the world. One guy doesn't even have a home. He calls himself a "digital peasant".

Voices: Oh, oh!

Mr. Gavin McGarry: These are the people I deal with on a regular basis.

Then I have to deal with old-school people who run TV networks and are used to coming in and sitting in their offices and getting their e-mails printed off and reading them.

It doesn't mean they're any worse. Everyone thinks that youth is the answer. It's not. It's about the experience. I would much rather train up someone who is 50 years old and "gets" that this something big, and is interested in it, than some 26-year-old or 23-year-old just out of college. It would not be a question.

Mr. Patrick Brown: What training is necessary in Canada to equip us better?

Mr. Gavin McGarry: I think we have some really good training. It's just about understanding how this works and what it can do for you.

The Chair: Thank you very much, Mr. Brown, and Mr. McGarry.

Mr. Trudeau.

Mr. Justin Trudeau: I just have to say, like many of us around the table, Mr. McGarry, that I'm so pleased that you're here today. This is a really exciting conversation to be having on the Hill.

And, yes, in case you're wondering, I am the Justin Trudeau of justin.ca.

A voice: What's your Twitter?

Mr. Justin Trudeau: It's "justinjtrudeau", 3,500 followers. Someone else took "justintrudeau", and I'm trying to get it back.

Mr. Gavin McGarry: You can get it back if you had it verified.

Mr. Justin Trudeau: I am verified.

Mr. Gavin McGarry: As "justinj"?

Mr. Justin Trudeau: As "pj", so I'm going to switch....

At any rate, sorry, I have five minutes, so we'll talk later. I'd like to.

Earlier we heard the Songwriters Association talking about a \$3 licensing fee for all ISP delivery in the home that would go towards music producers. When you talk about the \$10 someone uses to block their ISP address, for example, is that related? Do you think that even \$3 on your \$60 ISP bill a month isn't going to work, or that it's part of an old model?

Mr. Gavin McGarry: With the Bell takeover of CTV and stuff, there's consolidation happening. I have friends who are cutting the cord and saying they don't have TV at home anymore. But I'm like, "But you still have Bell Internet, right? So you're still paying the same guy."

I'm not against an ISP adding something to the bill. Obviously I live in the U.S. for a reason; I don't like the idea of tax.

Mr. Justin Trudeau: It's not a tax.

Mr. Gavin McGarry: It's not a tax.... You know, with licensing, I think there's something interesting there. Back in the day, and being old enough to know about cassettes when they put the levy on cassettes, it would be interesting to find out the research on that and how that really helped and where the money really went. Did it really get to the artist? The problem for me is that we talk about artist, but does the money get to the artist? There's always someone in the way when it's truly creative.

So for me, if you're talking about straight creativity, I just want to give the artist the tools to do whatever they want, however they want, and then allow them to monetize it themselves. If they want to bring someone else in, then, that's good.

So in terms of levies, taxes, I'd be interested to discuss that more, but I don't have enough information to be able to say whether it's good or bad.

Mr. Justin Trudeau: Fair enough.

To pick up on something that Mr. Angus was asking about, the Canadian content model for music is seen as a reasonable success over the past 20 or 30 years, where we've been able to create world-class artists even in a small market like Canada by forcing radio stations to play one-third Canadian music, giving Canadian musicians that capacity to be successful and to develop world-class qualities.

Obviously, you can't apply that same kind of thinking to the digital world. But is there a way you see of encouraging or preserving the idea of Canadian content—you talk about investing in the creative, and education—without having to be heavy-handed like the radio CanCon rules that simply can't even be envisaged in the modern world? How do we encourage Canadian artists to succeed on the world stage to a better degree? Or do we need to?

• (1715)

Mr. Gavin McGarry: I think they already are. If you're into a specific kind of music....

We have a house in Toronto and a house in New York. When I'm in Toronto, one of the most multicultural cities, if I would like to go and see Jamaican roots hip hop, I can go and see it. I can't see that in New York, believe it or not. We have one of the most vibrant music communities in the world, and people see us as a real....

