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Chair

The Honourable Hedy Fry

Standing Committee on Canadian Heritage

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•(1115)

[English]

The Vice-Chair (Mr. Larry Maguire (Brandon—Souris, CPC)): Thanks, folks, for your patience.

I thought it was necessary to just call a meeting for a few minutes to inform our guests who are presenting today that there is a vote going to take place in Parliament. The bells are probably going to ring here in a minute. This is just to let our video conference members and the guests who are here to present this morning know that's the procedure that will take place. We won't have time to begin the presentations here at this particular point, so we will reconvene the committee as close to 12 o'clock as we can. I believe the vote is going to take place at 11:45 a.m. It usually takes us 15 minutes to do the vote in the House, colleagues. Therefore, we'll be back here about 12:15 p.m., Ottawa time. I just wanted to make sure that everyone knew what was happening.

Thank you very much, Mr. Clerk, for your help.

Our clerk, Jean-François, will be in touch with our guests here to keep them informed as to the timing and as to whether we can extend our time in the room past 1:00 as well.

With that, at this point we'll suspend the meeting until after the vote. Thank you.

•(1115)

(Pause)

•(1210)

The Chair (Hon. Hedy Fry (Vancouver Centre, Lib.)): I'd like to bring the meeting to order.

On behalf of the committee, I would like to apologize to all of our witnesses for being so very late and for keeping you waiting for such a long time. Votes take precedence over everything else we have to do, so this was a real issue.

We will begin in a minute. I would like to ask the committee if we could have an agreement to stay until 1:30 to accommodate our witnesses. Do I have a nodding of heads? Thank you very much.

We have four witnesses: Mr. Crowfoot, general manager of the Aboriginal Multi-Media Society of Alberta; Ken Waddell, from *Neepawa Banner*, the *Neepawa Press* and *Rivers Banner*; Northern News Services Ltd., with Casey Lessard and Bruce Valpy; and Mark Lever from *The Chronicle Herald*.

We will ask each of you to present for five minutes, and then we will go into an interactive question and answer session. I will give you a warning when you have only one minute left. Is that good?

You know that we are studying the accessibility of media in local communities throughout Canada. What has consolidation of the media done to impact that, positively or negatively, on all platforms, including digital? What has the digital world done to impact access to local news and Canadian stories across this country?

Hopefully we can hear from you, and maybe you can help us with some recommendations that you think will deal with this issue of access to local news.

I will begin with Mr. Crowfoot.

Mr. Bert Crowfoot (General Manager, Aboriginal Multi-Media Society of Alberta): *Oki.* Good morning.

I threatened to do this thing in Blackfoot, but I'll go with English instead.

The Aboriginal Multi-Media Society was established 34 years ago, in 1983. In the early days, our multimedia consisted of a radio show and a single newspaper, *Windspeaker*, which was devoted to the indigenous populations of Alberta. With the news media in general, the Aboriginal Multi-Media Society evolved, embracing new technologies and new opportunities. Newspapers went from typesetting to desktop publishing to websites, blogs, and social media.

Windspeaker evolved too, expanding its scope from provincial news to national indigenous news to fill the void created when 11 indigenous newspapers across Canada closed their doors that year. This void was created with the elimination of the native communications program in 1990.

AMMSA then developed a new publication, *Alberta Sweetgrass*, to fill the void when *Windspeaker* went national. Two publications under AMMSA's banner led to four, with *Saskatchewan Sage* and *Ontario Birchbark*, and then to five, with *Raven's Eye* for British Columbia, with other specialty publications filling in the gaps of reader interest and need: *Buffalo Spirit*, a guide to indigenous spirituality and culture; and *Windspeaker Business Quarterly*.

Radio evolved from a show on the CBC station CFWE to a network of websites, YouTube channels, and a mobile phone app. People can now listen to our multiple radio channels from a smart phone anywhere in the world. AMMSA continues to bring our terrestrial signal into small and large communities alike and works continuously to improve signal quality in remote areas. Radio is also working to expand the organizational newsgathering service and to build on the work being done on the publishing side of AMMSA.

The pace of change experienced by all news organizations has been dramatic, especially over the last 10 years. In publishing, ink now takes the form of pixels. Newsprint is now computers, phones, and tablet screens. AMMSA can reach more people every day and faster than we did with the old biweekly print publication model.

While the changes have been exciting, they have also not all been positive. Readers have a voracious appetite for news without cost. They want it now, they want it at all times, and they want it free of charge. These needs put considerable strain on the financial resources of small market publishers. AMMSA is not immune, but the burden is compounded by the fact that our coverage area is widespread, remote, and isolated. Advertisers meanwhile puzzle over the effectiveness of the new digital model and struggle to invest their own dwindling advertising budgets in it.

There is also concern over rural, remote, or isolated communities that suffer connectivity issues. Some communities are not connected to the Internet at all. Even if communities continue to have access to Internet services, extreme poverty may preclude individuals from enjoying it. Community members may not have computers in their homes, and if they do, the cost of Internet service may be wildly beyond their means.

Computer literacy also lags behind the mainstream in many indigenous communities. These are barriers that go beyond geographic isolation, and they marginalize indigenous people and their communities further from the important news and information that affects them.

Our perspective is important. What remains consistent over time, however, is the desire of our readers and listeners to have their own selves reflected fairly in news coverage. They want their issues and concerns discussed from the position of their own world view. They want value placed on their history, their cultures and traditions, their perspectives.

Since AMMSA was established, our publications and radio programming have helped bridge the gap of understanding between indigenous peoples and Canadian society. This was long before the Truth and Reconciliation Commission told us that such understanding between peoples was imperative.

We take our direction from the elders, however, who tell us it is even more important that indigenous peoples learn about and understand themselves through an indigenous lens, not the distorted lens of the non-indigenous perspective, amplified by mainstream news.

The world view, cultures, and traditions of indigenous peoples are rarely accurately portrayed by mainstream media, and reports often take a pan-indigenous view of aboriginal people in Canada. They make no distinction among nations, further skewing understanding of indigenous communities by Canadian society from coast to coast.

•(1215)

News of indigenous peoples by mainstream publishers is, in general, focused on the activities of indigenous peoples that run contrary to the initiatives, values, and perspectives of Canadian populations. There is no coverage of potlatches or powwows, coming of age ceremonies, Indian rodeo, activities like fishing,

beading, or weaving; and no coverage of what fills out our knowledge and understanding of value-based indigenous communities.

Mainstream reporters don't often get to develop relationships with nearby indigenous communities to gain the comprehensive knowledge about indigenous people that comes with those relationships. That's why it is so important that indigenous publications and radio be allowed to flourish, because those relationships are established.

Indigenous news publishers—

The Chair: Mr. Crowfoot, I'd like you to wind down. Maybe we can get to some more points during the questions.

Mr. Bert Crowfoot: Okay.

The Chair: Thank you.

Mr. Bert Crowfoot: —are in the community in good times and bad.

As far as media concentration, the proliferation of indigenous news media occurred in the 1980s and the 1990s but over recent years there has been a decline. As production costs soared and technology changed, it became a financial hurdle to many of those regional indigenous media organizations. Within the last few years, advertising revenues have been harder to come by. We scaled back our services to reflect a new and greatly diminished economic reality.

The launch of APTN in 1999 as a national news provider has been a welcome alternative to mainstream news. A lot of important stories are still not being covered.

Media concentration—

•(1220)

The Chair: Thank you, Mr. Crowfoot. I am so sorry.

Mr. Bert Crowfoot: That's no problem.

The Chair: Now, Mr. Waddell, for the *Neepawa Banner*. You have five minutes, please.

Mr. Ken Waddell (Publisher, Neepawa Banner, Neepawa Press, Rivers Banner): Thank you.

I'm Ken Waddell from Neepawa, Manitoba. It's a town of about 4,500 people, serving an area of about 10,000 people.

I've been involved in the newspaper business and publishing for nearly 50 years, but full time since 1989, when we started the *Neepawa Banner* from scratch, in competition with the *Neepawa Press*, which had been in business since 1896. In 2010, that newspaper sold out to a major corporation that also wanted to buy our paper, but I refused to sell, and five years ago, they sold their paper to me and my family.

