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**Chair**

**The Honourable Hedy Fry**



## Standing Committee on Canadian Heritage

Tuesday, November 15, 2016

•(1135)

[English]

**The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)):** Good morning, everyone. I'm going to call the meeting to order. We have a few people who will straggle in, but I think we need to begin.

I would like to apologize to the witnesses who have been waiting. We had a vote, and of course that delayed things.

I'm going to put it to the committee as a group to tell me if you are interested in doing an extra half an hour. We do have the ability, with Google, to stay half an hour from their end. We have this room—there's nobody else coming in—and if some of you need to leave, well, six is a quorum, so hopefully we may be able to still have a quorum here.

Is there any feeling about this? Can I get some indication that everyone thinks this is worthwhile? People have prepared, and to cut off their time is a little unfair.

**Hon. Tony Clement (Parry Sound—Muskoka, CPC):** What time are you planning on?

**The Chair:** We would go to about 1:30 p.m.

**Hon. Tony Clement:** I have to leave at 1 o'clock, unfortunately.

No one cares about me anyway.

**Voices:** Oh, oh!

**The Chair:** Maybe we can get the whip's office to look at that.

We shall begin. This morning in our first hour we have Cogeco Media, Monsieur Martineau on video conference. We have Influence Communication, Jean-François Dumas. We have *The Globe and Mail*, Phillip Crawley, publisher and chief executive officer. We have Rebel Media. Mr. Levant is not here, but we do have Brian Lilley.

This is our first hour. Because of the time and because of the number of witnesses, normally you have 10 minutes, but I'm going to ask you to please make your presentation in five minutes. After that, there will be an interactive session in which there will be questions and answers, so if there are pieces in your report that you weren't able to fit in, I am sure somebody will ask you those questions and you can fill them in then.

Our first witness is Monsieur Martineau, for five minutes, please.

[Translation]

**Mr. Pierre Martineau (Director General, News and Programming, FM93, Cogeco Media inc.):** Good morning.

I would like to pass on to you some observations from 30 years of experience in radio and television, in both major and intermediate markets. I have worked in Trois-Rivières and Montreal, and I have been working here in Quebec City for five years now.

Right off the bat, let me say that, in the markets where I have worked, people had reasonably easy access to local information. Even in smaller markets, reporters are working around the clock, seven days a week. They are ready to become involved and get on the air whenever anything happens. They are also ready to work on the websites of the companies for which I have worked.

Here in Quebec City, the audience is well served with information, because we have two dailies, two television stations providing local news every day, and a dozen or so radio stations, half of which are talk radio stations. With a media presence like that, you can see that people have an embarrassment of riches when it comes to information.

It also forces some media to go the extra mile to inform people and to set themselves apart, by investing in investigative journalism, for example.

Of course, an information battle is also being fought on the Internet. Most particularly over the last two or three years, the media have made more and more effort to have an Internet presence. Sites are now being updated around the clock, seven days a week. So the public has access to information instantly.

That said, we are seeing that more and more is being asked of the reporters. With the proliferation of platforms, reporters now have to prepare stories, report live, write content for the Internet, and be active on social media.

In conclusion, in my opinion, the public has never had so many sources of information. The problem that comes with that is that the public now has to distinguish credible information sources from those that are not. Reporters too have to quickly get used to this new reality. They must handle news more and more quickly on various platforms while still keeping their rigour.

That is my presentation. I am available to answer your questions.

•(1140)

[English]

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

Now we will hear from Monsieur Jean-François Dumas.

[Translation]

**Mr. Jean-François Dumas (President, Influence Communication):** Madam Chair, members of the committee, thank you for this invitation today.

The comments that I am about to make in the next few minutes are based on our expertise in the last 15 years. We have conducted a lot of analysis and research and made a lot of observations on the media ecosystem. We have also conducted two studies for the Conseil provincial du secteur des communications of the Canadian Union of Public Employees on the regions as a whole and on local information in various communities.

Taken together, our observations tend to demonstrate that the amount and type of local information becomes a major social, political and economic barometer of a region. In other words, a region's state of health is significantly expressed through its media. We often see that the more active and dynamic the media, the more economically and politically dynamic the regions.

Those involved in society, whether politicians, the public or the media, often wrongly believe that the importance of a societal phenomenon is directly proportional to its media coverage. The more the media talk about a topic, the more important it is thought to be. That is not true, but it is what people believe. As a result, we have seen over the years that regions as a whole tend to disappear in the media ecosystem.

In the last 15 years, all regions of Quebec have lost 88% of their speed and weight in Quebec's overall media ecosystem. At the beginning of the century, about 8% of Quebec's daily media content dealt with the regions. Today, in 2016, it is less than 1%. So content specific to a region tends to disappear. More and more, the same content appears throughout Quebec, from Gaspé to Gatineau, over the entire province. We have seen that those specifics have tended to disappear completely and the regions have tended to disappear gradually from the media ecosystem. That is what is happening in Quebec.

We have also conducted research and analysis on cultural communities elsewhere in Canada, including on francophones outside Quebec.

To give you an idea, according to Statistics Canada, francophones outside Quebec make up more than 3% of Canada's population, but they do not make up half of 1% of the news on all Canadian issues.

Let me give you some points of comparison. In media terms, francophones outside Quebec receive coverage that is the equivalent of the horoscope in Canadian media. Expressed in terms of an average hockey game in Canada, francophones outside Quebec receive about five minutes of coverage. Essentially, in terms of the media, francophone cultural communities outside Quebec are gradually disappearing from the media ecosystem.

Let us remember what we said earlier: people believe that the more a topic is talked about, the more important it is. They believe that, when a topic is not talked about, either there is no issue or the issue is over and done with. So, like a number of communities, the regions are gradually disappearing from the media.

When we analyze in detail the media that serve local information the best, we make some fascinating discoveries. The primary medium, the one with the most influence in the media ecosystem, is generally television. Television plays a very important role in transforming and influencing the public, in changing ways or in having very short-term effects. Television generates 13% of all news in Canada on a daily basis. However, with local information, television generates only 5% of local content.

Unfortunately, television is one of the media that serves local communities least well in terms of local information. There are fewer and fewer local stations; there are fewer and fewer staff, and we see what we call the "McDonaldization" of the content, meaning that the same content is provided everywhere, in all regions.

We have even noticed that, with local information on the major national networks, there will need to be a national hook for a region to be covered. In other words, if they want to cover the Gaspé, there has to be something of interest to the people in Montreal, otherwise there will be no coverage. That serves to weaken the representation of the regions and the communities in the entire media ecosystem, both in Quebec and elsewhere in the country.

There you go.

Thank you, Madam Chair.

• (1145)

[English]

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

Mr. Crawley of *The Globe and Mail*, you have five minutes.

**Mr. Phillip Crawley (Publisher, Chief Executive Officer, The Globe and Mail):** Thank you for the opportunity.

I have been running the *Globe* since 1998. I'm also co-chair of the Canadian Press and I sit on the board of Newspapers Canada and the World Association of Newspapers. Prior to coming to Canada in 1998, I was running, either as an editor or CEO, newspapers in Europe and Asia and in New Zealand. I tend to look outside of our borders for trends, patterns, and solutions.

I've read the evidence that my colleagues from the industry have presented, so I'll avoid repetition. Really, my purpose here today is just to say why *The Globe and Mail* is a little different to some of the other people you may have been hearing from. We're subject to the same disruption, but our response is different. The *Globe* is suffering the same steep decline in net print advertising revenue that others are suffering from. It's been going down at about 10% a year for the last four years. Effectively, our print ad revenue was 40% lower in 2015 than it was in 2011.

What makes the *Globe* different and puts us into a better position is that we've continued to invest in high-quality journalism, because we believe that if you do, readers will pay for good content, whether we deliver it via print or via a digital platform. No other paper in Canada has been able to derive significant revenue from readers paying to access content digitally. Others have tried, and failed because the content is not sufficiently compelling to command a price or sufficiently exclusive. This year our revenue from readers paying for content rose 7%, and we expect that growth to continue. Soon revenue from our subscribers, print and digital, will exceed our total advertising revenue.

Our investigative journalism wins national and international awards for both print and digital. I could list a number of examples, but I think the one most topical recently was that we did a very long, laborious investigation into what was happening to the real estate market in B.C. The B.C. government responded by introducing a foreign buyer tax, and you've seen the federal government announcing measures to cool the excesses of the market. We've also been running a lot of investigative journalism on the suicides among members of the military, which again took a lot of work. It meant one of our reporters spending 18 months combing through every death notice in Canada to find the fact that there were more than 50, because that information wasn't forthcoming from the government.

My point is that this is important work, and I think we need to make sure it continues. It takes resources and long-term commitment. Many newspapers in Canada now lack those resources or that kind of support. The difference comes down to quality of ownership. *The Globe and Mail* is fortunate to have an ownership that is passionate about good journalism and cares about making a difference for the better in Canada.

That ownership is Woodbridge, which is the investment arm of the Thomson family. It has three generations of rich experience in owning media here, in the U.K., and in the U.S.A. They believe in editorial independence, going back to the early days of Roy Thomson, and they enable me to hire some of the best talent around. That experience, that consistency, is very important. You can see examples in Canada where frequent ownership changes are not beneficial to the preservation of good, strong journalism.

You won't find Woodbridge asking for government handouts or subsidies, but we do like to play on a level playing field. It's not level if taxpayer dollars directed to the public broadcaster make the competition for digital ad dollars more difficult. The CBC is the *Globe's* largest competitor in the digital ad space amongst Canadian-based media. My colleagues and I in the industry do not support the notion that handing out more money to the CBC helps local or national newspapers.

● (1150)

I think it's worth looking at what's happened in the U.K. with the BBC. I invite the committee to look at the British government's white paper, which restricts the ability of the BBC to accept digital advertising on its domestic websites. Recently it has been announced that the BCC will provide £8 million to enable up to 150 journalists to cover local councils, starting next year. BBC will also make its videos available to local newspapers.

