

# Digital Disruption in News Media: Evaluating the Canadian Online News Act

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## Executive Summary

In this report, I evaluate the effectiveness of the Canadian Online News Act (the “Act”), a December 2023 policy response to the financial challenges facing news publishers with the stated objectives of enhancing fairness in the Canadian digital news marketplace, supporting press independence, and promoting diversity among news outlets. I explain that despite its good intentions, the Act as structured is unlikely to meet its objectives and has resulted in unintended negative consequences for the news ecosystem.

By focusing on negotiations over news pricing between “digital news intermediaries,” Google and Meta, and news publishers, the Act fails to address the consequences of the primary core business dynamic facing news publishers, namely, decreased ad revenues in the face of increased competition for advertisers (and more choices for advertisers). To the extent legislative intervention should be pursued to address the consequences of increased competition and choice (a question I do not address in this report), this law is unlikely to accomplish its objectives. Further, since Meta does not derive substantial benefit from making news content available on its platforms, the Act’s focus on news pricing led to Meta’s rational decision to block news content from its platforms, which is an undesirable outcome for both news publishers and Canadian users.

The implementation of the Act has also already caused and will likely continue to have unintended negative consequences. First, the Act distorts news publishers’ ability to utilize Meta as a strategic complement by amplifying their content on Meta’s platforms and increasing traffic to their websites, leading to more advertising dollars and, potentially, more subscribers for the news publishers. Second, given the general definition of “news content” provided in the Act, the regulation assigns the responsibility to Meta to determine what constitutes Canadian news, both conceptually and technically. This is not desirable, as the Act creates a tension between Meta’s potential obligations and its users’ (both news publishers and Canadian users) ability to post freely, namely developing methods restrictive enough to ensure compliance with the Act, but not so strict as to unduly limit users’ ability to post or share content that falls outside the Act’s scope. Thirdly, given the Canadian government’s apparent intent to apply the Act only to Google and Meta, the Act may distort competition amongst digital platforms by altering their growth incentives.

It is clear that the government views the societal problems identified in the Act as important ones that require a new policy. However, given the complexity of the ecosystem, it is crucial to ensure that such a policy is fair to all stakeholders and designed carefully to achieve its intended goals. My evaluation shows that the Act as currently structured is unfortunately not solving the government’s identified problems.

In **Section I**, I discuss the evolution of news consumption in Canada. In **Section II**, I discuss the evolution of digital advertising-supported business models. These sections provide the foundation for understanding the Canadian news landscape and the context in which the Act was designed. In **Section III**, I examine the Act in Canada as well as other regulations with similar objectives around the world. In **Section IV**, I analyze whether the Act is likely to meet its objectives. In **Section V**, I provide concluding remarks.

## I. The Evolution of News Consumption and Creation

The evolution of news media consumption has recently been marked by a gradual but significant shift from centralized, one-way communication channels, such as newspapers and television broadcasts, to decentralized, interactive digital platforms. This transition to online media has empowered consumers to not only choose from a vast array of news sources but also to engage with content creators in real time, fundamentally altering the dynamics of news dissemination and public discourse. These trends have been at work since the rise of the internet in the 2000s and have since continued to shape the news ecosystem.

As new technologies have emerged, the creation of news content has evolved from being largely the exclusive domain of professional journalists and media organizations to a more democratized environment where individuals and influencers can produce and distribute news. This shift has expanded the diversity of voices in the media landscape but has also raised concerns about the quality and credibility of information, highlighting the tension between accessibility and accuracy/reliability in modern news consumption. At the same time, the business models used by organizations that create and disseminate news have also evolved, reflecting the changing technologies used in the industry.

In this section, I describe several prominent types of news sources and how their business models have evolved over time, starting with more traditional and moving to some of the newer models.

### A. Newspapers: The Rise and Decline of Traditional Print Media

Canada's newspaper industry dates back hundreds of years, with the Halifax Gazette's first issue in 1752 generally considered to be Canada's first newspaper publication.<sup>2</sup> Newspaper business models have evolved over time. The main sources of revenue for newspapers are generally advertising and circulation sales.<sup>3</sup> However, print readership has been declining since the arrival of the radio,<sup>4</sup> and today, very few Canadians rely on print newspapers as their main source of news.<sup>5</sup> Indeed, over 400

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<sup>2</sup> The Canadian Encyclopedia, "First Newspapers in Canada," Yarhi, Eli, June 19, 2017, [www.thecanadianencyclopedia.ca/en/article/first-newspapers-in-canada](http://www.thecanadianencyclopedia.ca/en/article/first-newspapers-in-canada).