Information for local communities has to be accurate and presented in a verifiable, accountable fashion. That is why local media is so very important. Information has to be trustworthy, and the only way to ensure that happens is with local accountability. Is the information reliable? Is it verifiable? If information is not reliable and verifiable, it is at best useless and at worst dangerous. In the newspaper business that means that ownership, or at least the role of publisher, has to be locally based. Regardless of the size of the community, the publisher has to be local.

Concentration in the media has been very bad for local communities, both large and small. The corporate shareholder agenda is too easily subverted into chasing maximum quick cash and away from providing news and information. The publisher has to be prepared to risk and to invest in staff, facilities, and equipment, and keep boots on the ground to make sure that the information is gathered locally. If a paper isn't growing, it is dying.

Digital media are a set of tools that help us in the newspaper business. Certainly, we use websites, Facebook, and Twitter, and we often release our stories onto our website and Facebook even before the print edition hits the streets. Despite this, print remains the foundation of our business model. We have three papers. We are the largest, the second largest, and the sixth largest papers in southwestern Manitoba.

Local newspapers are alive and well if they stick to their name: "local" and "news". I might also say "paper"; that's the only way of verifying the news and keeping it verified, because you can change anything you want on the website.

As noted, news has to be accountable and verifiable. Newspapers are like a three-legged stool. Those three legs are: reliable, verifiable news; a strong editorial opinion section; and advertising. We can gather the news. We can put in the editorials, but we can't do the advertising.

Advertisers have to realize the consequences of where they place their ads. It doesn't matter whether it's businesses or whether it's government. If you're going to place your ads on the website, remember that the website producers and Facebook and YouTube and all these things, are not going to be supporting your local hockey club or donating to the local hospital. It ain't going to happen. It's especially important to realize that.

Facebook doesn't usually hire local people or spend at local businesses or support local sports and community organizations. If business and governments cut off the advertising leg, the stool will fall over and Canada's communities will fall over with it.

Thank you.

The Chair: Thank you very much, Mr. Waddell. That's very compelling testimony.

From Northern News Services, we have Mr. Lessard.

Mr. Casey Lessard (Editor, Nunavut News/North, Northern News Services Ltd.): Thank you for inviting me and my colleagues to discuss our experience in Nunavut.

Bruce and Mikle can answer questions about our experience in N.W.T. Bruce is our managing editor, and Mikle Langenhan is our

associate editor for *Kivalliq News* with two newspapers in Nunavut. They're joining us today from Yellowknife.

My name is Casey Lessard. I was recently made editor of the *Nunavut News/North*. *Nunavut News/North* celebrated its 70th anniversary last year. It first covered all the Northwest Territories, and now we do distinct papers for Nunavut, N.W.T., as well as the *Yellowknifer* and community newspapers in Kivalliq and several towns in N.W.T..

I don't need to tell you that the community newspaper industry is in transition. For the vanguards in our industry, print is already a legacy product, as you've heard from Bert Crowfoot. On the flip side, we had a similar experience to what Mr. Waddell is talking about. For the longtime players, there was an uncertainty about whether their businesses could survive outside of a business model they understood.

I see in many small towns in southern Canada that newspapers don't even have a website or a Facebook page. This uncertainty is happening because a lot of people love print. I do too. The businesses that support us want metrics. They want proof that their money is working today. For us in the north, our bread and butter was once government advertising, but the N.W.T. government was the first to move away from print advertising, and Nunavut's government followed last year. Both still do some advertising, but it's a huge loss compared to what we had even four or five years ago.

It's a risky proposition for us and for other community newspapers to make a transition to digital. There is far less money in the game for the small players, the ones without the big chains backing them up. Our chain has eight newspapers, serving more than 70,000 residents. In Nunavut we have about 37,000 people who are spread out over one-fifth of Canada's land mass. We're a medium-sized chain covering a big space for a small number of people.

We still believe we are the voice of the small communities, but Facebook and CBC can now make the same claim. It's not exactly a level playing field to compete with them, though, from a financial standpoint.

Our overhead is extremely high. It includes rent for small offices in two communities in Nunavut costing about \$5,000 per month as well as staff housing exceeding \$10,000 per month total. Flights are expensive. For me to come here to Ottawa cost \$2,500. For me to go from Iqaluit to Yellowknife is \$3,800. Travel within Nunavut is also very expensive. At the extreme, a round-trip flight from Iqaluit to Grise Fiord would cost \$5,000.

We translate as much as we can into Inuktitut, and our sister newspaper, *Kivalliq News* in southwestern Nunavut, is fully translated each week by Mikle, who is on our teleconference. The federal government's assistance through the Canadian periodical fund helps us offset some of these costs, and we do appreciate it. There are many ways it could be improved to help in our transition to digital.

I know some of the people in this room have prestigious degrees. Nunavut is a territory where few people have the ability to leave their own communities, let alone dream of attending university. A massive proportion of Nunavut's Inuit population, whom we serve, is on social assistance. The territory has Canada's lowest high school graduation rate and the highest unemployment.

The population we're trying to reach is 85% Inuit. They struggle to afford Internet access, the same access that keeps them in contact with family and friends. You'll often see people gathering at the library for the community access program waiting for a computer to use the Internet. The Internet is extremely expensive and slow.

For the people on the street, we are a bargain at \$1 a week. We are the place people turn to find a new job or read news about their friends and relatives in their language. I see our pages cut out and posted on walls at schools and hamlet offices whenever I travel throughout Nunavut. You can't put a metric on what that means to people.

There are ways our industry is surviving. Free newspapers, special editions, and sponsored content are a few of them. In the end, we need to find a way to make money digitally before we lose the capital that community newspapers have built as a trusted source of local content, as Mr. Waddell said. We need programs that help build the digital infrastructure to help us grow our digital audience and to help our industry's veterans continue to tell the communities' stories.

•(1225)

There's a lot of capital that could just go down the drain of the people who don't have the current skills. That's all I have to say, unless you have any questions.

The Chair: Thank you very much.

Mr. Mark Lever of *The Chronicle Herald*, you have five minutes, please.

Mr. Mark Lever (President, Chief Executive Officer, The Chronicle Herald): A very sincere thank you for your invitation and the opportunity to share insights and thoughts about the state of the Canadian media landscape. Specifically, I'm pleased to be here on behalf of *The Chronicle Herald* to bring perspective to the challenges facing daily newspapers, like ours, across the country.

The Chronicle Herald was incorporated in 1875, but our roots can be traced back to 1824. We are the last remaining independent daily newspaper in the country. We've been telling the news of the day and shaping the narrative of the province of Nova Scotia since before Confederation. In our nearly two-century history, we have borne witness to the birth of this nation and told the stories of the world wars of the 20th century in their tragedy and in their jubilation. We are the one cultural institution whose history is so entwined with the province's that the two could hardly be separated.

Sadly, the fight today is for our own survival, with changes in media consumption habits, coupled with the introduction of disruptive competitors without adjacent legacy costs. Here I will name the obvious new media entrants like Facebook and Google, but I would also add Canadian disrupters like the government funded CBC. They have all substantially fragmented audiences and stripped advertising revenues.

The proliferation of media today hasn't changed the basic journalistic mandate, which is to report on those in power to provide citizens with the information they need to make their own judgment, to report on the needs of our communities, and to provide support to us all by shedding light on critical events.

Joseph Howe, a founding father of Canada's free press and the publisher of the *Novascotian*, a direct precursor to *The Chronicle Herald*, famously commented about the role of the journalist:

...when I sit down in solitude to the labours of my profession, the only questions I ask myself are, What is right? What is just? What is for the public good?

The sentiment is clear. Journalism's role in our democracy remains pivotal. It is fundamental. We are a rich and vibrant country made up of thousands upon thousands of communities. It is journalism at the grassroots that binds us together and helps to weave a coherent story of our nation.

Herein lies the rub. Without the storytellers weaving together communities throughout this nation, we become either atomized individuals or nameless and faceless masses without coherent connection.

Social media platforms aren't focused on the kind of content that is important to a free and democratic society. They're concerned about volume of content and filling data feeds with entertainment, clickbait, and low-quality commentary. Just yesterday, Oxford Dictionaries announced its word of the year: post-truth. They define it as an adjective "relating to or denoting circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief".

The Brexit and Trump votes are two events in the past year driven by this phenomenon that has rocked the world. Newspapers, with reporters in communities throughout Canada, are the food supply of our democracy, but this food supply is in serious risk of running out. The media business model is changing.