The *Globe* has benefited from government money in the form of digital tax credits paid out by the Province of Ontario. That has enabled us to hire staff with digital capability at the *Globe* in a very positive way—journalists, developers, data scientists—to help us with this rapid transition and change in consumption habits from print to digital. Unfortunately, that scheme has now been closed to newspapers, and I invite the committee to think about ways in which digital tax credits could aid that inevitable transition across Canada.

I'll go back to the level playing field for that one final point: the field is sloping unevenly if foreign-based digital companies are exempted from Canadian tax rules as they apply to advertising sales.

Thank you.

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

Finally, we have Mr. Lilley from Rebel Media.

**Mr. Brian Lilley (Co-founder, Reporter, Rebel Media):** I want to thank you, Chair, and all the members for having me today. Some of you will know me, and to some of you I might be a new face. I've been on the Hill for the last 10 years, first as the Ottawa bureau chief for Standard Radio, which was bought out by Astral, and those stations now, of course, have been bought up by Bell.

I've been working in media—print, radio, television, and Internet—for the last 16 years. I've been in the business long enough to have started in radio when we still cut tape with razor blades, but young enough to have been early on the Internet side. I have worked for most of the major broadcasters and I still, in addition to working for the Rebel, do work for one of the major broadcasters, hosting a talk radio show on News Talk 580 CFRA, but my comments here today are directly from me and from the Rebel and do not represent CFRA or their owners, Bell Media.

Rebel.media came out of the fall of Sun News. Perhaps that experience is why my message to you will not be that we need help, or that the media industry needs help, but that the best thing you can do is create a level playing field, and mainly you can do that by getting out of the way. Sun News was a victim of an awful lot of bureaucracy and an awful lot of government mandates that were not met by the support that you would expect when the government requires certain things. I would be happy to answer questions on that.

From the fall of Sun News came the Rebel. We started in our living rooms, I and Ezra Levant, recording videos the day Sun News went down. People laughed at us, these two guys who had been on big TV shows, creating lots of controversy, starting in their living rooms. Well, almost exactly one year and nine months later, we have a staff of 25, which is small potatoes compared to some, but we've been hiring, which is rare in this industry.

We have 425,000 YouTube subscribers. When I started preparing my notes yesterday, it was 422,000. It's 425,000, and growing, today. This is more than any legacy media outlet on YouTube in Canada. It's not as much as my neighbour next door here at VICE, but it's probably the biggest of a Canadian-based media outlet, with 105 million video views to date, 100% viewer supported, and zero tax supported. We've been able to grow by providing content that the audience wants.

We've just had crews come back from a UN conference in India with the WHO. We have a crew over in Marrakesh, Morocco, for the COP conference, and we plan to do more reporting like that in addition to opinion-based commentary.

I agree with what has been said, by Mr. Crawley and by others, that you can't have a level playing field when the public broadcaster, the state broadcaster, call them what you will, has decided they want to be all things to all people. CBC has a mandate from Parliament. You and your colleagues in the House of Commons supply that mandate through the Broadcasting Act, and I will tell you emphatically that CBC has been violating the Broadcasting Act and their mandate for a long time. There is no reason on God's green earth that CBC should be running a service of digitally streaming music that competes with Apple, Google, Spotify, and every single private music radio station in this country. There is no reason they should be expanding into digital-only platforms of opinion. When people complain about that, we're told, well, they have to have a digital presence. Nobody's going to argue against that, but this isn't promoting their radio or television programs; this is creating new areas.

I reported several years ago on Radio-Canada deciding that what the Internet actually needed was more free pornography. They bought a series from France and posted it online for free. It was a little bit shocking. I think everyone knows that this is actually something that the Internet has an awful lot of, and we didn't need taxpayers' money going to it.

• (1155)

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

**Mr. Brian Lilley:** We don't need government subsidies in order to grow. We don't need regulation either. I know that many people are concerned in their home communities about the concentration of media ownership. Well, some of the rules you have in place have resulted in that concentration. When you restrict the ability of small, local owners to access foreign capital, it reduces the number of people who can buy the media properties, be it print, radio, or television, and keep them with some local control. Thus, the Osprey papers became Sun Media, Sun Media became Postmedia, and now they're all one giant company.

I'll leave my comments at that, other than to say that we do hope that you consider deregulation rather than more regulation, and that you consider perhaps if not curtailing CBC spending then at least having them stick to their mandate.

**The Chair:** Thank you.

Finally, we have VICE.

Mr. Gruzuk, you have five minutes, please.

**Mr. Michael Gruzuk (Director, News, Digital and Special Programming, VICE Canada):** Good morning, Madam Chair and committee members. My name is Michael Gruzuk. I am the head of news and digital for VICE Canada. Thank you very much for including VICE as a witness here this morning.

In my remarks today, I'll talk about how VICE does tell local stories and delivers them globally in a world of expanding consumer choice.

For those who may know a small bit about us, let me tell you a little bit more. We have come a very long way since our humble beginnings as a free punk publication in the streets of Montreal, founded by Canadians Shane Smith and Suroosh Alvi. We are now the world's pre-eminent youth media company. We are a news, content, and culture hub and a leading producer of award-winning video that reaches millions of young people around the world on our unrivalled global network. Spanning the globe with production offices and editorial operations in now 35 countries, VICE reaches hundreds of millions of young people per month across all platforms, including 11 different digital channels, linear TV, mobile, and increasingly film.

In Canada we have experienced tremendous growth in the last couple of years. We now have offices in Toronto, Montreal, and Vancouver. We maintain a strong network of diverse freelancers across the country. We make hundreds of hours of original in-depth and often provocative—admittedly provocative—content focused on under-reported stories about under-represented people and places, with a firm commitment to our immersive storytelling style and, again, to diverse voices.

To say a little about news, in 2014 VICE successfully launched the digital vertical VICE News, a separate section of vice.com. It is there that we produce in-depth video and editorial content from communities here in Canada and around the world. Just this past September, we celebrated the launch of VICE Québec, our digital vertical for the Quebec market. In fact, the team there recently won two Géméaux awards for documentaries produced in the last year. Both of their documentaries are great examples of the kind of “local goes global” storytelling that VICE is committed to and finds success with, telling stories from Montreal—or in one case a small community in the Gulf of St. Lawrence—and bringing them to a Quebec audience but also to a global audience.

Last month, we also launched VICE News Tonight, a new groundbreaking daily news show that airs on VICELAND and HBO in the United States. It's our first foray into nightly news, with a format geared towards a youth audience. Just yesterday, we launched our own Canada-specific VICE News site. This is very exciting for us, because we now offer our audience at home a VICE perspective on Canadian news, and news from a Canadian perspective.

While we currently have a major presence in such centres as Toronto, Montreal, and Ottawa, as well as Vancouver, we have spent a lot of time travelling this country in the last couple of years with a firm commitment to covering the margins geographically of this country—the north, Nunavut, Fort McMurray, and northern Manitoba as examples. Our investment in local storytelling isn't traditional bricks and mortar, but we do travel to these local communities and are committed to telling stories there. We go over to the stories that interest us and we tell them in a way that's relevant to youth in those communities. What we find is that it's very relevant to youth around the world. We can be present without being rooted in one place.

The amazing thing about VICE is that when we produce content—let's say some of our work on radicalization out of Calgary—we can translate the story to all 35 countries around the world, bringing local stories about Canadians to a global youth audience.

Our approach is quite simple, and this is the one message I want to stress today: we are platform agnostic, which means we're not beholden to formats. We speak directly to our audience, when and how they would like it. Our method allows us to connect with audiences outside of our own network and build upon this by actively leveraging social media to increase engagement. With the assistance of social media, in Canada alone VICE currently reaches an audience of more than 30 million a month.

At a time when traditional media are becoming more and more concentrated and newsrooms are shuttering and looking for strategic partnerships, we are open to this. VICE currently enters into partnerships that are symbiotic with our brand, such as those with Google, Rogers, Facebook, and Live Nation. These partnerships enable VICE to deliver content on all platforms and connect with an audience outside of our network. For example, VICE recently launched Daily VICE, a partnership with Fido. Daily VICE is a five-to eight-minute daily video feed with up to three stories covering news, content, culture. Just this past weekend, we did a lovely local story about the park across the street from where Leonard Cohen lived.

In closing, we know that the cost of producing traditional news programming is very high, one that has caused other media outlets to struggle or even shutter as a result of their inability to keep up with the changing media landscape. Our model scales these costs, such that we can produce local, national, and international news that local community and even some national programmers are experiencing difficulty with. We can help other media with their local programming needs. If those media outlets engage with VICE to produce content that is relevant for the millennial consumers in their given market, then we can share in those content endeavours.

● (1200)

The digital revolution has very much disrupted the media industry, but it also provides content creators with a tremendous opportunity to tell stories and distribute them beyond their own neighbourhoods. No other media company can mimic VICE's voice, but we can help others by lending our voice to local content, with a global reach that you want to reach.

Thank you.

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

Now we begin the question and answer session. The first session is a seven-minute session, and that includes questions and answers. I would ask everyone to be as crisp as you can to get enough information through into that interactive group.

We'll begin with Ms. Dabrusin for the Liberals.

[*Translation*]

**Ms. Julie Dabrusin (Toronto—Danforth, Lib.):** My thanks to all the witnesses.

[*English*]

That was a great cross-section of what's happening in our media in Canada.

Mr. Crawley, I want to start by asking you a couple of questions. I am in the midst of reading a book by John Stackhouse, *Mass Disruption*. I'm reading it on an e-reader, which kind of goes to some of the points that have been made along the way. First of all, he uses the term “randomonium”, and talks about how a lot of the media we're accessing now gives us very instantaneous but kind of random news, and seems to posit that as a contrast to investigative journalism. We've heard a lot of witnesses talking about different ways we should be supporting print media in particular, but also other forms.