I know that friends of mine from New York go to Toronto for bands. Everything goes through Toronto. It's a really good music scene. But if you're into Jamaican hip-hop rap, then it doesn't matter if you live in Canada or you live in Denmark, Sweden, or wherever.

I'm going to give you an example. A stand-up comedian in America was not doing very well on the stand-up circuit, wasn't making any money. He decided to put some of his stand-up on YouTube. He looked at the data and found out he was getting all sorts of people watching it from Sweden and Denmark, in Scandinavia. He went over there, did a tour, and he's huge there now, absolutely massive. I can't remember his name, I'm so sorry, but there's example after example like this. It's about niche.

I am a Canadian, a proud Canadian, but I don't want to watch things made by Canadians. I want to watch stuff I'm interested in. If it happens to be made by a Canadian....

In a lot of the meetings I go to in New York, I'll leave the meeting and say, "Oh, by the way, I'm Canadian", and four other people will put up their hands and say, "I didn't even know."

So for me, it's about niche and passion. That's what the Internet has unleashed on us. It doesn't matter about being Canadian. We already lead the world. We've got a great education system. What our government can do is keep those things moving forward, ensure that Canadians have all the things that are basic human rights, and we'll be great.

The Chair: Thank you, Mr. Trudeau and Mr. McGarry.

Monsieur Pomerleau.

[*Translation*]

Mr. Roger Pomerleau: Thank you, Mr. Chair.

I have only one question.

I find it very difficult to enter your space. I know that you went abroad to see what people were doing in this high-level digital space, if I may use that expression. You know our strengths and weaknesses. If you could assume the role of a Canadian legislator for 10 minutes, what would you try to put in place to improve this situation? What would be your priorities?

[*English*]

Mr. Gavin McGarry: Oh, man....

Mr. Roger Pomerleau: Is that a good question?

Mr. Gavin McGarry: Yes. You are killing me.

Voices: Oh, oh!

Mr. Roger Pomerleau: I know I won't understand, but he will explain it to me later.

Voices: Oh, oh!

Mr. Gavin McGarry: I'm so sorry I can't speak better French. It's one of my priorities.

An hon. member: I can tell you where you can learn it in New York.

Mr. Gavin McGarry: I'm in.

No, I'm very embarrassed, as a Canadian; I go to France every six months, to Cannes, and I speak okay French, but I really am embarrassed that I don't speak better French.

At any rate, to go back to your question about being a legislator, that's a very difficult question. I would really need to think about it. If I can get your e-mail, I'll send you an e-mail because I don't really....

We're doing pretty well. Canada is doing okay. We have a great governmental system. We didn't get hit with the mortgage thing because we didn't follow. We didn't go into Iraq because we didn't follow, right? And I think what we're doing right now....

I was talking to some people yesterday saying I was coming down to this, and they said, "You know what? This is so great that they're actually doing this, that they want to hear from people."

So I think we're doing everything right. In terms of what legislation, I really like the CMF idea of investment, of taking over the VC idea, the venture capital idea, for the government. I think it's

new, I think it's innovative, I think it's unique. Do I think it's going to work?

It's difficult when you get the government involved in things like that, but that's what we do best. We're a socialist country. We want to give everyone an opportunity, right?

• (1720)

Mr. Charlie Angus: That's why we succeed, "Walter" Del Mastro.

Voices: Oh, oh!

Mr. Charlie Angus: I'd like that on the record.

Score one for the home team.

Mr. Gavin McGarry: I want some questions from that guy.

Voices: Oh, oh!

A voice: He's not from Fergus.

Mr. Gavin McGarry: I'm going to find out where he's from.

[*Translation*]

The Chair: Do you have any other questions, Mr. Pomerleau?

Mr. Roger Pomerleau: No, thank you, Mr. Chair.