Worldwide, only about 9% of people pay for content. The subscription model, while still critically important to support the work of journalists, has never been relied on to shoulder the entirety of the burden. Advertising, once the revenue lifeblood of newspapers, historically accounting for two-thirds of total revenue, has been reduced to programmatic purchases of audience segments and affinity groups.

Furthermore, we have experienced dramatic changes in spends from our government partners, at a rate greater than industry. Our provincial and federal governments have reduced their ad spends in our products, presumably with an increased emphasis on advertising with foreign corporations such as Google and Facebook, with neither ties to our communities nor any investment in producing the journalism we rely upon.

I'm disheartened to tell you that my newspaper has experienced a 54% drop in the combined provincial and federal government ad spend over the past three years, from \$600,000 in 2013 to just \$280,000 this year. Just like every other newspaper in Canada, *The Chronicle Herald* is grappling with changes in consumption trends and advertising changes.

People are often surprised to learn that, despite years of decline in paid circulation, our reach is larger today than it has ever been. People are consuming more content, and the need for local, fact-based journalism is so vitally important.

It's not that Canada has stopped supporting journalism. The CBC receives nearly \$700 million a year in federal funding. As always, the heavy lifting of journalism has fallen to those in the trenches and those in the communities, and that means to newspapers.

• (1230)

It's staggering to note that according to the global analytics company comScore, more than 88% of all Canadian digital advertising revenues are now stripped away by large foreign-owned and controlled social media sites.

Journalism is vital to our democracy. It is the foundation of rational public discourse, and it begins in each and every community in our country. CBC is a tremendous public institution and one in which every Canadian should take justifiable pride. But the CBC alone is no more capable of weaving together the stories of our nation from Cape Spear to Vancouver Island to Ellesmere Island than Facebook is capable of reporting on the needs of Canadians or breaking the news to provide citizens with the information they need to exercise their franchise.

For Canadian stories to continue to be told from coast to coast to coast, we'll have to look toward other models. Government partners can and must play a role in this transition.

I thank you for your time and attention. I will be happy to take any questions.

• (1235)

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

Now we're going to go to the second part of this session.

We will begin with a question and answer. There will be seven minutes for the question and the answer. I'm going to ask everybody, as I always do, to be as succinct and quick as you can be, so that we can get as many questions and answers in as possible and have an interactive discourse here.

I will begin with Mr. Samson from the Liberals, for seven minutes.

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

I'd like to thank all of you very much for sharing the information you shared. It tells some nice stories. The keywords I've been interested in, of course, are "Canadian content" and "local content", and you've explicitly spoken of these. I thank you very much for that.

I'd like to address my question to Mr. Lever from *The Chronicle Herald*. Of course, I'm from Nova Scotia, so I'm always concerned when we have a strike and have people out of work.

I'd like to know, based on the situation you've been living through—and I understand it's not easy and that there are two sides to every story—how do you feel about journalism? Also, because certain ones are on strike and the expertise is not at the table, are you able to deliver local and Canadian content as you would like?

We would like to have the *Chronicle* back as it was, so how do you see things unfolding? Can you expand on that, please?

Mr. Mark Lever: The folks on strike in our newsroom undoubtedly see me as the enemy, and I would like to say that I am taking the stand as the last line of defence for Canadian journalism. Given the changes in our landscape, we cannot afford to sign contracts we can't live up to.

We've been very lucky at *The Chronicle Herald*. There is a shortage of employment for journalists in the country, and we've been able to hire great young, talented journalists to fill the void. Nobody wants to bring our journalists back more than I do, but there are certain financial agreements that I can't enter into, with the uncertainty.

Believe me when I tell you that our newsroom at 120-strong is much better than a newsroom at 30, but 30 is all we can afford today. Also, the changes that are happening in the landscape that I tried to describe, in what was supposed to be a 10-minute presentation.... I think I would have addressed more journalistic issues in that than in the five-minute presentation that I had to edit on the fly, and without an editor I don't know that I did it justice.

I need to assure you that we are working hard to end this strike, but we are a business without any form of outside funding. We're a family-owned business and cannot rely on and go to the market for more money. That's the nature of it; we can't sign an agreement.

I'd love to bring people back. I thought I had a deal on November 4, to update you completely. We had worked for three weeks and we thought we had a deal, but it went sideways. We're working hard behind the scenes to try to end it.

Mr. Darrell Samson: As a Nova Scotian, of course, we want to see success—and there's no question about that—and we want both parties to find a resolution.

Do you find that what's been happening in the last six-plus months has a major effect? You have talked about advertising and the drop in print for everybody, but given that you're not fully running as you were in the past, do you feel you might become bogged down and lose some of the opportunity that might come up to make your business more prosperous?

Mr. Mark Lever: No, I don't. We've been able to punch above our peers across the country, the urban market newspapers that are owned by chains, both from a national ad perspective and a local ad perspective, despite the strike. Do I think we'd be stronger without a strike? Unquestionably. Can I afford to end the strike, with the prospect that things would be better around the corner, and sign an agreement that we can't afford? The answer is no. It's tough. It's gut-wrenching. It's a terrible decision.

I know that my testimony today will be cut up by the striking members of the union and used, but I'm compelled to be here today to speak on their behalf as well as our business's behalf, about things in the landscape. I believe that the government has at its disposal an ability and a capacity to help.

• (1240)

Mr. Darrell Samson: Thank you.

Mr. Waddell, you spoke about.... I'm not sure I captured fully what you said, but I found it quite interesting that the company tried to purchase your paper, but in the end you ended up purchasing theirs. Can you expand on that? If there's a successful path there, we'd like to know more, some of the key points that allowed that to happen. What's your opinion on that?

Mr. Ken Waddell: The *Neepawa Press*, as I said, was started in 1896. By 2009 or 2010 the private owners—and there had been several over the years—decided to sell to a company called Glacier Communications, which owned dozens and dozens of publications, mostly in western Canada. They wanted to buy ours as well because they knew that to have them combined would give them some strength.

I didn't like the idea. I didn't like how they ran newspapers. I still don't. I've made it quite clear to them in writing and otherwise. They ran the place into the ground. They thought they would push me and my family out of business, which didn't happen.

Mr. Darrell Samson: Why not? What do you think—

Mr. Ken Waddell: We know what they're doing, and they don't.

Mr. Darrell Samson: Tell us about it because we need to know. We all need to know about the successful path.

Mr. Ken Waddell: What are we doing? We are very local.

Just to give you a couple of examples, if somebody comes through the door from the Rotary Club and says they'd like a deal on the ads for the Rotary Club auction, we say that's fine, it's 50%. It's a charitable organization, so it's 50%. They may or may not have the power to do that. In that particular case, they offered it to them for free. They came back and said they couldn't afford to pay us. I told them to go there, because that's the place to buy it. It's for free.

They were discounting ads. They were erratic in their rate card. They were very erratic in the people they hired, and they gave them no guidance. Good people were left to go adrift, so the reporting was worse than ours—if that's possible.

Voices: Oh, oh!

Mr. Ken Waddell: Anyway, generally the community abandoned them because the community was not being served. They didn't have a publisher; they just had an office manager. They didn't have the local input.

In the places where they do have the local input or a locally based person with locally based authority to make those decisions, they do not too badly. I mentioned how a locally owned, vested interest in the community is, in my opinion, the only model that will ever get us through this. It is the only model that has ever worked with a family-owned operation for over 100 years, as Mr. Lever said.

Mr. Darrell Samson: In closing, I appreciate what you just said, because it makes me think of how a bank lends money. They want to lend money to the people who live in the community because they know the chances of success are much greater because they're not leaving.

I'll finish on that note. Thank you.

The Chair: Thank you.

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

Mr. Larry Maguire: Thank you, Madam Chair.

Thank you to the presenters today for being here to make your comments. I appreciate the frankness of all the presenters today. I've known Mr. Waddell from Manitoba for a number of years, and expect frankness from him. My colleagues have seen that today. It's what we need, quite frankly, in this committee.

Ken, there are a number of areas where I would like to ask you a question, and others can answer too. I think you've answered the part about why you were successful in your operation and why you've done it. The local reporting is so important. Being accurate on the ground and when it's in print, as you said in your presentation, is more accountable. Can you elaborate any more around the facts-based part of it?