What should we be focusing on as a committee when we're looking at this? Are we looking at focusing on investigative journalism or the medium to transmit the stories?

**Mr. Phillip Crawley:** I think it depends on what your priorities are. Clearly there is a risk that has been identified, that if local newspapers close—it's highly likely that many will over the next ten years—there will be less scrutiny, less attention to how democracy works, and less information on what matters in community life.

In terms of the specific content that we choose to produce, in our case, we believe we benefit most when we're serving up content that, for our audience, matters to them. We're not chasing clickbait. We can all do that, but we don't. We have a very specific audience in mind, and it's an audience of concerned citizens who want information that they can't get anywhere else. From my point of view, the risk is that if local papers disappear, there are less people doing that.

**Ms. Julie Dabrusin:** I would like to hear VICE's point of view on this too.

You raised the point of being platform agnostic, but the same goes for the *Globe*.

If we're looking ten years into the future, does it matter whether it's print based or on other platforms? What you're talking about right there is reaching out to readers with strong journalism. When we're considering what recommendations we're going to be making, what we're going to have to look at is whether it's platform agnostic that we're looking forward to—or is it that we're looking at supporting print media specifically?

• (1205)

**Mr. Phillip Crawley:** Obviously we're still seeing a lot of customers who want to buy a paper. My biggest complaint every day is not about what's on our website, it's about whether the paper has arrived on the doorstep at 6 a.m. That is still the biggest issue for many people: "I haven't got my paper to read at breakfast. What are you doing about it?" We have 150,000 subscribers who still want a newspaper. We produce in six different plants across the country to do that. It's very expensive to do that. The trucks are driving enormous distances to take papers to places like Regina, Saskatoon, and Winnipeg.

Inevitably there is some erosion of that. There is less of that happening than there was ten years ago, of course, but there's still a strong demand for print. There was an interview this week with the editor of *The Wall Street Journal*. He was asked, given the shift in consumption habits to digital, whether he still sees publishing a newspaper. His answer was very much yes, that they have lots of people who still want that newspaper. They have a million a day.

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

Turning now to VICE, one of the pieces of evidence I was really touched by was when we were listening to a witness from The Tyee. There was a woman who was talking about fewer opportunities for young journalists to get into the industry. You mentioned that you were platform agnostic. What do you have to say about our focusing on the medium or the investigative journalism? If it's one or the other, how do we do that?

**Mr. Michael Gruzuk:** It's a balance that we're increasingly trying to strike. At VICE we're committed to daily service journalism in the sense that we need to cover what happens across a 24-hour, seven-day period, but we are committed to and inspired by great organizations like *The Globe and Mail*. We are committed to carving out time to ensure that we have journalism that has impact.

We've had a series of stories in the last year—our focus on water issues in first nations' communities, culminating in a visit featuring the Prime Minister, and our coverage of the opioid crisis in Canada—where we were very clear that we needed to cut through the noise and prioritize certain kinds of stories. We find that the millennial audience does care about these stories. The term "clickbait" was used. It's something that everybody is certainly commenting on and noticing, especially in the last week, in terms of what people are viewing, but we find more than ever that young people are distrustful of a wide range of news sources. The burden is upon us to ensure that we have that credibility and invest in stories that matter to young people, about the world, climate change, and what have you—

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

**Mr. Michael Gruzuk:** —while also balancing the needs of covering what's happening in the world on a day-to-day level.

**Ms. Julie Dabrusin:** Perhaps I can reach out to you as well, Mr. Lilley, in my last minute here.

**Mr. Brian Lilley:** I would just quickly say that it's up to us, as media companies, to invest in what matters to our respective audiences. I don't know about my colleagues, but I'd be very suspect of someone showing up and saying, "Hi, I'm from the government. I'm here to help. Can we help pay for your journalism?"

We were just at a World Health Organization conference where the Canadian delegation sat silently while the entire conference banned media. We cover government, so we're suspect of taking money, regardless of who is going to offer it. I think it's up to us to find what our audience is looking for and provide it to them.

**Ms. Julie Dabrusin:** I have about seven seconds left and I have one more thing.

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

**Ms. Julie Dabrusin:** In one second, then, people have raised the idea of foundations to support journalism, as another option. I am not going to be able to get an answer, but if you can bring that out, I would love to hear your thoughts about that too.

**Mr. Phillip Crawley:** I can talk about that.

**The Chair:** Thank you.

We now go to Mr. Van Loan for the Conservatives.

**Hon. Peter Van Loan (York—Simcoe, CPC):** Newspapers clearly came from a perspective 125 to 150 years ago. Political parties literally published lists of which were the acceptable newspapers if you were a supporter of that political party.

Mr. Crawley, your predecessor at the *Globe*, George Brown, was full time trying to take down Sir John A. for several decades. It wasn't the kind of mainstream or serious media that pretends to be objective you see today, or later. But now, with the disruption that's happening, you have digital outlets like the Rebel, like VICE, which I think are quite clearly speaking to a perspective.

We've heard, of course, in recent days that people are concerned that folks are living in more and more isolated bubbles of like-minded thought, and they aren't going to be exposed to different perspectives. There is a lot of suggestion that even the so-called serious media represent their own separate serious, perhaps, but same isolated bubbles of thought of like-minded people.

In our study, as we wrestle with whether the trends are a bad or a good thing, my question for Mr. Crawley, Mr. Lilley, and Mr. Gruzuk is the same. First, do you think that's necessarily a bad thing? Second, is there anything we can do about it, if you think it's a bad thing? And third, is there anything we should do about it?



• (1210)

**Mr. Michael Gruzuk:** I'm happy to answer. One of the interesting things with the lack of trust that has emerged in the last few days is that it was a Canadian digital outlet, BuzzFeed, who I want to give great credit to, who was tracking a lot of the falsehoods that were being spread and shared through social media throughout the campaign.

I think there is tremendous opportunity—inspiration, I would say—among journalism colleagues that I have been in conversation with in the last week that all of us are more necessary than ever to cut through the noise and to ensure that we're doing journalism that is well sourced and well placed. I have to have some sort of optimistic faith that it will work and audiences will find their way to it.

**Mr. Phillip Crawley:** I was at a conference kindly hosted by Google, and there was a discussion there between Jeb Bush and Dan Rather on whether we were living in a post-truth society where it really didn't matter what you said, it would be accepted by a large number of people. You could debunk it and it still didn't make a difference.

We've seen a little of that recently. The interaction between President-elect Trump and newspapers like *The New York Times* and *The Washington Post* will be an interesting study over the next little while.

**Mr. Brian Lilley:** I don't think people are living in bubbles to the degree that it is claimed. Rebel comes from a perspective. I get articles sent to me by our viewers, by our audience members, from the *Globe*, from VICE, from CBC, from across the spectrum. Sometimes people are saying that this is excellent, and sometimes they're saying that this is garbage, debunk it. People are reading across a wide variety. I don't think most people are sitting and just consuming one particular news outlet.

Even if they were, what on earth would Parliament do about that? You can't go into our homes and tell us what to read. I'd be very concerned about that.

**The Chair:** Mr. Clement.

**Hon. Tony Clement:** I'd like to return to the topic of the Canadian Broadcasting Corporation, and specifically comments made by Mr. Crawley and Mr. Lilley.

It is very concerning to me that, on a commercial basis, the CBC is looking to create new markets for itself, including the one that you mentioned because it's important that they compete against Spotify, etc.

Rather than hearing my thoughts on the matter, which are pretty clear, I would put this question to you, Mr. Crawley and Mr. Lilley. What should the CBC do and what should the CBC not do?

**Mr. Phillip Crawley:** Mr. Lilley did refer to how the CBC's started now running opinion as a regular item of content. Reporting on news is not enough, they want to have columnists, which again runs into territory that traditionally has been what newspapers do. We have something like 16 columnists on *The Globe and Mail* as full-time columnists, quite apart from freelance. We think people want diversity of opinion, they want to see different opinions, and that's what we feel is part of our forum. CBC now feels it's part of its remit too. I just wonder, like you, where that's heading.

**Mr. Brian Lilley:** What should they be doing? Well, they should be sold off. I've written a book on that. I can tell you the history of why they were never actually needed. We could have that debate.

Given that this won't happen, I won't flog that dead horse, I'll just say: stick to their knitting. They have a mandate from Parliament. You have given them a mandate, and they keep coming to Parliament, regardless of who's in power, saying, we don't have enough money to fulfill our mandate. Great, then why are you running the music streaming service? That should be shut down. Why are they going into markets like Hamilton, London, and Kelowna, with very strong local media presence, local ownership in some cases, and setting up digital-only shops, that don't broadcast over the airwaves, that are going to compete? That is puzzling to me. That should be shut down. I think it's incumbent upon Parliament to tell them, you've received more money, now do what you're requested of by Parliament and stop breaking out into different areas.

• (1215)

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

**Hon. Tony Clement:** I have a question for you, Mr. Dumas. My experience with my local media has been that when everything was agglomerated, and in my case Metroland and the equivalent radio, corporate entities came in. What sprang out of that was other local people creating local media to compete with them. So there wasn't a net loss like there was in your experience in the Gaspé. Have you seen any of that in the province of Quebec, for instance?

[Translation]

**Mr. Jean-François Dumas:** In Quebec, 83% of the entire daily inventory of news comes from three sources: Québecor, Radio-Canada or Gesca. That is a good example of the uniformity, the "McDonaldization", of information from one end of Quebec to the other.

In recent years, we have seen the closure of weeklies and radio stations in Quebec. There are fewer and fewer resources in the regions and less and less region-specific news. It cannot be said that Quebec is open for local information or that it is growing. It is clearly losing momentum.

However, according to the research and to the chief electoral officer, the regions where most local information is produced are where participation rates in municipal elections are highest. It is there that the public feels most inclined to become involved in the democratic process. At the other end of the scale, in regions with the least amount of local information, the voting rate is lowest.