[*English*]

Mr. Gavin McGarry: I'm sorry, Mr. Pomerleau, that I don't have a better answer.

Mr. Roger Pomerleau: I'll give you my e-mail.

Mr. Gavin McGarry: Okay.

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you, Mr. Chairman.

Mr. McGarry, I have to tell you—this is in all honesty, I'm not blowing smoke—you are one of the best witnesses I have seen since I was elected in 2006. I have enjoyed your testimony immensely.

In fact, I'd be very happy—you can take this to the bank—if you and Jacob Glick ever want to go for dinner, I'll pay.

Mr. Gavin McGarry: I know Jacob.

Mr. Dean Del Mastro: I find these conversations fascinating. I want the forward-looking view, and I think that's what you're giving us. You're telling us what's already out there, what's possible, and where the model is going.

I think we do spend an awful lot of time.... I say it every meeting, so I might as well get it out once again: I'm demanding, if I can get it, a review of the Broadcasting Act, because I think we really have to get things squared around not where they are or where they've been but where they're going. The monetization and the opportunities to earn money are so much greater today under the new model than they ever were under the old model, and I think that is something people struggle with.

When Jacob was here, he talked about the long term, and I think that's kind of what you're getting at, that the Internet opens up these opportunities. You're asking students, if they're not making a thousand bucks a month on YouTube, what they're doing, then.

Last night I was in kind of a foul mood. I went home and watched 1980s music on YouTube for three hours just to make myself feel better, but every artist that I watched received a royalty from YouTube. I don't know if people know that they're doing that stuff.

You've said a lot of glowing things about Canada, and I appreciate that, but ultimately what we want to do.... I've said several times that I really think it's about content. Content is going to be king. As for how we get it out there, there are so many platforms. We're still fascinated by radio stations and television stations, but ultimately there are just so many platforms.

I guess this isn't a legislative thing. You also talked about electronic and digital rights for artists. Right now, the reason artists lose that, I think, has to do with the way the Canada Media Fund is structured and that relationship.

Could you give us a piece of information about how we unshackle creators and unshackle artists and make it so that they can see the opportunity that's out there? How would you direct us to do that?

Mr. Gavin McGarry: Well, if you start talking legislation, as Mr. Pomerleau was—and I've been sort of downloading in the back of my mind—what we really need to do is this. If you could do something for me, it would be to free up data. Give the data to people. That's the big thing.

The ISPs need to provide us with the data: what are people doing online? We can see it. I look at it every day. I know what people are searching. I get it all from Google. But the ISPs in Canada are very closed situations. You saw Verizon and Google and their deal in the U.S. We've talked a lot about net neutrality.

Mr. Dean Del Mastro: So what data do you need from them specifically?

Mr. Gavin McGarry: I want to know everything. I want to know what people are doing. I don't want to know who's doing it—I want the privacy to be linked to that—but I want to know how many people in Fergus, Ontario, are watching YouTube. How many people are watching Metacafe? How many people are making phone calls on Skype? How many people are using e-mail or instant messaging?

Mr. Dean Del Mastro: Why would they have interest in protecting that data? If it's not specific to a person, why aren't they releasing it, in your view?

Mr. Gavin McGarry: Maybe no one has ever asked. When I came here, I was trying to get the data.

We tried to do something at Endemol. I created an idea in 2005 called “mood mapping”. I wanted to find out what people's mood was in a particular city. All I wanted to do was track the words that were going out in the morning and all through the day. So happy, sad...basic words that might be involved in an e-mail or an instant message.

I couldn't get access to that in the U.K. because of the privacy laws. I didn't want to know who was doing it. I just wanted to know which city so that I could create a mood map in the morning and say this city is happy, or this city is very unhappy. That's simple, right? But then you start extending that out.

So for me, when you say legislation, it all comes back to how we can get more access to data. People in Canada are using the Internet

so much, but I don't feel I have any visibility on what people are actually doing. We have Nielsen and comScore, but they use panels. I want to see the ones and zeros without infringing on people's privacy, and that's something only you guys can do.