I also want to know who your major competitors are. Several of you, your other colleagues here, have outlined in the presentation today the competition you're faced with from the CBC. A lot of money is going to that area. I may want a comment or two from you as to whether the committee should be looking at reviewing the mandate of the CBC, as an example.

More importantly, I just want to know more about the approach you've used to be successful in your areas. Could you lead off, Ken, please?

Mr. Ken Waddell: Just to follow up on the earlier question, at the time we took over the other newspaper we had eight staff, and theirs was down to three. I'm talking about boots on the ground; I'm talking about a local commitment. Certainly I would have made more money if I had cut back to three staff, because you could limp along and make it happen for a while. I'm 68 years old. I don't have to limp along and make it happen for much longer, but I don't ever intend to retire, so I am in it for the long haul, whether that long haul be two years or 20 more years.

Our major competition actually is flyers that go through Canada Post. Canada Post is in the unique position whereby it is our supplier for at least part of our circulation—over half. We're in the stores and drop boxes and that sort of thing for part of our circulation, but it is our supplier and our competition. I've long felt that Canada Post cross-subsidizes from their first-class mail to subsidize its unaddressed ad mail. I don't think that's fair.

Also, it's very unfair that three-quarters of a billion dollars, and I've heard as high as a billion dollars, goes into CBC. I wouldn't mind the government's buying a billion dollars' worth of advertising from CBC, but I don't see why we should be giving it a grant of a billion dollars.

The former publications assistance program, also now known as the Canadian periodical fund, in the last figures I heard, is \$75 million. That \$75 million is spread out over 1,300 publications across Canada, and a billion dollars—or three-quarters of a billion dollars, if you want to use the lower figure—goes to the CBC. That is absolutely ludicrous.

If you wonder why government isn't able to help publications by buying ads—these are not grants, in my opinion—that is where your money is going.

• (1245)

Mr. Larry Maguire: Casey, do you have something to add to that?

Mr. Casey Lessard: Ken has mentioned something interesting; we were discussing this before.

How much of that Canadian periodical fund do you see?

Mr. Ken Waddell: None.

Mr. Casey Lessard: Right; that's because he does free distribution. We are paid distribution, so we get funding to offset the costs of that distribution through the Canadian periodical fund.

The trend tends to be towards free models, whereby people are getting the paper for free—*Metro*, or in the smaller communities it happens quite a bit too—but there's no opportunity to tap into any sort of backstop or assistance to get such a program off the ground.

If you wanted to do a full distribution paper, for example, in a territory in which 85% of the people maybe cannot afford even to buy a newspaper, we can't get going the model of giving everybody a free paper to get the information that would help them find a job, etc.

One of our main competitors is CBC, which is on the radio in every community in Nunavut; otherwise, we're the only ones on the ground. They can watch TV. APTN is pretty well watched, as there is an office there, and obviously whatever else is on cable, but the real competition is CBC and Facebook, which people tend to be using for free, getting their information for free. Although Facebook is not necessarily competing in Nunavut for those dollars, the Nunavut government is certainly spending money on Facebook advertising instead of spending that money with us. That is a good example.

I don't know whether Bruce may have anything to add to that.

The Chair: Bert, do you have...?

Mr. Bert Crowfoot: Over the 39 years that I've been involved, we went from advertising to seeing the government put their advertising elsewhere. We used to publish 25,000, and the cost to mail it... We finally switched to digital. As you may have noticed, everybody is getting their news that way now rather than from something in front of them. That's the way the future is; that's the way it's headed.

We've quit publishing a hard copy newspaper. We've had one of the digital copies that you could flip, but it's hard to read, so we're in the process of making changes to our publication.

On the radio side, we're doing fine. Advertising is still an issue.

Mr. Larry Maguire: Thanks.

One of the major newspapers in Canada indicated to us at this committee that its major competitor was the CBC; it wasn't another newspaper. I appreciate, then, the comments you've made.

Mr. Lever, I believe it was you who commented that the CBC is an interrupter. Can you elaborate on that and maybe comment on whether you think it should have its mandate reviewed?

Then, if there's any time left... Ken, you made the comment in your presentation that the paper is still a credible means. In local areas, I still find that people read the newspaper, so just give us a comment—

• (1250)

The Chair: You have 10 seconds left, Mr. Maguire, so I ask that the answer be as crisp as it possibly can be.

Mr. Larry Maguire: Thank you.

Mr. Mark Lever: Sorry, the question, I think, to me was about the CBC.

The CBC is a tremendous Canadian institution, but the government has to decide whether it can compete for our advertising dollars in the digital space and aggregate our content, or whether it's going to be a completely publicly funded entity. It seems to be a hybrid model, so it's increasing funding from government sources while skimming advertising dollars. Due to the national network capability of the CBC, we've seen attrition in our digital advertising spend. They're a competitor not only for eyeballs but also for ad dollars, which are diminishing.

Mr. Larry Maguire: Mr. Waddell.

Mr. Ken Waddell: If the CBC is going to be allowed to skim off advertising dollars in the so-called web market, that is totally unfair. They're into our territory or into other...even the people who don't have a newspaper but who have a website, a news aggregator. I think that's totally unfair.

You probably know my views on it. I think it is a great Canadian institution. I think it should be sold.

Mr. Casey Lessard: If I could say one last thing, if you were to stop funding the CBC in Nunavut, I think it would be a negative. In most of the communities... It's weird to say that, as we sort of view it as a competitor, as well. If you were to eliminate the CBC funding, or move it to an advertising model, then it wouldn't exist in Nunavut. I think that would be a detriment.

Mr. Ken Waddell: Could I just add that I agree with—

The Chair: No, I'm sorry. We've gone well over the seven minutes allotted for this round.

Thank you.

Mr. Nantel. Maybe you can see what you can do to encourage the continuity of this question.

[Translation]

Mr. Pierre Nantel: Thank you, Madam Chair.

I want to thank all the witnesses. I will address Mr. Crowfoot.

[English]

I'll speak in English.

I'm going to ask if it's possible for you to send your text. I know it should be in both languages. I'm sure we can manage. I'm sure what you had to say was precious, so please send it.

I congratulate you on the initiatives you've been doing for all these years and for your courage in these challenging times of the paradigm shifting completely to new technologies. We could talk forever about broadband Internet, whether it's available or not, and your getting ready to roll on this and then having all this competition coming from the digital side.

I'm switching to Mr. Lever. You talked about the importance of the CBC and Radio-Canada websites grabbing part of your advertising sales on digital, and it's true. It's been mentioned quite a few times for newspapers, because it's very good journalistic work. It's also why people refer to it a lot. We've heard many times that they should not have advertising. They can complement their work with that, but they should not sell advertising.

Is it right when you say 88% of the advertising online goes to international, and you're fighting with the CBC for that very thin 12% that's remaining? The dramatic change is not there. The dramatic change is to make sure you get your fair share of advertising with the readers you have and the viewers you have. The big change is that 88% of advertising sales goes to the States. Is it okay to say so, Mr. Lever?

Mr. Mark Lever: I would agree with your assessment completely. There's 12% up for grabs. We're competing with the CBC and other outlets for that 12%, but 88%, including government spending, is going to Facebook, Google, and other search and social media sites.

Mr. Pierre Nantel: Thank you.

Although I appreciate this truth being said, I don't want us to go crazy about this. This is something we can control easily. We can, obviously, agree to disagree on what the CBC is good or bad at. This is an issue that's been raised, that they were grabbing the advertising dollars in the online world.

Okay, but we have 88% to try to get back, or to try to help you get your share.

What would you suggest, Mr. Waddell?

Mr. Ken Waddell: Some problems lie with the newspapers themselves. I alluded to that earlier. That is, they have become less relevant to people. You have to have people on the ground to have the local stories.

All the news aggregators, all the websites, the CBC, and everything else get a lot of their news leads from local newspapers, whether in a small town, in a small city, or even in a big city. A standing joke in the newspaper business is "we should listen to the radio station this morning so they can read our stories".

The newspaper is the foundational bedrock of story generation or story gathering, and we may not have done as good a job on that as we should have. I think that is foundational. Without the newspapers in the local communities—and there are 650 community newspapers

in Canada, plus dailies and larger papers—we're going to lose a lot of credible, verifiable newsgathering.

If you took out the newspapers, if you shut down every newspaper in Canada tomorrow—

• (1255)

Mr. Pierre Nantel: There's no more journalism.