[English]

**The Chair:** Thank you.

Before we go to Mr. Nantel from the NDP, I just want to remind everyone that Mr. Martineau is also here to answer questions.

Mr. Martineau, if you feel you have something to add and you want to speak up, just raise your hand and I will recognize you.

Mr. Nantel.

[Translation]

**Mr. Pierre Nantel (Longueuil—Saint-Hubert, NDP):** I feel a bit like I was about to take flowers to my wife at the very moment she asked me to bring her some. It's not very spontaneous any more. Mr. Martineau, I was actually going to ask you a question.

But you were right to mention it, Madam Chair.

**Mr. Pierre Martineau:** Great, go ahead.

**Mr. Pierre Nantel:** Yes, it is easy to get off track. This study is principally about local media. We are talking about the potential for the regions to lose their vitality because they are losing access to the media that cover their news.

Madam Chair, you were right to point out that Mr. Martineau is with us. He has particularly interesting experiences not only in small markets like Trois-Rivières—the people from Trois-Rivières will not be happy to hear me say that—but also in Quebec City, where he currently works.

I knew Jeff Fillion when he was the program director at CJAB in Chicoutimi. Some areas are extremely rich with media. I do not have exact figures because we don't keep track of it, but the number of media outlets per resident is spectacular in Jonquière and Chicoutimi. In Quebec City too, the market is flourishing fantastically.

Here endeth the sermon. This is my specific question. Specifically in terms of advertising, is the market shrinking or is it working as well as your service to the customers?

**Mr. Pierre Martineau:** As in any industry, the fittest will survive. A little earlier, we were talking about some regions in Quebec where local information media are being lost. Of course, if information media no longer make money, they will disappear, clearly.

**Mr. Pierre Nantel:** In terms of advertising revenue in the entire Quebec market, is the pie getting smaller?

**Mr. Pierre Martineau:** Yes, it certainly is.

**Mr. Pierre Nantel:** That is a concern. Clearly, that must be the bottom line. If there is no money to be made, there is no journalistic content, no local coverage and no reporters are paid.

That's all I have for you, Mr. Martineau.

Mr. Gruzuk, what is your business model? How do you manage to pay your reporters at VICE?

[English]

**Mr. Michael Gruzuk:** We're fortunate that we have a series of different revenue streams, including joint ventures, several different partnerships, and currently we have tremendous investment as we grow. Revenues coming from advertising streams are just one of the ways that we move forward.

• (1220)

**Mr. Pierre Nantel:** Are you beneficial now or are you still pumping money in?

**Mr. Michael Gruzuk:** I can follow up with a detailed answer on where we're at with that—

**Mr. Pierre Nantel:** That would be much appreciated.

**Mr. Michael Gruzuk:**—but we are in growth mode and remain a privately held company.

**Mr. Pierre Nantel:** We keep talking about the players who are changing the game, but very often they actually are pumping money into the machine for themselves and potentially making profit. Perhaps you could provide us with numbers on how it is possible for you to operate, because you're very often referred to as one of the great references, the new model. It's true that you are everywhere. On the other hand...and I'll refer back to your speech when I speak to Mr. Dumas.

Mr. Crawley, I have one question. I don't want to sound too chauvinistic about it, but the model of *La Presse+* on the iPad seems to be working. They seem to make money. It seems to be viable. Is it something you may consider?

**Mr. Phillip Crawley:** We looked at that model very closely. There are some big differences between our model and their model. They don't charge for content. Their sole source of revenue, effectively, is advertising, and I don't like that. If you look around the world, the newspapers that are doing well, such as the *Financial Times*, *The New York Times*, and *The Wall Street Journal*, have a strong subscription base. For me, it was not an option to go to a model of giving away content, whether it's on a tablet or wherever.

**Mr. Pierre Nantel:** Okay. That's interesting. I'll just make the comment that these are big brand names. *The New York Times* sells worldwide. That may be one of the differences.

**Mr. Phillip Crawley:** Sure. Yes.

**Mr. Pierre Nantel:** Referring back to Mr. Gruzuk's words, he was saying that he was bringing VICE teams to small regions, bringing their stories to the world.

[Translation]

It is just as you said, Mr. Dumas. Actually, that is how the national media treat the region. They will cover a regional event if it is of interest for the major regions. In this sense, that's fine. For example, when I am listening to *Salut Bonjour* in the morning and I find out that such and such an event happened in Chicoutimi or Gaspé, it's fine.

However, the question is about local news for local people. When VICE does it, it is fine. It gives exposure to the regional reality. That is very important, but there is no local news, communication no longer takes place on the steps of the church. Have you noticed that?

**Mr. Jean-François Dumas:** The representation and the uniqueness of the regions are being weakened. If you exist to a decreasing extent in the media landscape, you sink into indifference. Unfortunately, that is what we see a lot: a number of regions are suffering from media indifference. No one talks about them, as if nothing major, nothing important, nothing of concern is happening in the regions.

That is also reflected in social media. People using them do not discuss regional issues. They are not discussed in the media either. We have even noticed that the political class can take it or leave it, since the media take no interest in regional uniqueness.

**Mr. Pierre Nantel:** Exactly.

You mentioned a number of really revealing statistics. Could you give them to us again and, if possible, send them to us in writing?

Along somewhat the same lines, if we were talking about Canadian cultural content in our media, we would be pleased if the Observatoire de la culture et des communications du Québec, for example, could provide us with a simple statement to explain that average customers do not want to buy culture today, but they do want to have access to culture, with nothing more to pay after buying a huge TV with lots of wires at the back.

Could you repeat those figures of yours?

[English]

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

[Translation]

**Mr. Pierre Nantel:** Already? Okay.

Could you send us all those figures?

**Mr. Jean-François Dumas:** Certainly.

**Mr. Pierre Nantel:** Let me ask you another question.

We have been talking about all this for several weeks, and there is an idea floating around in the room that the market may be overvalued. It seems that those who buy advertising for agencies and for customers are overvaluing the market, the social network, the content aggregators, and the Internet. Are you able to help us see that clearly?

I can well believe that there is less advertising, as Mr. Crawley said. However, if a full-page ad for a new Lexus appeared in *The Globe and Mail*, it could well influence me.

Could this be an area that is not measured as much? Could it be that we are paying too much attention to the novelty?

• (1225)

**Mr. Jean-François Dumas:** Unfortunately, my answer to that question is going to disappoint you. We do not analyze data about the advertising market. We focus solely on media content.

**Mr. Pierre Nantel:** Okay.

Thank you.

[English]

**The Chair:** Mr. Erskine-Smith, please begin, and then I'll go go Mr. Breton. You are sharing your seven minutes, so please allow the other person to have some time.

**Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.):** I'll time it. Thanks very much.

Mr. Crawley, you mentioned the decline in print ad revenue. Perhaps you could speak to the increase in digital ad revenue, what the percentages look like between subscription fees, print revenue, and digital revenue, and the growth of digital revenue. Could you then speak to where your profits come from and support from digital revenue?

**Mr. Phillip Crawley:** In terms of the global trends, wherever you look in major markets, the forecasts for 2017 are for continued very rapid growth in digital ad spend, driven by mobile. Consumption on desktop is declining, and the preference to read on smaller devices is

growing fast, which is a challenge for monetization. The media has found that it's harder to monetize mobile than it is to monetize the bigger screen.

**Mr. Nathaniel Erskine-Smith:** Mr. Gruzuk, do you find the same thing? Would that be an accurate statement for VICE as well?

**Mr. Michael Gruzuk:** Yes, I would echo that. It's a challenge for everybody right now. We're seeing tremendous growth. We've mentioned YouTube, Facebook, Twitter. Migrating the audiences out of those spaces so that we can derive the advertising revenue on our native sites is certainly a challenge that I think we all share.

**Mr. Nathaniel Erskine-Smith:** If digital ad revenue isn't enough to maintain operations....

Mr. Crawley, you mentioned a subscription service, and that you have 150,000 subscribers but it's declining.

Presumably you don't have subscribers, VICE, for the millennials.

Do you have a sense of the age of your subscribers and the drop-off rates going forward?

**Mr. Phillip Crawley:** Sure. The print subscribers, yes, are in a slow decline, but digital subscriptions are in a rapid growth. People are paying for digital-only access. A lot of people choose to have both. They would like to be able to read print as well as digital, and that's another subscription offer. We like that. We like the fact that people want to access content on a variety of platforms. We assume that there will be new platforms not yet thought of that we will have to be serving within the next several years. We just have to keep pace with the technology.

**Mr. Nathaniel Erskine-Smith:** In the minute I have left, Mr. Crawley, Mr. Lilley had mentioned a little-to-zero role for government. If we add up visual ad revenue and print revenue as it declines, and you take your subscriber base and that increase in digital subscriptions, what is the role of government, then, in terms of funding? You mentioned at the outset the U.K. and perhaps funding very local operations that are unable to make a sustained market presence. Do you see that being the role, or is there a role for government support across the board?

**Mr. Phillip Crawley:** I think there is a role for government to... the comments of my colleague Mr. Lilley here, there is a role for less regulation than sometimes you might want to apply.

Let me give you an example. Newsletters are a very popular, addictive form of content delivery that we now have success with: political newsletters, business, personal finance. People get into the habit of reading them every day. However, one of the things that's being worked on at the moment is new rules, potentially, on CASL, on effectively spam. I've looked at those rules. Inevitably they are being drafted by lawyers. They are hugely cumbersome. They would not help the creation of newsletters.

I just think we have to be real about the business issues here. You can devise all kinds of provisos around how people might receive spam, but effectively if it stops you also developing and reaching customers with newsletters, in my mind that's not a good thing.

**Mr. Nathaniel Erskine-Smith:** I'm out of time.

**The Chair:** Mr. Breton.

[Translation]

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

How much time do I have left, Madam Chair?

