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A call to Parliament to support trusted sources of news for Canadians

We represent Canadian media organizations committed to providing reliable, trusted, diverse sources of news and information. We are making this joint declaration because we are concerned about the future of a vibrant media ecosystem in Canada and what that means to the health of news and of democracy. We are asking Parliamentarians to help us address this threat quickly.

We have taken some action ourselves. Last summer, CBC/Radio-Canada asked the Public Policy Forum for help to co-chair a dialogue with newspaper publishers to explore what we can do together to strengthen news media for Canadians in a number of areas such as policy development. Today's declaration is one part of that effort.

The news industry in Canada is in trouble. We depend on advertising revenue to fund journalism but foreign tech giants now effectively control Canada's advertising market for news, dictating price and access for all companies. Digital players monetize news content they do not create and aggregate it across their platforms further undermining the ability of Canadian media to pay for the journalism we have created. At the same time, these players have contributed to a flood of disinformation and fake news which is undermining civil discourse. Facebook and Google now capture 75% of all Canadian digital ad revenue. Advertising revenues for traditional media continue to decline. Canadians have seen the result in media closures, cutbacks, and layoffs. Communities are losing their local media and, in the process, their access to trusted information about the stories which affect their lives most directly.

We have been evolving and adapting to the new realities of the digital world but Canadian policy, Canadian laws have been slower to respond. Current Canadian regulations were written for an analogue economy. As a result, foreign digital companies are profiting at the expense of a strong viable Canadian media industry. We can't afford to wait.

Countries around the world are tackling this problem. Australia has announced world-leading changes to their regulation of tech giants including sweeping reforms to enhance the government's enforcement powers, and Codes of Conduct between tech giants, the media industry, and consumers. France, the UK and the European Parliament are similarly taking action. Parliamentarians in Canada need to come together quickly to support a Canadian solution that creates fair rules on competition, copyright and taxation.

Fair Competition:

Healthy competition is good for a healthy ecosystem and diverse sources of news but outdated rules have permitted an unfair environment which favour foreign digital companies.

Last fall, the Competition Bureau made a public call for information about “conduct in the digital economy that may be harmful to competition¹” The Bureau has said it will look at behaviours by digital players that may lead to tipping; actions “that favour the emergence of a single winner”. This is an important initiative. It is essential that regulators are given access to the advertising algorithms of the large digital players to determine whether they are using their powerful algorithms to give priority over their own products at the expense of other companies.

More can be done. Canada needs a code of conduct, similar to Australia's, which can help govern the dealings between tech giants and Canadian media. We also believe the Competition Bureau needs the ability to impose greater fines for unfair behavior.

Copyright Protection:

While Canadian media companies continue to invest in quality news and information for Canadians, large digital players aggregate and disseminate that news coverage across their own platforms. They are scraping and republishing news content without permission or payment. They are profiting from the work and investment of Canadian media and further undermining the business model that supports Canadian journalism. This is simply not sustainable.

Copyright law already protects film, music and software companies, ensuring they have control over how and where their content is made available; ensuring they can negotiate a fair agreement over its use. News publishers need the same control over their content, with clear protection in legislation. This would ensure Canadian media can address unauthorized and unremunerated use of their content with legal tools to deal with large-scale infringements. These issues can be addressed with specific amendments now, without waiting for a wholesale review of the *Copyright Act*.

Fair Taxation:

The government has signaled that it is looking at leveling the playing field with foreign digital companies with respect to taxation in the upcoming federal budget. This is a welcome start. Canadian companies cannot compete when they are required to collect sales taxes on behalf of

¹ <https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04494.html>

the government, but foreign companies are not. Whether through corporate taxes or contributions to culture like the Canada Media Fund, Canadian companies who benefit from our market, already contribute to it. Foreign digital companies do not.

Many countries are closing this gap. France is imposing a 3% tax on French revenues of digital giants. The UK is promising a 2% levy on sales of digital services by April 2020. Canadians should not be left behind.

Some action could be taken immediately. The Government of Canada has long supported Canadian media through Section 19 of the *Income Tax Act*, which allows companies to deduct the cost of advertising only when their ads are placed in Canadian publications. This is an effective tool but the law has not been updated to capture digital publications. When the law was first enacted, digital advertising was very small. Now it is over 50% of all advertising and growing while other media is shrinking. This loophole should be fixed now.

These are issues of fairness. By not taking action, Canada is giving away a growing source of revenue, while providing foreign companies with a further economic advantage over Canadian companies.

A Canadian Response

The government has taken concrete measures to support journalism in Canada through tax credits, incentives, and its Local Journalism Initiative. These are important and welcome steps. We must also note the words of the independent panel appointed to assist with the implementation of those measures:

*The Panel wants to stress that this program alone will not be enough to prevent the disappearance of many essential sources of information, especially small local news media outlets that are not covered by the Budget 2019 measures and that are extremely vulnerable. Other support programs should be considered.*²

We media organizations will continue to work together to do what we can to support a healthy news ecosystem for Canadians. We are making this declaration now to highlight what further action government can take, and to demonstrate that there is agreement on what that action should be.

To Canadians we offer this observation: The journalism being produced every day by people in your community is important. Now more than ever. We encourage you to support Canadian media in your community. A strong democracy depends on diverse sources of trusted news. We all have a role to play.

Signed,

² <https://nmc-mic.ca/wp-content/uploads/2019/07/English-Panel-Report-20190717.pdf>

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