Mr. Ken Waddell: —the websites, big cable TV, and so on would largely collapse.

Mr. Pierre Nantel: I want to ask a question to Casey, Mikle, or Bruce.

How important are advertising revenues? Are they down?

Mr. Casey Lessard: Bruce, do you want to answer that? You probably have a closer perspective on that.

Mr. Pierre Nantel: Maybe your partner can read your lips.

Mr. Casey Lessard: Can you hear what we're saying? We can't hear you.

Mr. Bruce Valpy (Managing Editor, Northern News Services Ltd.): Could you repeat the question, please?

Mr. Pierre Nantel: The question is, how important is advertising in your network of newspapers? You are also online if I'm not mistaken.

Mr. Bruce Valpy: Yes.

Mr. Pierre Nantel: What is the share of advertising revenue that's important to you, and has it gone down lately?

Mr. Bruce Valpy: Advertising makes it happen. Advertising allows us to do our reporting. It's the essential business model. If nothing comes from these hearings but the understanding that having CBC sell advertising on their web products—

Mr. Pierre Nantel: Unfortunately, we can't hear you anymore.

I understand you are speaking of the 12% that remains available online and that CBC/Radio-Canada is grabbing away from you.

I'm going to switch to Mr. Lever. You mentioned the term "programmatic purchases". It's the first time I have heard it from a witness. I would like you to share with us what this new reality is.

Can I say, basically, if I put a title on what you're going to say, that advertising online is on some sort of an auction basis? People bid on it until it's sold, and this is why it is so popular.

Mr. Mark Lever: It is now very much a commodity market for online.... I would say the CBC is a challenge because it is a coast to coast network. It focuses around local content that can be bought with the press of one button, as opposed to disparate.... It's a problem for an independent newspaper like us, not being part of a chain, which would have been very cool to be a part of 10 years ago.

Mr. Pierre Nantel: Please tell us how the programmatic principle works.

Mr. Mark Lever: It's simply a bidding war. You set your campaign. It's an automated, real-time bidding campaign, just like a commodity market. You set your price to what you want to pay for a campaign, the markets, the eyeballs you want—this is the advertiser I'm speaking of—and the campaign gets run on those platforms.

Mr. Pierre Nantel: Is this system for internationally sold advertising spots, or is it also for CBC/Radio-Canada or your own websites?

Mr. Mark Lever: I would say it has changed dramatically in the last 12 months. More and more, the top 10 digital advertisers on our site—and I'm sure it's the same for our competitors—are programmatic networks, but they are paying less. Local advertisers are moving to those because of—

Mr. Pierre Nantel: Let me interrupt here.

The Chair: I'm sorry. We've gone well over the seven minutes, Mr. Nantel.

Mr. Pierre Nantel: Okay.

Thank you.

The Chair: Mr. Breton is next, for the Liberals.

[*Translation*]

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

I am very thankful to all the witnesses for joining us today. You have all mentioned that community media are media that unite us, that bring people together in remote regions and rural communities. You said it well: the current transition we are going through in terms of the media put some of them in jeopardy. That's worrisome. I am personally from a region where community newspapers are in the same situation.

You talked to us a lot about your challenges and the problems you are all experiencing. Still, some nice initiatives have been taken. I congratulate Mr. Crowfoot on the shift made by the company he manages.

Since you had only five minutes each for your presentations, I would like you all to take turns and suggest to the government ways to go through this shift, which is inevitable for the media. I will give you an opportunity to talk about that some more.

We will begin with Mr. Crowfoot.

• (1300)

[*English*]

Mr. Bert Crowfoot: I was listening to French and couldn't understand it. I caught the last part in English.

We've survived because we sold advertising 33 years ago. The other nine newspapers, when the program was cut, the native communications program, didn't run as a business model. They ran as a service model. They provided the news locally, so when the program was cut, they had no resources. We were selling advertising, and we've survived for the last 24 years.

Advertising has always been a struggle for us. We've managed to survive, but as advertising sales went down, we basically made do with what we got, and staff were trimmed. We converted to models that didn't... To produce a paper, to print it, and to mail it cost us a quarter of a million dollars. Switching to digital saved those costs. Generations, readers, are changing. Like I said earlier, youth and a lot of people are going to mobile devices as opposed to hard copy, so we're trying to follow those trends.

[*Translation*]

Mr. Pierre Breton: Mr. Waddell, go ahead.

[*English*]

Mr. Ken Waddell: In emphasizing the local news and paper, I think we must not lose sight of the fact that something has to be in writing to be verifiable in the long term. We've heard today the term “post-truth”. We've also heard the term “fake news”. You add to that sometimes sloppy newsgathering and sometimes even malicious newsgathering, and it needs to be verifiable in the long term. The only way to do that is to have it in writing, in print, as a permanent record. I have a 120 years of permanent record in my office of the happenings in my community. We can go back and verify just about anything that was ever said back to 1896.

I think it's very important to have that bedrock base for our news industry. We have to have advertising. The way of the subscription-based newspaper has gone pretty much the way of the dodo bird. It doesn't really exist very much anymore, at least not successfully. We have papers whose subscribers I know, and they're good friends of mine, and their subscription numbers are down by 50% or 60% from what they were a couple of years ago.

• (1305)

The Chair: Mr. Lessard.

Mr. Casey Lessard: I have a few ideas. First is to encourage the government, whether it be the federal government or territorial or provincial governments, to advertise locally. I think that's probably the number one thing that we've lost for sure. Bruce wasn't able to be heard, but we experienced major losses over the last five years. We had a pretty good run until probably about 2011-12, when it started to hit, and then it really hit hard the last year in Nunavut. There were some major drops in advertising revenue. I think probably for the first time in a lot of people's memories in our chain, we had to have layoffs last year.

I think the government has to start getting ready for this, or maybe it already has. I'm not sure. We're a few years behind in the north of what happens in the south. The more people who can't make a living doing local media, the more people there will be trying to find work. It tends to be older people. I've seen it many times in the south, my friends who have worked at local papers who don't have a job anymore because they're not digitally prepared.

I think training programs through EI or whatever you use to help people learn how to be digital journalists, digital media producers, would help. Another thing is encouraging MPs and other businesses by having tax credits for local advertising. I'm not saying this is strictly for newspapers. It can be digital too. If you look at the Canada periodical fund, I know it has some programs to do digital publications, but I would not say they're as strong in support for people to make that transition to digital as they are for subscription-based.

There's no support for a company that wanted to do a full distribution. There are major advantages for attracting advertising. Probably the cheapest way for you to do it would be to support free distribution, which would give that appearance and reality of a hard copy in everybody's hands. That's far more quantifiable than the tales of fraud that you're hearing even today about Facebook and Google, and the false numbers that are well beyond what is really being delivered to people who pay hard money to outside companies. If a dollar of Canadian money goes to Facebook, and only 50¢ is being delivered in product, it's not really a fair model, when you can physically hold every dollar in your hand.

Those are my thoughts on that.

The Chair: Thank you.

I think that's it.

Mr. Breton.

[*Translation*]

Mr. Pierre Breton: Do I have any time left?

[*English*]

The Chair: I will allow Mr. Lever to comment quickly.

Mr. Mark Lever: Again, I would agree with the idea that the Canadian government should spend advertising dollars, money that contributes to Canadian journalism and Canadian content. Google and Facebook, which frequently appropriate content produced by Canadian newspapers, should not add insult to injury by appropriating government spending also.

Canadian Heritage and its Canada periodical fund should be broadened to incorporate daily subscription-based newspapers. Also, there's the idea of creating national endowments for investigative journalism, whereby each endowment would subsidize investigations on a mathematical formula, based on the number of citizens who read the reports.

Those are three specific areas where I think the government could help. I don't think for a second that the government has to get into our business. The base of this transition—and every business has to deal with disruption—and the challenge for us is our legacy, which is so important to the heritage and the history of Canada, but that legacy comes with costs. Therefore, in terms of transitioning, it's not as if we can start with a white board and start fresh. We have to deal, and we have to transition.

Mr. Samson brought up the strike that we're incurring at the *Herald* and that's a great part of and an expensive—

The Chair: Thank you, Mr. Lever.

I do think we have another part of this committee to go. I again would like to thank the witnesses for being here. I am sorry that you waited for so long, but as you well know, votes take precedence in Parliament and we had votes that kept us from coming to you. That's why we asked you to cut your presentation time down to five minutes, and that is why we're only going to one round of questioning. I want to thank you again for patience and for accommodating us because you gave us very good testimony today. Thank you very much.