[English]

**The Chair:** You have about two and a half minutes.

[Translation]

**Mr. Pierre Breton:** Great, thank you.

I will start with Mr. Martineau.

In my constituency in Granby, there is a different business model, at radio station M105. The model has been developed in the form of a cooperative. We are very proud of it in Granby and I believe that the business model works well. The station apparently gets a lot of listeners. For the people, it is a way of getting information about what is happening locally in all kinds of areas. I will have an opportunity to meet the new managing director soon.

Could you tell me about the future of radio in general, in Quebec and in Canada? When Mr. Nantel asked a question earlier, your answer was that advertising revenue is going down year after year. That is a concern, given that your living depends on advertising to a considerable extent.

• (1230)

**Mr. Pierre Martineau:** Let me give you a very striking example. In September and October this year, there was \$600,000 less in radio advertising in Quebec City than last year. That involves a dozen or so radio stations. Is that a question of the economic climate? Will the situation be the same in the coming months or is it simply temporary? I do not know.

You are asking me an extremely broad question and my answer is simply that it is all about the survival of the fittest. Unfortunately, the others will disappear.

You also brought up that station in Granby that, in a way, can be called a community station. I believe that the model really is a good solution for smaller communities. My younger son works for one of those stations in a small market, in Joliette, actually. In that case too, the station works extremely well. Ratings are very good. The station broadcasts local information. I think that, in small communities, it has a lot going for it.

As for the future of radio, I think the situation is going to be favourable as long as conventional radio can be received in cars. However, when Internet radio appears in cars, which should not be long, we will have to ask the question again.

**Mr. Pierre Breton:** Thank you.

Mr. Dumas, could you repeat the figures you mentioned earlier? You did not speak for very long and things moved along quickly. Mr. Nantel said the same thing, I believe.

The regions seem to have less and less weight in the media landscape. I find that a concern. Could you remind us of the figures and tell us what you feel the repercussions will be?

**Mr. Jean-François Dumas:** I will be able to email you all the figures in a few hours. You can distribute them to your colleagues.

**Mr. Pierre Breton:** Thank you.

**Mr. Jean-François Dumas:** In connection with what Mr. Martineau said, radio plays such an important role in the regions that it has become the main information vehicle there. That is not so nationally. So radio plays a very important role in the regions. It is essentially what creates the media dynamic in the regions.

Let me go over the data that we were talking about earlier. Actually, 88% of regional information has disappeared in the last 15 years. For example, it really is a great concern to see that, across Canada, the media interest in all francophones outside Quebec has a space that is the equivalent of the horoscope. That is 49%—

[English]

**The Chair:** Mr. Dumas, excuse me, but we have gone to eight minutes now. You have been asked by the committee to send particular things to the clerk on some issues, so could you send that regional breakdown when you do so?

[Translation]

**Mr. Jean-François Dumas:** Yes, of course, Madam.

[English]

**The Chair:** Mr. Gruzuk, you were also asked to send particulars to the clerk. Would you please do that as well? We will be looking forward to distributing it to the committee.

I have one quick question. You talked about the fact that *The Globe and Mail* has been moving forward and doing quite well, that while actual print newspaper is decreasing, your digital reach is increasing. However, you then pointed out that small devices don't give you the same kind of revenue that larger devices do. If the trend is to small devices, does that negate the idea that your digital reach will improve, or will it decline?

**Mr. Phillip Crawley:** It's more to do with the ad revenue rather than the reach. People's preferences for reading on those devices won't change; we just have to be better at delivering. We're working constantly to improve our speed. On a device like that, if you don't capture people's attention in the first second or two, they go to something else. The ability for us to serve our content on those mobile devices as fast as we can, in a way that is acceptable to the customer, is really what we're all about.

• (1235)

**The Chair:** What will that do to your revenue stream?

**Mr. Phillip Crawley:** We will find better ways of doing it, which will help the advertising revenue. However, as you know, the big global players soak up a lot of that digital revenue anyway. We're playing for much smaller percentages of the pie.

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

I want to thank the witnesses for being here and presenting to us. I'm sorry we didn't have more time to explore some of the things that I know we all want to explore with you.

Committee, we will take about two minutes for one group to leave and our next witness to come forward.

• (1235) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1235)

**The Chair:** We will begin the second round.

We have one witness. From Google Canada we have Mr. Gingras, the vice-president.

Mr. Gingras, thank you for coming. I want to tell you how this works. You have ten minutes to present, and then there is a round of interactive questioning. I will give you a heads-up when you have only two minutes left.

Please begin. Thank you.

• (1240)

**Mr. Richard Gingras (Vice-President, News, Google):** Thank you very much.

Madam Chair, you used the more authentic pronunciation of my name. I am Québécois by heritage. I can only apologize, however, that my facility with French is not good enough for today's hearing.

I'm vice-president of news at Google. I oversee all of our Google news products in our different consumer experiences as well as our publisher partnerships.

At the beginning of my career in the 1970s, I worked for the Public Broadcasting Service, PBS, under Hartford Gunn, its visionary founder and president. There I was involved in several pioneering technology efforts, including the creation of the PBS satellite network and building the first interactive information service using broadcast teletext.

Along the way, Hartford taught me a key lesson that has guided my career and that I believe is particularly relevant to our discussion today. He said:

Richard, if you want to influence the evolution of media, focus on the technology. Technology changes the rules of the game. It reconfigures the playing field. If we can stay on the cutting edge of technology, and apply that technology to good and proper use, we can have an enormous impact on what we do and what we achieve with media.

Given the extraordinary changes in the last 25 years, Hartford's guidance seems prescient to the point of being obvious, and is largely why we are sitting here discussing the future of local news today. The ubiquity of the Internet has changed the business of everything.

Media is at the forefront of this change. People are consuming more news and information than ever before, and more content is being produced than ever before. The open ecosystem of the web has

enabled many new voices, from news sites to job-listing sites to Wikipedia, from a million blogs to a billion social posts. It has also enabled traditional media, like *The Globe and Mail* and the *Toronto Star*, to reach global audiences.

The Internet has brought great value to users around the world. It has brought impressive new opportunities for expression and commerce. It has also brought challenges to businesses and media companies born in the pre-Internet era that now must adjust their products and strategies to the new and different opportunities of this new digital world.

Google has had the good fortune to develop popular products based on the open web. Throughout the day, Google Search is used to seek the right answer to queries in the web's one-billion-website corpus of expression. Google sends billions of users to news publisher websites every month. Google's ad platforms are used by millions of publishers, large and small, to help drive revenue and grow their businesses. Google is a company born of the web and is fiercely dedicated to maintaining the web's openness, richness, and diversity.

We believe that Google and publishers share a common cause. We both value and depend on an open platform for free expression and knowledge. We both want to connect people to information. But the open Internet challenges us and our understanding of the economics of information. Take the example of a large city newspaper in the United States in the 1990s, a two- to five-pound bundle of newsprint with a tremendous value proposition to its readers: local and national news, a fashion section, a lifestyle section, an automotive section, and classifieds. In 2016 every section of that newspaper is faced with the competition of a rich array of web-based offerings in each and every category.

With more than 75,000 sources in Google News, for instance, including almost 2,000 Canadian sources, of which about one third are French, local news remains a market differentiator. The local section in Google News surfaces content from regional newspapers to hyper-local blogs that otherwise wouldn't appear. Google News includes a "local source" tag to showcase local coverage of major stories, coverage that's relevant to those local communities.

• (1245)

But what is the business model? We need to unlock new revenue streams and new business models. In Halifax, there is the example of Local Xpress, a news site founded by the journalists of *The Chronicle Herald* who've been out on strike since January. The site is dedicated to local news. In under a year it has grown tenfold, achieving a peak of 300,000 page views per week. It uses free collaborative tools like Google docs, and is monetizing and growing its news offering. Born out of labour strife, the managing editor now describes Local Xpress as one of the most future-forward enterprises in the Canadian media landscape.

Google is committed to helping publishers succeed. The future of Google and the future of news go hand in hand. We want publishers to grow their businesses and be able to succeed on their own terms. We have developed our entire business on creating value in the ecosystem for publishers. We do this by driving revenue. Globally, we shared more than \$10 billion with our publishing partners on display advertising revenue of \$15 billion. That's roughly 70% of the revenue directly into the pockets of publishers. We lead and support publishers through initiatives that tackle key issues addressing the industry, like mobile latency and ad blocking.

It was those two issues that led Google and three dozen publishers from around the globe, as well as technology providers, to develop a collaborative effort called the accelerated mobile pages project, or AMP. Research shows that 53% of users abandon a site if it takes longer than three seconds to load. The web today is not instantaneous, and it needs to be. Advertising on the web is too often not respectful of the user's experience, and it needs to be. On average, AMP pages load in less than a second. We've seen AMP adopted by Canadian news organizations and 700,000 domains around the world. We're only a year into this effort, but Canadian publishers are sharing data of increased audience loyalty, and we're seeing strong indications of how AMP can grow revenue.

The digital revolution has changed how we communicate, how we express ourselves, how we learn about the world around us. Yes, there are challenges, but I and my colleagues in the room today are passionately optimistic about the future of news. There are so many new tools and capabilities to take advantage of. There is so much impressive digital work being done that one can easily conclude, as I have, that we are in the early days of a renaissance of journalistic creativity.

Let me conclude by saying that I am eager, Google is eager, to continue to collaborate, to work together, to drive innovation and the experimentation that is so important to building long-term success.

I thank you for the opportunity to speak to you today, and I'm happy to answer your questions.

**The Chair:** Thank you very much, Mr. Gingras.

I just wanted to point out to the committee that in the room are Jason Kee and Aaron Brindle, who are also here to answer questions, depending on what the questions are.

Before we begin, Mr. Gingras, I want to tell you about the question and answer period. We will enter into a seven-minute round in which everyone will ask you questions and you will answer. That's included in the seven minutes, so as I always say, I'm hoping that everyone will be crisp with their questions and their answers. Thank you very much.