• (1725)

Mr. Dean Del Mastro: It sounds like a replacement for the long-form census, to me, Mr. Chairman.

Voices: Oh, oh!

Mr. Gavin McGarry: I read about that.

The Chair: Thank you, Mr. Del Mastro.

Mr. Angus, you had a brief question about BitTorrent.

Mr. Charlie Angus: Yes.

You talked about BitTorrent, and we sort of went over it. To preface, in the late sixties FM radio was suddenly the coolest thing, but back in the 1930s, FM was outlawed by Congress because it was a threat to RCA, which had bought up all the AM radio stations. We went for 40 years without hearing FM, and then suddenly we were all enthralled with it.

I'm interested in BitTorrent. As legislators, we recognize we're going to have to have the web and it's going to be there, and in Canada we probably can't do three strikes and you're out. But everybody says BitTorrent is the bad guy; BitTorrent is the piracy. I've never heard anybody say anything positive about BitTorrent, but it's being used by everybody.

As legislators, is it reasonable to constrain BitTorrent? What does BitTorrent do? Is it a negative force, or does it have a positive distribution potential for moving forward?

Mr. Gavin McGarry: You can go to our website, Jumpwire Media, and you'll see “Torrent Tracker Reports” there. It will take you through exactly what we're doing with BitTorrent. Also, under my blog, you'll see a video. I just spoke for about for an hour and half at Cannes, and you'll see a good overview of that as well.

I know the CEO of BitTorrent, Eric, very well. He was speaking at the Banff World Television Festival. That's where we met, and that's where I got the idea of trying to get the data off BitTorrent. I called him up and said, “I want your data”, and he said, “I don't keep any data, because we're getting sued every week”.

People are starting to realize that the reason people share content on BitTorrent—and why BitTorrent is so interesting—is that you don't have to pay for it, first. You get the content you want—it's the ultimate lab. And there are only about 100 million people around the world who use it.

Secondly, we did some research. We've been tracking everything since June 2008, when Hulu went up. We tracked all of Fox's content beforehand and afterwards, and we found a decrease in BitTorrent usage once Hulu was available. We're seeing that a lot.

I was at a round table in Ottawa, and it was the same sort of thing. The people were saying they go to websites all the time to watch videos; they were going to MTV. We're starting to see that shift.

The problem is that the broadcasters didn't keep up fast enough. It's expensive to deliver video; they wanted to do it streaming. I had talked to broadcasters three or four years ago and asked why they didn't use BitTorrent.

BitTorrent is the easiest, most efficient way to share files, not illegal content, but to share files, on the Internet. The more people who share it, the easier it is. That's why Napster took off. To understand how BitTorrent works, if you have a piece on your computer, and you have a piece, and three people have a piece, it takes a long time to download, but if you have 3 million people on it, then it's dispersed.

Why some country—and maybe Canada is that country—doesn't do a deal with BitTorrent to say we're going to figure out a way to legislate and monetize this, and we're going to allow BitTorrent in Canada, but you have to pay for it in some way, shape, or form, and even have that exercise....

But I have to preface that by saying...because earlier you were talking about how it—

• (1730)

Mr. Charlie Angus: No, you're right on the mark there. Keep going. Don't stop now.

Mr. Gavin McGarry: Mr. Armstrong had a really good point earlier. He asked how we tell our trading partners, when Canada...we changed our regulation for video, we were the number one pirate for videos and movies, because people were walking in and doing videos. Anik E was hacked by a Canadian, to take all the anime.

And, yes, that's the balance...but that's your job.

The Chair: Thank you very much.

To members of the committee, as somebody who comes from Fergus, Ontario, I have to say that never has Fergus, Ontario, received so much attention since Adam Ferguson founded it in 1834.

Voices: Oh, oh!

The Chair: Thank you very much for your appearance.

This meeting is adjourned.

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