Now I will tell the committee that we're going to have to move very quickly. We need to be able to get the room shifted so we can get our new witnesses in. In the meantime, Mr. Nantel, there is a report Mr. Bert Crowfoot presented to us, but because it's only in English, we are not allowed, under the rules of the House of Commons, which govern committees, to send it to you. The clerk will have it translated and all members will get a copy distributed to them.

I will call the next part of this committee to order. We had suggested that we would finish at 1:30, but doing the simple math, we have to go five minutes over 1:30 if we're going to actually have everyone ask a question. I'm going to ask the committee if they concur with the fact that a round cannot be seven minutes; it's going to have to be a five-minute round. All of those asking questions will ask a five-minute question round instead of a seven-minute one. Otherwise, if you wish to, we can go much later, but I think that would not be a positive way to move.

I want to welcome and apologize to Facebook, Inc., for having to decrease their presentation time to five minutes. Thank you for accommodating us. We have Mr. Kevin Chan, head of public policy, Facebook Canada, and Marc Dinsdale, head of media partnerships, Facebook Canada.

I understand, Mr. Chan, that you will be doing the presentation for five minutes.

• (1310)

Mr. Kevin Chan (Head, Public Policy, Facebook Canada): That's correct, Madam Chair.

The Chair: Thank you very much. Can you please begin, Mr. Chan?

Mr. Kevin Chan: Madam Chair and honourable members, my name is Kevin Chan, and I am the head of public policy for Facebook Canada.

[*Translation*]

I am joined here today by my colleague Marc Dinsdale, Head of Media Partnerships at Facebook Canada.

Facebook's mission is to make the world more open and connected. We are honoured by the fact that 22 million Canadians use our service. I want to take advantage of our being here today, on Parliament Hill, to say that we are proud to see to what extent our platform has enabled Canadian political parties to create connections with Canadians from across the country. As you can see, we are proud and honoured to work with all the political parties.

[*English*]

Canadians engage on Facebook primarily because they wish to connect with friends and family and to share personal stories and information with each other in the form of messages, photos, and videos. Facebook was not originally conceived for news content, but it is certainly true that people are now regularly using the platform to share news articles and videos. This has significantly increased the potential audience size for news at the local, national, and international levels.

While we are, first and foremost, a technology company that has built a platform for people to connect with each other, Facebook takes very seriously its responsibility in helping people gather information about what is going on in the world around them. I want to note some of our engagement in Canada on this important issue. We are pleased to participate in the Public Policy Forum's study on news and democracy. Earlier this fall, we worked with the forum to organize a round table focusing on Facebook's products for news publishers, and we were delighted to have representation from Mr. O'Regan, Madam Fry's office, and the Prime Minister's Office.

We are also honoured that the Minister of Canadian Heritage is using Facebook Live as a key platform to engage and consult with Canadians in her cultural consultations.

I would like to walk the committee through how Canadians connect with each other and share information on Facebook. At the heart of this process is Facebook's newsfeed. The newsfeed is a feed-based technology developed with the goal of showing each individual person the stories that matter to them the most. With nearly 1.8 billion people on Facebook globally, there are 1.8 billion unique newsfeeds.

People on Facebook build their own newsfeeds by connecting to people and organizations they find most meaningful to them. News is one example of these sorts of organizations and stories. In order to read an article, people click on a post from a publisher on their Facebook page, which then takes them directly to the news organization's website, and they consume the news there. People can also prioritize content from specific news publishers, ensuring that they always see news content first on their newsfeed. We think this is a pretty powerful way to ensure that you never miss the news from your favourite news outlet.

Beyond the newsfeeds, we have also worked in partnership with news publishers to build innovative products, and today I'm happy to talk to you, honourable members, about Facebook Live, Facebook 360, and instant articles.

Facebook Live is our streaming product, and many Canadian news outlets have used it in a range of ways. Here is *Chatelaine's* Katie Underwood in a recent live video attempting to eat a Michael Phelps breakfast.

CBC has been streaming *The National* on Facebook Live every night for the past few weeks now, as you probably are aware, regularly getting thousands of views per episode. The Cable Public Affairs Channel, or CPAC, recently streamed the entire questioning by parliamentarians of Supreme Court nominee Malcolm Rowe directly on Facebook Live, generating around 32,000 views.

We engage with publishers constantly to understand how we can make it an even better tool. Here is an example of something that we have not released, but we are giving the parliamentary committee a preview. This is an ad break. It is not available yet. We understand from publishers that they love the product but they wish to monetize, and we hope this is one way they will be able to monetize in the future, directly off Facebook Live. Here is an example of an ad break.

Facebook 360 is a new product that enables news publishers to provide truly immersive experiences to their audiences in 360°

videos. Here is an example from The Huffington Post Canada up in Fort McMurray for the wildfire.

● (1315)

Last year, we were honoured to partner with Rideau Hall and the Governor General on a 360° video for his Innovation Awards, which has been viewed more than one million times.

Lastly, Facebook's instant articles is a product that enables news publishers to give their audiences an incredibly fast and immersive experience on Facebook. Publisher content loads instantly, and they have images and charts in them. Perhaps interestingly for the committee, where publishers use their existing ad inventory for instant articles, they keep 100% of the revenue.

We are constantly seeking feedback on instant articles. One key thing—and perhaps my colleague can speak more to it later—is that they asked for more advertising space in instant articles, and we have accommodated by altering the product to allow them to put even more ads into instant articles.

[*Translation*]

I would like to thank the Standing Committee on Canadian Heritage for listening to our presentation.

I am available to answer any of your questions.

Thank you.

[*English*]

The Chair: Thank you very much.

We will begin the question and answer session with Mr. O'Regan, from the Liberals. You have five minutes, please, Mr. O'Regan.

Mr. Seamus O'Regan (St. John's South—Mount Pearl, Lib.): We are very happy that you gentlemen are here because it seems like, as we've said before, all roads lead back to Facebook and Google. That's something that we heard from our previous witnesses and throughout the testimony of our study.

There's no question that Facebook, although it doesn't characterize itself as a media company, is certainly the world's largest content aggregator. I don't know what the numbers are in Canada when you talked about newsfeeds in your presentation, but I suspect they're not much different from the States. About 44% read or watch the news on Facebook. When you look at ad revenue, Facebook had, I think, \$7 billion in ad revenue in the third quarter alone this year, which is up some \$3 billion year over year from last year. It is huge, and as you said, the newsfeed is very powerful, and with great power comes great responsibility.

As you described newsfeeds and your ability to choose viewpoints that you're comfortable with or attracted to, I'm just wondering how myopic that becomes. There are a lot of people worried right now.

I was reading an article in *Fortune* magazine saying there are no editors, of course, to encourage alternative viewpoints. *Fortune* said in this dire analysis that the traditional media withers and political discourse becomes ever more insular at a frightfully accelerating speed. It used the example that, by the time a fabricated story about the Pope endorsing president-elect Donald Trump was proven bogus, it had been shared a million times.

There is great responsibility that comes with that. I know your CEO and president has insisted that the site did not have any influence on the election, but apparently that has provoked a fierce debate within your company. I'm just wondering about that moral responsibility of alternative viewpoints and how perhaps that may affect your newsfeeds in the future.

Mr. Kevin Chan: To give you some stats, in Canada, nearly 1.5 million people, or approximately 10% of Canada's mobile daily active users, click on an instant article every day, and more than seven million people, or more than 40% of Canada's 17 million daily active people on Facebook, engage with publisher content by clicking on the link that takes them directly to their website.

With respect to your other question, sir, I believe you are referring to references with regard to a filter bubble, or an echo chamber, as I've read it described. There is empirical research, which is peer reviewed, published on this. It shows that, in fact, when you look at the numbers, people are actually exposed to more differing views online, it turns out, than they would be in their day-to-day lives. This, perhaps intuitively, is interesting, because in our day-to-day lives we're going to go and meet with the same few people every day, whereas on Facebook, as an example, you connect with friends from high school, friends from university, friends from work, and neighbours.

Our CEO Sheryl Sandberg has described these people as both strong and weak ties. In fact, you will likely see much more diverse views expressed on Facebook than you would in the past when you would presumably interact with five to 10 people a day or consume your content from one particular television station or newspaper.