I will begin with Mr. Seamus O'Regan from the Liberals.

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

Thank you very much, Richard. Thank you for taking the time to be here. It was really felt to be important by the committee that Google be represented here. With much of the ground we've covered, all roads seemed to lead to you, and to Facebook particularly.

To set the stage, of course—these are things that you know but others may not be aware of—Alphabet, Google's parent company, is now the world's largest media owner, and increasing. It is 136% bigger than Disney, which is second, and bigger than Disney and Comcast in third combined. As well, 12% of all global media spend is through Google and Facebook. So it's a lot of money. That seems to be the issue for many of the newspaper owners, even the ones who appeared here only a few moments ago.

I guess this is what we're trying to get our heads around. What's interesting is that this is not a Canadian problem, per se. America is unique in very many circumstances. However, when we compare ourselves more accurately to countries in Europe, Australia, or New Zealand, we see very common things coming from their parliaments as well.

A report just came out the other day from the Media Reform Coalition and National Union of Journalists. They want to make Google and Facebook fund public service reporting in Britain. They said:

...Google and Facebook are not only amassing eye-watering profits and paying minimal tax in the UK, they are also bleeding the newspaper industry dry by sucking up advertising revenue. As national and local newspapers try to cut their way out of trouble by slashing editorial budgets and shedding staff, journalistic quality is becoming a casualty. Public interest journalism in particular has been hit the hardest as newspapers are being lured into a clickbait culture which favours the sensational and the trivial.

I can tell you, as a national reporter, I was often brought into clickbait and the need for that in order to maintain eyeballs on the more serious matters that might be on our program.

The report went on:

In the light of this, we propose a 1% levy on the operations of the largest digital intermediaries with the resulting funds redistributed to non-profit ventures with a mandate to produce original local or investigative news reporting.

I have no idea; I'm reading this out loud, and I have no idea if that's the answer. Whenever I see "1% levy", I don't necessarily think that's a good thing, but I do have to ask you that question. As you said, and it seems we're at this turning point, we're at a renaissance of journalistic creativity.

On the other hand, David Simon, the creator of *The Wire*, when he appeared before Congress on this issue, said we are heading towards a golden age of political corruption because there are no small newspapers covering municipal politics where decisions are made on property, where decisions are made on development. That's his big concern.

Help me, in the limited time we have here, to square that circle. I also would really appreciate it if you could tell me—I mean, this is stuff you've heard before—what answers or what agreements you have come to with other jurisdictions, the European Union and otherwise.

• (1250)

**Mr. Richard Gingras:** I think it's important to note a few things. Yes, Google has obviously been fortunate. We developed a very popular product with Search. We also introduced, in a sense, new forms of advertising that have obviously been effective in the marketplace.

That's not the first time, by the way, that new technologies have disrupted media ecosystems. We can go back to the history in the 1950s of how television disrupted newspaper economics and changed the landscape there as well.

**Mr. Seamus O'Regan:** In my limited time, I'd love to talk about the present and the future, though, if you wouldn't mind.

**Mr. Richard Gingras:** I will gladly. That's what I want to do. The point I want to make is that what's ever so important today is that publishers, as they evolve their products, look at how they can create products that obviously not only have relevance to their users, but can create new advertising forms that have relevance to advertisers as well. For instance, *The New York Times* has engaged deeply in what they call "native advertising". It's now 30% of their ad revenue and growing. There are new approaches, so I do think we should make sure to recognize that on the advertising forefront, things are still evolving.

We're also beginning to see areas where there is success, not just with advertising revenue but subscription revenue. I'll point out an example, for instance, in Paris. Edwy Plenel, the former editor-in-chief of *Le Monde*, eight years ago started an organization called Mediapart. It's very clearly focused on hard news and investigative journalism. It has a paywall. It now has 120,000 subscribers paying 10 euros a month, with 40 journalists, and they're profitable. The landscape does show how things can succeed.

Now, how can Google help? As I mentioned, there are many areas where we're engaging today and will continue to engage. That whole AMP project was largely about how to make that web ecosystem work, from an engagement as well as an advertising perspective. Clickbait ads don't work. How do we have better ads? How do we make sure that people aren't adopting ad blockers?

We still provide many areas of technology to help enable these ventures and existing legacy publishers to take advantage of new technologies to do new and interesting things. Data journalism, for instance, I think has immense potential in terms of helping our communities understand the realities of their communities and what issues are important.

I think there are many, many ways that we can approach this. As I mentioned, we're extremely focused on how we collaborate with the publishing community around the world to address these issues.

• (1255)

**The Chair:** You have one minute left, Mr. O'Regan.

**Mr. Seamus O'Regan:** One of our previous witnesses brought up something that we had discussed before here at this committee, and that is the BBC's decision to fund, I think at the cost of some 8 million pounds, a series of local journalists who would be able to feed into the BBC. I realize it's a state-run institution, but it has a large footprint and it has a huge effect on ad revenue for upstarts and local publishing, printing, and radio in the U.K. This is their way of feeding a very local network but at the same time perhaps understanding that their larger footprint in this digital age is having a serious effect on those voices.

Is there kind of a moral responsibility, at some point, that may play a factor here?

**Mr. Richard Gingras:** As I said in my opening remarks, obviously Google as a company believes very much in open environments and in open and free democracy. Our objectives there are the same, which is why we focus on how we can enable the right things architecturally. I think artificial financing of journalistic efforts is an area of potential problem. Is Google the one that should determine which journalists get paid and which not? No. That's not to mention the fact that the technology environment continues to change. As our CEO, Larry Page, has often said, we have to keep thinking how we change. Because we're successful today doesn't mean we'll be successful in two years.

That's why I think we have to look at systemic approaches to how we take and enable innovation and success.

**The Chair:** We're going to have to move forward.

Mr. Clement for the Conservatives, you have seven minutes, please.

**Hon. Tony Clement:** Thank you.

Thank you very much for your intervention, Mr. Gingras. I'm trying to square some of the comments that have been made today versus my local reality. That's what I guess all human beings try to do. I was talking to my colleague who represents a riding just to the south of me, and my local reality is that there has been a destruction of purely local media outlets. First they were bought out by larger agglomerations. Then they just lost readership or viewership or what have you. But what's happened—at least in my experience, and Alex Nuttall has had the same experience—is that there's been this blossoming of local content by local people who see an opportunity. In my case, local newspapers were bought out by Metroland. Then there was a general consensus that they weren't really doing as good a job on the local news as the previous local independent newspapers were, so what crops up are either rival newspapers or, more recently, purely online offerings, which is the case of the Doppler in Huntsville, Ontario. In the case of radio, you have community radio that has stepped in with a lot of local programming.

Mr. O'Regan and I just have different experiences in this, perhaps. What I've seen is actually a blossoming, using the technology—Google is a good case in point—to express local news and to hold local politicians to account. That has actually blossomed in the last few years rather than the reverse.

I just wanted to get Google's take on this. You have a worldwide perspective and I have my local perspective. Maybe this would help animate the discussion.

**Mr. Aaron Brindle (Head, Communications and Public Affairs, Google):** I'm happy to weigh in with some Canadian examples. I can't expect Richard to know everything from Washington.

**Hon. Tony Clement:** Sure.

**Mr. Richard Gingras:** I would agree, and I think we're seeing more and more of that. We mentioned Xpress in Halifax. You could look at Texas Tribune in Austin. You could look at Voice of San Diego in San Diego and at many others around the world.

Clearly, again, as we look at that landscape and we look at our efforts, how can we all help establish the right environments for innovation so that we see more and more of those flowers bloom? As I said, I've always felt there was just huge potential on the Internet for all kinds of journalistic expression, but we have to evolve; we have to drive that innovation so that those things can happen and be successful. It's great to see examples of where that success is already being had.

• (1300)

**Mr. Aaron Brindle:** Here in Canada, there are some interesting examples that I think are worth pointing out.

My name, by the way, is Aaron Brindle. I'm on the public affairs team for Google Canada. Most of my work with publishers is actually on the editorial side. I've had a chance to work with local and national newsrooms across the country. I'm also a former journalist. I was at CBC for ten years as a senior producer on *The Current*.

There are interesting examples. We talked about Local Xpress, but Local Xpress actually leaned on an organization called Village Media, which is out of Sault Ste. Marie. They've become something like the Shopify of local news, where they're working with small markets where there has been disruption, where scarcity has become an issue, and they're helping digital news offerings step in to fill that market demand. They started with a news site called Soo Today. It's amazing. Today they have 80,000 unique visits from 40,000 unique users, and they've replicated this model in Sault Ste. Marie, North Bay, Timmins, Barrie, Guelph. There are really interesting examples at the local level. Then you obviously also have the iPolitics and the Canada Lands. I know that The Tyee has been mentioned. I think they spoke here.

So there's an interesting mix of great Canadian examples stepping in to fill that scarcity.

**The Chair:** Mr. Clement, you have another two minutes.

**Hon. Tony Clement:** Maybe Alex would like to say something.

**Mr. Alexander Nuttall (Barrie—Springwater—Oro-Medonte, CPC):** Thank you.

Thank you for bringing that up, Aaron.

It was interesting when Metroland and Postmedia started to consolidate some of the smaller newsprint organizations. Local members of the community who were interested in local media started their own print media. In my riding, for instance, we have the North Simcoe media. We also have the *Springwater News*. There's even one that's just for Elmvale, which is about 2,000 people. They're constantly providing information on what's happening at local councils. Barrie Today is the online one that Aaron just mentioned.

My question to Google is that when these start-ups happen, do you see it spreading quickly? I mean, you would have some sort of analytics to tell you. Or is there a long process in place for these new

start-up local news organizations to be able to hit a level of sustainability?