• (1320)

Mr. Seamus O'Regan: Let me ask you about the fake news concern. I know that Google and your company announced on Monday an attempt to halt the spread of fake news on the Internet by targeting some of the purveyors of phony content and how they make money, really, through advertising. What a lot of people are wondering is how, and this might be an early question, but how do you implement that and how do you enforce the refereeing of fake news?

Mr. Kevin Chan: At this point, it is very early days. We don't have more to say, other than Mark Zuckerberg's post, which I can circulate to you after, if you haven't seen it.

Mr. Seamus O'Regan: I've read it.

Okay, thank you.

The Chair: You do have another 30 seconds.

Mr. Seamus O'Regan: Dare to dream, Madam Chair.

The Chair: Thank you.

Mr. Waugh, you have five minutes, please.

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

It's incredible where Facebook is today after 12 years of existence. We just heard witnesses say they're receiving less money in advertising, yet it's an all-time record for Facebook now, with \$3.8 million from November of 2015 to June of 2016, by the Government of Canada. We compare those numbers with \$5.8 million from April

of 2006 to early June of 2014. That's a massive increase going to Facebook.

I have an article here, it's actually paper, that says Destination Canada spent this, and the immigration department spent this. I am a dinosaur. Obviously, the government can spend a ton of money on digital ads, but do we know they're working?

That's my issue with digital. If I see it in the paper, if I see it on television, or if I hear it on the radio, I pretty well have traction. I don't know if I'm getting the traction on digital. Are we seeing that? Does Public Works, in charge of advertising for the federal government, know what's going on?

Mr. Kevin Chan: Obviously, sir, the questions for Public Works, I respectfully submit, would probably be best directed to Public Works.

I think the benefit of digital ads, and I'm speaking just for Facebook, is this idea that you will be able to have a very good sense of whether people have engaged with those ads.

John Stackhouse's book has been invoked in the past, and I think he describes it quite well in the book, which is to say that, before, you would presumably put an advertisement somewhere and not really have a sense of whether that was reaching your intended audience. The impressive nature of digital advertising is that you will have much greater certainty that you will be able to reach people.

As for the Government of Canada's spending plans, unfortunately, I am not in a position to answer.

Mr. Kevin Waugh: Has Facebook included any agreements with Canadian copyrights?

Mr. Kevin Chan: We have not done that. I'm not entirely sure what the nature of the question pertains to. I'm not a copyright expert, but if you—

Mr. Kevin Waugh: I'm just wondering. Sometimes, as was said, stuff appears on your site. There are copyright rules. I see you're going to ad breaks now, so you're going to be competing with other media in this country, if you don't mind me saying.

Mr. Kevin Chan: Just for the record, I do subscribe to a Canadian newspaper, a print edition, for which Mark gives me no end of trouble.

Mr. Kevin Waugh: Yeah. Agreed, you're a dinosaur, just to let you know.

Voices: Oh, oh!

Mr. Kevin Chan: I would say, with respect to copyright, and perhaps I misunderstand the question, but the nature of the way things are shared on Facebook is people. Publishers themselves put articles on Facebook. They put articles, unless it's an instant article.... The traditional way has been to provide a link directly to their web page. In that instance, people, Canadians, would consume the content directly on the page itself, on the publisher's news site.

Mr. Kevin Waugh: As we've also heard here, we're looking at Europe, and they seem to get that digital news initiative. Google has been talked about here. The fund has a budget of 150 million euros to supply support. Could that come to North America and to Canada?

•(1325)

Mr. Kevin Chan: I can't speak to this particular program. I'm not familiar with it. For us, at Facebook, we want to work directly with publishers to help them monetize. There are digital ads that exist on their news sites. I think what we're talking about here are potentially pathways to monetize on Facebook Live, and clearly on instant articles people are doing that. In that case, they keep 100% of the revenue. We won't even be in that process, really.

Mr. Kevin Waugh: Mr. Maguire.

Mr. Larry Maguire: Okay.

Mr. Larry Maguire: I'm concerned about the credibility and that issue. I wonder if you could elaborate on that. Others have commented that when you have it in your hands, then it's more credible. I find that if it's extrapolated for the amount of time that Mr. Waugh has just indicated, there would be about \$6 million spent in advertising this year with Facebook by the federal government through Public Works.

Is that accurate? How do you maintain the readership and the credibility of the statements that are used not from the government, because that's direct advertising, but on the other side with the publishers that you pick up?

Mr. Kevin Chan: As I mentioned with Mr. O'Regan, these are very early days, as you can appreciate, based on events in the United States. I can circulate Mr. Zuckerberg's posts on it on Facebook from last weekend.

One thing I can talk about is clickbait. We've heard a bit about clickbait, and for those who are not familiar, those are leading headlines that get you to go ahead and click on stuff in order to drive you to their websites. We have spent a lot of time on the newsfeed trying to figure out what clickbait looks like generally, and then trying to down rank them, so that they don't surface as readily.

Those are things that we do, and we take seriously. I think the point here is that we do want people to engage with good content and good-quality content. We do take our responsibilities very seriously.

Mr. Larry Maguire: I appreciate that, thanks.

The Chair: Thank you.

Mr. Nantel, you have five minutes.

[*Translation*]

Mr. Pierre Nantel: Thank you, Madam Chair.

Thank you Mr. Dinsdale and Mr. Chan for joining us.

Our clerk told us that you were preparing a written brief. Unfortunately, although we were very eager to meet with you, we are running out of time. It's pretty incredible! We are rushing to put questions to you, and we will have barely 20 minutes to do so.

That is why it is my duty, as a federal member of Parliament and the representative of my constituency to ask you to still submit your written brief. We currently have too little time.

Facebook is a major player that accounts for, based on the figures, about 20% of online advertising sales, 80% of which the Canadian domestic market is missing out on. That is more or less what the media representatives who came to testify here told us. 80% of

online advertising sales are going to American or international providers—in any case, not Canadian ones. Those providers have only a few employees in Canada, including you. You own about one-fifth of that 80%. According to an article that recently appeared on the Bloomberg website, you get about 20% of online sales, and Google gets the remaining 80%.

As Canadians, how do you respond to that accusation that we are hearing from all over the place? There probably a few nuances, a few people who are freaking out at CBC, which is putting advertising online. People are quarrelling over 12%. I apologize, but this is honestly quite minor. We have control in that area, and we can talk to the CBC representatives and ask them to make an effort. However, the crux of the problem is not that, but rather the remaining 82%. What do you have to say about that?

[*English*]

Mr. Kevin Chan: We are very pleased to provide a platform that has been—

Mr. Pierre Nantel: So popular.

Mr. Kevin Chan: —largely successful. One cannot predict the future but we are very happy that it has been successful thus far. Obviously, I think at the end of the day these decisions about where an advertiser will place an advertisement is up to the individual.

We feel that we have a good platform that drives user experience and that has a good user experience, but—and you will appreciate this—

[*Translation*]

I don't want to speak without knowing my facts.

[*English*]

I don't want to presume why advertisers would choose one platform or another, but we are proud of our ability to be able to reach a vast audience both in Canada and abroad.

[*Translation*]

Mr. Pierre Nantel: Thank you for your answer. I understand your prudence.

However, the reality—and I am not an economist nor I am familiar with those types of major statistical analyses—is that I am old enough to know that, in the 1960s, the auto pact was created. The Americans sent all their cars to Canada. So the Canadian government told itself that, since Canadians had to buy so many of those products, we may as well manufacture them in the country because Canadian dollars eventually always went abroad.

That is what is currently happening, basically, when it comes to advertising sales on the Internet. The print model is slowly disappearing and leaving behind it some nostalgia. People listen to vinyl records and read real newspapers on Saturday morning, like you—that's nice and thank for having so much affection for our old formats—but we will have to resolve the situation. We cannot refer to this as natural resources, but we are letting our advertising market leave the country. In this context, I want to ask you what the proportion of business purchases made online is compared with individual purchases.

As an individual, I also buy advertising on Facebook. Of course, I will spare you the debate on sales taxes. I believe that the government is currently trying to figure out the possibility of charging transactional taxes on advertising purchases. What is the proportion of purchases? I am convinced that everyone here, all the members, buy advertising on Facebook and overlook the fact that they are not paying any GST. Do companies like Honda Canada have to present themselves as

[*English*]

your local car dealer

[*Translation*]

or rather as Honda Canada?