**Mr. Richard Gingras:** I think it depends on which part of the world we're talking about, how quickly they get off the ground and how quickly they find sustainability. As I mentioned earlier, one of the reasons for my optimism is first of all that the cost of developing a new publishing venture on the Internet is so incredibly small compared to what it was in print. The cost of production is so much less. The cost of distribution is almost zero. The cost of building an audience is again almost zero.

Let me give you an example. In the world of print, how did print publications build their audiences? They put their products on newsstands, which they paid for. They put news boxes on street corners, which they paid for. They put promotional circulations on airline seats, which they paid for. As I mentioned, Google News, across its canvases, sends 10 billion visits to new sites well beyond that every month. Deloitte Touche in Europe estimated that each one of those visits is worth five to ten cents, and it costs the publishers nothing. By the way, that value is separate from the \$10 billion I mentioned earlier that comes out of the 70% revenue shares of our advertising platforms. That's why I say I don't think we've had a greater opportunity to see local media flourish. But it does take time, obviously.

**Mr. Jason Kee (Counsel, Public Policy and Government Relations, Google Canada):** That's not to mention that you have a far smaller carbon footprint as well when you're using online media, which I think is a priority of the day.

• (1305)

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

I am now chairing the meeting, since our chair had to leave. However, I am still entitled to ask you questions.

Have you heard about these committee witnesses coming here, and have you heard that all these advertising sellers are actually feeling the difference because you guys are coming in and grabbing so much advertising revenue? Have you heard about that?

**Mr. Richard Gingras:** I did not hear this morning's testimony. I have heard expressions like that before. One point I would challenge: Google is grabbing nothing, from no one. Google was fortunate enough to put into place new kinds of advertising systems, highly scalable advertising systems. By the way, we're not the only ones out there who are doing this. We have obviously been effective, but they are high scale and they are effective.

As I noted earlier, our ad systems are used by two million publishers around the globe. As noted, the typical revenue share is 70% to those publishers. This is huge. They don't need sales forces to do this. In many regards that's game-changing.



**The Vice-Chair (Mr. Pierre Nantel):** Absolutely that's game-changing. I was working in the recording music business at one time, and I was using Lotus Notes for emails. At the time, I was using Yahoo as a search engine. To me, Google was some sort of very slow marketing. I preferred the very flashy Yahoo. It came to building that Google brand that everybody loves. From Republicans to Democrats in the U.S.A., for everybody you're in the top five of the best brands.

My feeling is that people here are structured in an industry. It's specifically true in the French portion of Canada, which is Quebec, and small pockets across Canada too. What we just heard today is that local news, especially for French, is going down the drain in the regular exposure that we have in the media. What can you do to help voice out this cultural diversity?

**Mr. Richard Gingras:** First of all, Google News and Google Search are products that in many regards are just about that, about diversity.

Google News, for instance, when it was founded in the aftermath of 9/11, was created by one of our engineers whose objective was this: how can I get a sense of how people are talking and reporting about this incident, not just from a local news organization or a national news organization in the United States, but what are they saying in Jerusalem; what are they saying in Egypt; how can we find, again, more diverse points of view; how can we bring more knowledge and information from more sources into the mix?

That's really our driving mission with those products, and it continues to be. Again, our objective is how do we enable further innovation? I think we all do recognize, which is why we're here, that the world has changed. The ecosystem has changed. Our society has changed. News organizations, for that matter, also have to change to understand what kinds of products they need to build to serve their role as the fourth estate in democracies. It's not the same as it was 40 years ago.

**The Vice-Chair (Mr. Pierre Nantel):** Yes. This is why I'm asking you. Take the fact that your name—Richard Gingras—is French, and we have to pronounce it the English way: that in itself talks about it. In Quebec all the media were built as an ecosystem to make sure that there was still space for that diversity. Even new trade deals like CETA in their first paragraphs specify that these trade deals have to be compliant with the Coalition pour la diversité culturelle, with UNESCO. Isn't it, to such a big player as you, to be part of this, to make sure that you can actually maintain it...? I understand that you're talking about the diversity of point of view. But we're also talking about the protection of self-diminishing, or perhaps “self-evaporating”, content in this global world.

I had the chance to go with Jason Kee, I think, or with some people from Google to visit your office in Montreal. I was there, with you, at the PBL, at the top of Place Ville Marie, when you gave that interview to Ms. Lapierre from Radio-Canada. It's great to see your approach to journalism and to its future. But the reality in some systems—for example, in a small French community in Manitoba—is, well, what do we do to survive?

Can you play a role? Can you sponsor local activities? Are there Google special projects that would bring back the owner's company name, Alphabet, to some meaning in a small community, or do you have to do it broadly all the time?

●(1310)

**Mr. Richard Gingras:** We do it at scale all the time, and we don't focus on one population or on one language or another. We do it across the board. We have, as you know, a French language edition of Google News. Jason can probably give you an indication of how the percentage of revenue generated by Google advertising in French Canada is roughly proportionate to the GDP in French Canada.

We look at these things across the board. We don't look at it and ask ourselves what it is we do in the English language versus not. We do it everywhere. We do it comprehensively as best we can. This is not to say we're perfect. We continue to improve in all ways, with our algorithmic systems, with our technology. Yes, we've developed a very successful business. You mentioned Yahoo. What we always remember is that nothing keeps someone using Google Search. Other search engines are a click away. We're only as good as what we're doing today, and hopefully that will continue to lead to our success and the success of others we work with.

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

**Mr. Jason Kee:** Many of the tools that we focus on developing are specifically designed to enable local communities, essentially being, in Quebec, local towns in Quebec and so on and so forth. I think the challenges that local news face in communities in Quebec are not that dissimilar to local news in other places of the world, especially in remote and rural areas. Our concept, which was... The narrative that I think was established with the committee was that part of the challenge with the local community papers was that there were generally broad acquisitions. Some of those entities basically ended up closing shop. What we have seen is the emergence of these new hyper-local publications, like we had in Village Media, which enables a number of those. Similar outlets occurring in Quebec are very much focused on local issues.

In our case, we are doing our utmost to enable this by offering a number of advertising products and services they can leverage so that they can build advertising revenue. In case it isn't clear, when everyone says Google is eating up all the advertising revenue, it doesn't account for the fact that 70% of what we take in is going back out. It's going out to the ecosystem of publishers out there, not just news but across the entire web.

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

We'll have to talk again to all these people who came complaining about this situation. It's also been said many times that no sales tax was applied on various transactions involving big players like you. Nobody is accusing anyone of not paying their taxes. It's just that we don't actually ask for them. So it remains a big topic that's going to be coming up in the next few weeks.

Unfortunately, my time is done, so now the time goes to Mr. Samson. He is going to talk about the French reality.

[Translation]

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

[English]

Our committee here is really focused on three key issues. I would summarize it based on what we've been discussing for quite a long time now: the local news, the Canadian content, and minorities. That's a little bit of what Mr. Nantel was mentioning. I don't agree with Mr. Clement when he says that local news is blossoming in this new age. Absolutely not; that's not what we heard from witnesses throughout the last four to six months. I'm a little shell-shocked on that piece.

Since, Mr. Kee, you mentioned a little about money, let's talk about money. That's an issue that many witnesses have brought to the table. My colleague earlier asked Richard about Google paying out 1% for local news. I didn't hear an answer to that. Would you have an opinion on that?

• (1315)

**Mr. Jason Kee:** Our core view is that the way forward is more through innovation, technology, product developments, and developing new and innovative sustainable business models than cross-subsidization. There are a number of reasons for this, largely based on the fact that creating subsidies is not sustainable in the long run. It tends to build in a dependence upon the subsidy and doesn't necessarily spur the kind of innovation that you're looking for to actually have sustainable models.

The big challenge that everyone's facing right now is essentially the disruption. You had an entire industry built around certain preconditions—they were geographically limited, they essentially had control of production and distribution, and they were the ones who had control of the audience. The Internet changed that, by virtue of the fact that anyone can get information anywhere they want. A lot of the core-value propositions that newspapers used to offer, not just advertising but also classifieds, have been disrupted. Craigslist and Kijiji were great disrupters, and this all pulled that bundle of value apart. Now it is the newspapers that are trying to figure out how they can adapt to the age. At the same time, they are effectively encumbered by legacy costs driven by the print business.

Where you're seeing the real innovation is on the pure digital players, the guys who are emerging from local communities who aren't coming from that space. They are not encumbered by those costs, and they can actually leverage the digital tools. This means they can produce at very low cost, except for their time, sweat, and tears.

**Mr. Darrell Samson:** Your answer is good, based on the business world, but based on what we're trying to achieve, which is Canadian content, I'm not sure your answer would help me very much.

The Government of Canada and many others that are investing in advertising are moving to digital, and that's your game right now. There's no question about it. The game can change, as was noted, but that's your game now. How much of the money that you're making through advertising is being reinvested for Canadian content? That would be a question.

**Mr. Jason Kee:** It depends on what your definition is. As Richard highlighted, and as do we, when it comes to display advertising, the majority of that, 70% of it, is going back to the content creators, the people who are actually creating the content on the websites that

they're then putting the advertising against. That is basically funding the creation of that content, so that is used to create content.

YouTube works in a similar way. It's an advertising revenue-share model. The YouTube creator creates a video, puts it onto YouTube, and earns the majority of the revenue from advertising. That is used to create Canadian content.

It isn't the funded model in the way that you see through the regulated industries. It's more of a market-driven revenue-share approach.

**Mr. Darrell Samson:** Let me ask a question specifically. Does Google pay federal taxes in Canada, and if so, what amount?

**Mr. Jason Kee:** Yes, we do pay federal taxes. We don't typically disclose sensitive financial information like that.

On the question of the GST, which Mr. Nantel flagged, I'll quickly explain that it's a function of the structure of the tax. GST, remember, is a tax on consumers. It's payable by consumers, not by Google, by a retailer, by whoever. CRA has rules. In the case where you're serving services from outside of the country, you're not required to register, collect, or remit GST. In that case, it belongs to the end consumer, who has the obligation to report it and then to remit. This is why we said that for some services, they will charge it, and for other services, they don't. It depends on the specific context.