[*English*]

Mr. Kevin Chan: What I can share—and this is current as of September 2016—is that there are over four million active advertisers on Facebook globally. The vast majority are small businesses and more than 70% of these advertisers are located outside the United States.

• (1330)

[*Translation*]

Mr. Pierre Nantel: Okay. Thank you.

In any case, if possible—I have 15 seconds left—I ask that you send us your written presentation.

Thank you.

[*English*]

The Chair: Thank you, Mr. Nantel.

Ms. Dabrusin is next, for the Liberals.

Ms. Julie Dabrusin (Toronto—Danforth, Lib.): There have been a few questions already about hoax news, and some of the stories have been coming out in the media over the past few days. One article I read referred to there being a project launched by Facebook in 2015 to try to segregate fake news.

I wonder whether you could provide us any details on what that project would have been.

Mr. Kevin Chan: I personally, ma'am, am not familiar with it. Perhaps Marc is.

Mr. Marc Dinsdale (Head, Media Partnerships, Facebook Canada): I don't have any specific details of it. I know that there are constant efforts. There's a great philosophy of "test and learn" within Facebook, so what we see are the adaptations from day to day. Understanding how news is produced and the changes within that market as well is a constant progression.

I don't know that there's anything in particular that we would have pointed to in that time period, as distinct from the day-to-day improvements that we always try to make relative to the algorithm, relative to—

Ms. Julie Dabrusin: It was, I believe, in the BuzzFeed articles that came out about it, in which they were specifically referring to the fact that it would reduce distribution, which is a bit of what you were talking about. It was clickbait, right there, but it also would identify it as false or a hoax. There was a feeling, in the article in

which they were describing this project, that it would have had partisan repercussions, that certain types of articles might have been removed more than others, on a partisan basis, and this was why it wasn't followed through.

Mr. Kevin Chan: I honestly cannot comment on that. I don't know about the particular reference.

As I mentioned, we have done stuff over the summer to address clickbait, as it's commonly known as in the industry, but I unfortunately am not familiar with the particular thing you're talking about.

Ms. Julie Dabrusin: If you become aware of the 2015 project that's referred to in the BuzzFeed article, would you be able to provide us with the details?

Mr. Kevin Chan: I can ask and provide you with something to the extent that I can confirm it. At this point, I cannot make that commitment on my own, and I don't really know what—

Ms. Julie Dabrusin: If you can look at that reference and find out if there is a project out there and let us know the details, that would be great.

Mr. Kevin Chan: Sure.

Ms. Julie Dabrusin: You referred to a book I mentioned in our last meeting in which there was a reference to the fact that Facebook was the second-largest driver to major news media such as, let's say, *The Globe and Mail*. In fact, Google was first and Facebook was second, as far as getting people to read articles from the *Globe* was concerned. There was also a gendered part to that, which was very interesting, which was that it was more of a female audience.

Do you have any breakdowns as to that part, the gendered audience of people who are clicking through on Facebook?

• (1335)

Mr. Kevin Chan: I don't have that information. Marc can perhaps provide more detail. I suspect that this type of information is something that probably the publishers may know about.

Mr. Marc Dinsdale: Within their reporting suites, each publisher has a breakdown by gender, by age group, etc., so they can look at the analysis of who is frequenting their pages, who is clicking on the links to go to their own properties.

That is probably where Mr. Stackhouse would have pulled that information from. It would have been, very specifically, their insights within the publishing tool.

Ms. Julie Dabrusin: They get it themselves, but not through Facebook.

Mr. Marc Dinsdale: It's a reporting tool that we provide to them so that they can understand the audience that is interacting with them on Facebook, so that they can use that information in analysis or as part of their business planning as well.

Ms. Julie Dabrusin: We're talking about local news. One thing I find fascinating when I look at my own community is that there are a lot of local pages or groups that form: "I am a Leslievillian!", "I'm from East York", "Friends of Withrow Park". In fact, that is the way that people are now sharing many of their local news stories, completely independent from traditional media.

What do you see among those developments about how people are sharing news? Do you have any stats about the number of pages or what kind of information is being flowed through those types of independent groups?

Mr. Kevin Chan: I don't.

Marc, I don't know whether you have any information on that.

Private groups are private groups. One interesting anecdote, really, is how people are using these things. We were with Niki Ashton over the summer a year ago, up in her riding. She said, if you want to know how first nation communities are using Facebook groups, you should come and see this.

We went with her, and she was indicating how everybody in the community was actually in the Facebook group. When it was time for little Jimmy to come home for dinner, rather than call somebody they'd just post in the group, "Tell Jimmy it's time to come home."

Indeed, out in many communities, and especially remote, rural ones, Facebook groups are incredibly powerful for sharing. Presumably then, that includes the sharing of articles.

Ms. Julie Dabrusin: Thank you.

The Chair: Thank you very much. That's over the five minutes.

We have come to the end of our round of questions and answers. As chair, I would like to ask a question.

Today we heard from one of our witnesses, Mr. Waddell from the *Neepawa Banner*, that information should be verifiable and accountable. This is at the heart of what many of us are concerned about. When someone shares what is considered to be a piece of news, the accountability should be to make sure that news is verifiable. I am not talking about fake news when somebody posts a piece of whatever as a joke. I am talking about Mrs. Jones posting news, and it may come across as news.

If Facebook is going to become an aggregator or purveyor of news, I understand and I think it's great when you send people to the newspaper or the television or the radio to verify their news because all those other platforms have a duty to be verifiable and accountable. The accountability piece comes in, that if they're not verifiable news then legislation is in place to make them accountable for posting unverifiable news. The concern of a lot of people has been that if you are posting news and they're going into news, should you not have an equal responsibility to be as verifiable for those news items?

If everyone is going to Facebook as a platform, if everyone is looking at news there and we're looking at an election—Mr. Trump's election was the last one, or Brexit being another example—people believe what they read. How can a democracy be well served when the information isn't verifiable? People will make decisions based on what they consider to be news. The definition of news on these kinds of media needs to be dealt with. I don't know whether anyone has talked to you about this, and whether you feel you're going to move in this direction. Otherwise, people get information that is not true, not real, and they act on it. There is a responsibility.

● (1340)

Hon. Peter Van Loan (York—Simcoe, CPC): That's why everyone thought Hillary was going to win.

The Chair: But anyway, that's the issue. It's a philosophical question but it is a real one to serve democracy and to serve the whole objective of information being reliable and accountable.

Mr. Kevin Chan: Thank you for that, Madam Chair.

As I mentioned to Mr. O'Regan, our CEO Mark Zuckerberg is very much seized with the issue. He posted about this on Saturday, and I can certainly circulate it to the committee if folks have not seen it. I think one of the things he has said is that over 99% of the content that people see on Facebook is authentic.

Then there's a question of what additional measures we should be taking. It is early days, as I mentioned, but we are very much seized with the issue. I think Mark also makes the point at the end of the post to talk about the challenges of potentially finding that balance between what is truly fake and a hoax, and what is opinion, etc.

I want you to know, and obviously I want the parliamentary committee to know, that Facebook takes our responsibilities very seriously, and we hope to be able to share information in the coming weeks and months.

The Chair: Thank you.

Just as a quick aside, some reporters from the news media who came to us told us that while it's very nice to have six million people reading their piece that was taken by a Facebook user and put on the web, it doesn't pay the mortgage. How do you monetize using people's intellectual property?

Mr. Kevin Chan: Again, Madam Chair, if I may humbly submit, I don't believe that is an accurate way to describe what is happening. Let's say that if I share an article presumably there would be a photo or some kind of caption or some headline. But when the individual I share it with clicks through it, it takes them directly to the website, so obviously that would be a way for them to monetize.

What we are really proud of being able to do and to talk about with the committee and with you today is that we are actually building new products that are essentially designed for publishers, like instant articles, where they will monetize 100% of the revenue. So I would humbly submit to you, Madam Chair, that we are very much seized with the issue. As I indicated, we take our responsibilities seriously and we do want to help publishers develop new models for monetization.

The Chair: Thank you very much.

Thank you for coming. Thank you for sharing with us.

I thank the members of the committee for their questions. I will entertain a motion to adjourn.

Mr. Van Loan.

Hon. Peter Van Loan: I so move.

The Chair: The meeting is adjourned.

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