If this is something that the committee is contemplating changing—this is not the first circumstance where I've heard this, and Netflix tends to come up frequently as well—the main thing you need to consider is what the implications are. It's one thing for Google, or Netflix, or whatever, but if you think about the challenge that you may be creating for every single small enterprise existing on the Internet that wants to serve the Canadian market being required to register for GST, collect GST, and remit GST, that's going to be a challenge for them, and it may result in smaller services not being able to break into the market. It actually hurts them more than it hurts us.

**Mr. Darrell Samson:** Does Google create original news content?

**Mr. Jason Kee:** Richard?

**Mr. Richard Gingras:** No. That's not the role we see ourselves in—past, present, and, frankly, future. As you know, our mission is to understand and organize the world's information to make it accessible. Our job is to do our best to connect the dots between a user's interest and the best-quality information out there. That's our role. It's not to create content.

I don't think anyone wants us to be creating content in the news space. We can be far more effective participants—we are far more effective participants—in the ecosystem by playing the role that we play in connecting users with quality information, creating platforms to help monetize and support that information, and providing tools and capabilities to drive further innovation. That's where we see our role, and that's what we're dedicated to continuing to do.

• (1320)

**Mr. Jason Kee:** I have a point of clarification for those who are not familiar with Google News. Google News is not monetized. There are no ads on Google News. It's basically a listing of headlines and then snippets of just a line or two describing what the article is. You click that, and then it drives you out. It's not a platform for content. It doesn't reproduce articles. It just does that, which is why it drives over 10 billion clicks a month to other sites. We're a platform for driving traffic elsewhere and for allowing those newspapers and news organizations to monetize that content.

**Mr. Darrell Samson:** I'll let my colleague ask a question.

**The Vice-Chair (Mr. Pierre Nantel):** With one minute there and then five for you, let's make it six for you, okay?

**Ms. Julie Dabrusin:** We're adding up time.

You were talking about the revenue share a bit. I was wondering if we could explore that a bit more, because that isn't something we have been hearing about a lot at our hearing. If you're looking at Canadian media sites, do you have a sense of how much money is going back through Google to Canadian media companies from this revenue sharing that you were talking about?

**Mr. Jason Kee:** Specifically, no. The global average is around 70%. The details depend a lot on the specific arrangements. We have specific arrangements with particular publishers, and other ones with others, which is why it's hard to put a dollar figure. We also don't break out our financials on a country-by-country basis, so I couldn't break that out. I do know it's fairly considerable. It also depends on how the individual publisher, news or otherwise, wants to structure their business.

The other thing, which I don't necessarily think has been conveyed to you during the course of these proceedings, is that the digital ad ecosystem is extremely complex. It isn't just a world of a buyer and a seller, or an advertiser and a publisher. There is an array of entities that exist in between those two in terms of a digital ad ecosystem. That includes the ad networks, which essentially aggregate and sell the advertising throughout an entire network of publishers, instead of to a single one. It includes ad exchanges, where there is actually real-time bidding on ad impressions, so it's extremely efficient. There are also demand-side and supply-side platforms that help manage this, just amongst a few. I remember one advertising executive say that when you're making an ad buy, you are not just buying the media; you are buying data. You are actually buying 3,800 companies that are providing a variety of value-added services in the ecosystem, which is what makes this very complex.

Each individual publisher will manage their own ads in different kinds of ways. In some cases they'll utilize our services; in some cases they'll go it alone. It depends on whether they have a sales team or not.

**The Vice-Chair (Mr. Pierre Nantel):** Mr. Kee, the translators are asking you to be a little less passionate and slow down.

**Mr. Jason Kee:** My apologies.

That's why it's very complex, and it depends on the specific structures and the way they've actually structured their businesses.

**Ms. Julie Dabrusin:** That's still a little vague. I'm trying to get a sense of... If we are looking at a major national paper in Canada,

what would the structure look like? The *National Post* and *The Globe and Mail* are two of the major ones that we've had come forward. I am not asking for a specific business here, but if you are looking at one of our major papers, say the *Toronto Star*, what structure would result in revenue sharing with Google?

**Mr. Jason Kee:** Again, I'm speculating, but if I were setting up a large site, and I was a premium brand, what I would probably do is this. Number one, some of my advertising would be direct sales. I have a sales team. I can actually go out to advertisers directly. I can acquire that. Because it's premium, that means I'm getting a better return on that, because it's premium space—the home page of the *National Post*, for example. However, the *National Post* online publication is a large one, so they are not necessarily going to be able to sell all that space. What you might also do is supplement the inventory that you are not able to sell directly by linking in through Google, or anybody else—again, there are a number of other networks that exist—to essentially fill in the unsold inventory through open markets, through the opening auction system, through the networks. What happens is that the premium advertising that you control is your direct sales, and then there is a backfill that's happening with the automated things.

There are also emerging forms of automating the entire process—again, doing it either entirely by open auction platform, or also through narrow one-on-one transactions.

**Ms. Julie Dabrusin:** I would guess that if you are a global business, you must be keeping some stats about your Canadian market and how you are flowing money there. I mean, you would be looking at different countries. When you look at the world, are you breaking this down country by country?

**Mr. Jason Kee:** Overall, the business certainly looks at things on a market-by-market basis, but as a matter of our public disclosures, we don't break out information on a country-by-country basis.

• (1325)

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

I'm actually going to switch to something about gender. As I mentioned earlier, I'm reading this book by John Stackhouse, who talks about the readership of *The Globe and Mail*. It was largely male. Then, as traffic started flowing through Facebook and Google, it was actually getting to a more female market. I don't know if you have any stats about that. Do you keep any stats on gender at all, diversity...?

I am seeing a lot of heads shaking, saying “no”, but I always like to try to find out if people are actually tracking a gender-based analysis of what their impact is in markets. Have you done anything like that?

**Mr. Aaron Brindle:** I'll let Richard respond here.

**Mr. Richard Gingras:** I do not have statistics in terms of consumption by gender, but as I mentioned earlier, I think it's very important for those working in the media space, in the news space, to understand their audiences. One effort that we instigated, along with a university in the United States, is something called the Trust Project. It's a global effort. It's not a Google project. It was to start a conversation in the industry about how one rethinks the journalistic model to build trust and credibility.

From research we've seen there, one thing that's clear is that to attain a sense of trust and credibility, audiences are looking for some affinity with the news organization as well. So as you might expect, women are more comfortable when they see a news organization that's, say, not all men, and you might find the reverse as well. I think these are important dynamics as we work these things out going forward.

As I said, how do we, and how do news publishers, get a better understanding of the audiences, get a better understanding of how to connect with those audiences, to make journalism as effective as it can be to allow quality journalistic content to get the credibility it deserves?

**The Vice-Chair (Mr. Pierre Nantel):** *Merci*, Monsieur Gingras.

As a tradition of the president's choice—here in Canada we have a brand called President's Choice, Mr. Gingras—I have a few questions for you. First, is it correct to say that unsold advertising spots are sent to some sort of auction-type buyout and finally sold to the client at the best price possible?

**Mr. Richard Gingras:** That all depends on the individual publishers and what they want to do with their unsold inventory. It also depends on what networks they use to sell that inventory. There are various kinds of auction processes and so on and so forth.

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

Is it also true to say that the revenue sharing from advertising you're evoking mostly comes from YouTube?

**Mr. Richard Gingras:** I'll let Jason answer that. He's closer to the figures than I am.

**Mr. Jason Kee:** That's actually from our display advertising, all the banner ads and related ads that you see basically on websites. Actually, the majority is directly from that. It includes YouTube advertising as well, but is mostly actually the banner ads and so forth.

**The Vice-Chair (Mr. Pierre Nantel):** And this would be shared in some percentage with publishers of what at that time?

**Mr. Jason Kee:** How do you mean?

**The Vice-Chair (Mr. Pierre Nantel):** If I go on a Google page, and I do a search, there are a few banners here and there. Is that revenue shared with someone?

**Mr. Jason Kee:** Okay, to clarify, those are search ads, and they're actually not, because in those cases there is no content that is being provided. It's in display advertising, the banner ads—all the advertising that appears on the website that you visit. That is basically monetized, where they've actually activated the display network.

**The Vice-Chair (Mr. Pierre Nantel):** So let's say when we use the news snippets as teasers, there is no revenue sharing at that moment, and I can understand that. I was in the recording music industry at one time and I desperately wanted the broadcasters to play my music. I never charged them for them to play it, besides the small SODRAC fees. I wanted them to play it.

Is it your assumption that our media, our publishers, should be happy to have this exposure so that people get to see their websites? Is that the overall thinking on this?

**Mr. Richard Gingras:** Indeed. In fact, I think we know that a vast majority of the world's publishers are delighted with that experience. Let's point out that their inclusion in Google News and their inclusion in Google Search is at their option.

I think it's important to know the metrics that drive us at Google News or Google Search. The metric that drives the Google News team is how many times we can get users to click. Each time they click, they go to that news website, right? That's important to us. If we're not getting them to click, then we're not surfacing the right kinds of content. It's all about driving traffic to that content.

● (1330)

**The Vice-Chair (Mr. Pierre Nantel):** That is why I will conclude by telling you that according to me, and according to simple logic, the world is happy to be seen on Google, just as music was happy to be played on radio across the world, but we had quotas here in Canada for Canadian content, and Quebec content, and French content. So you may want to wonder what you can bring to the table to help us not sink down the drain but to remain pertinent in our environment.

I thank you very much for participating. Thank you very much for being here. It's much appreciated that our invitation was taken seriously.

Mr. Gingras, I hope to meet you soon.

**Mr. Richard Gingras:** Thank you.

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

The meeting is adjourned.







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