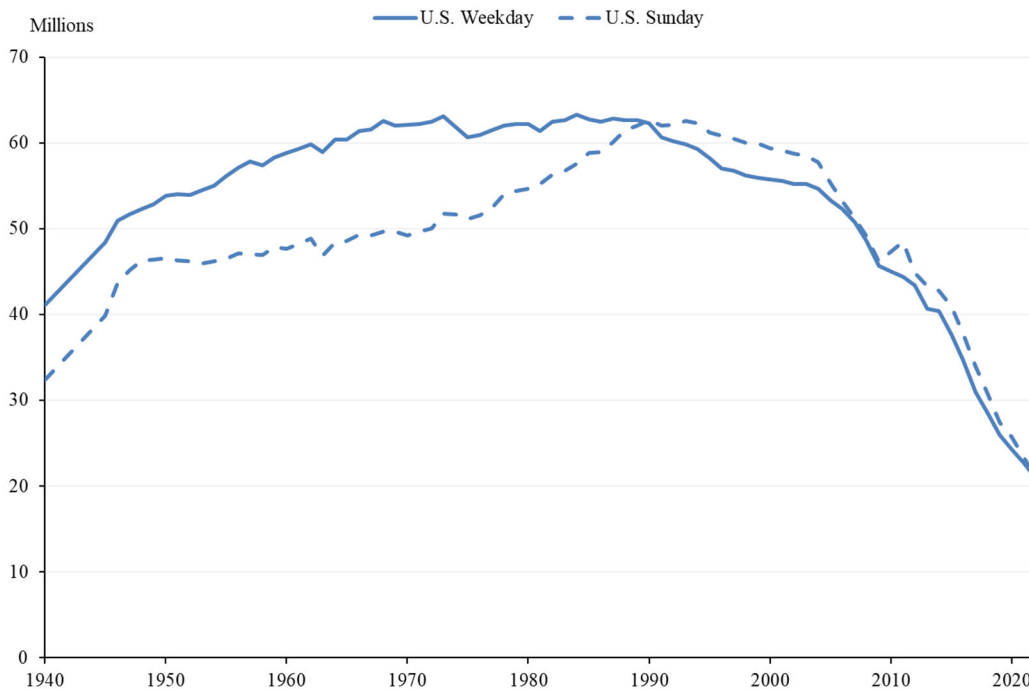
<sup>3</sup> Statistics Canada, "Table 21-10-0194-01: Newspaper publishers, breakdown of total sales," November 2, 2023, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2110019401>.

<sup>4</sup> Politico Magazine, "Don't Blame Craigslist for the Decline of Newspapers," Shafer, Jack, December 16, 2016, <https://www.politico.com/magazine/story/2016/12/craigslist-newspapers-decline-classifieds-214525/>.

<sup>5</sup> Angus Reid Institute, "As newsrooms grapple with shifting media landscape, most Canadians oppose government intervention," July 13, 2023, <https://angusreid.org/canada-media-consolidation-torstar-postmedia-government-funding-cbc/>.

papers closed between 2008 and 2021 due to declining readership.<sup>6</sup> As a result, nearly all major daily newspapers and most community newspapers have adopted digital websites, either as a substitute (similar enough to be used in its place) or as a complement (consumed at the same time or in conjunction) to their print versions.<sup>7</sup> **Figure 1** shows that, over the long term, the steady rise of the circulation of daily newspapers in the U.S.<sup>8</sup> since 1940 was interrupted in the early-1990s and began to decline, falling from 62.3 million in 1990 to 20.9 million in 2022.

**Figure 1: Circulation of daily newspapers in the U.S.**



*Note: Data for 2010 are not available and have been replaced with the average between 2009 and 2011.*  
*Source: Pew Research Center, "Newspapers Fact Sheet," November 10, 2023,*  
<https://www.pewresearch.org/journalism/fact-sheet/newspapers/>.

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<sup>6</sup> The Globe and Mail, "Nordstar to Put Metroland Newspaper Group into Bankruptcy, More than 70 Weekly Papers to Go Digital Only," Willis, Andrew and Joe Castaldo, September 15, 2023, <https://www.theglobeandmail.com/business/article-nordstar-puts-metroland-newspaper-group-into-bankruptcy-more-than-70/>.

<sup>7</sup> News Media Canada, "FAQ," <https://nmc-mic.ca/about-newspapers/faq/>.

<sup>8</sup> Data for Canada are available for a limited period of time (only from the mid-2000s onward to my knowledge as in News Media Canada, "Daily Newspaper Circulation Reports," <https://nmc-mic.ca/about-newspapers/circulation/daily-newspapers/>). U.S. data are shown instead and provide a relevant comparison to illustrate the evolution in circulation of daily newspapers over the long term.

Despite declining print circulation, as shown in **Figure 2** below, non-advertising revenues (comprised of newsstand sales, subscriptions, patronage and public funds) have remained fairly steady over the last two decades (0.9 billion CAD on average in 2004-2010 and 2018-2022), as public funding and digital sales have offset losses in paid print circulation.

However, **Figure 2** also shows that advertising revenues have declined (from 3.7 billion CAD on average in 2004-2010 and to 1.2 billion CAD in 2018-2022).<sup>9</sup> Advertising revenue refers to revenue from national, local, classified, and digital advertising in both daily and community newspapers, in print and on digital webpages.<sup>10</sup> A small share of revenue is also derived from custom printing sales, distribution of flyers and inserts, and licensing content through digital aggregators.<sup>11</sup> As shown in **Figure 3**, most of the decline in advertising revenues has been driven by declines in advertising revenues from printed papers (from 2.1 billion CAD in 2014, to 0.6 billion CAD in 2022), whereas digital advertising revenues have actually increased (from 0.2 billion CAD in 2014, to 0.3 billion CAD in 2022) as newspapers have begun developing a larger digital presence.<sup>12</sup>

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<sup>9</sup> Winseck, Dwayne (2023), "Media and internet concentration in Canada, 1984-2022," <https://doi.org/10.22215/gmicp/2023.2>. Global Media and Internet Concentration Project, Carleton University (hereafter "GMICP report"). Data from the accompanying Excel file "GMICP-Workbook-Canada-22012024.xlsx," ("GMICP accompanying dataset") at worksheet "Total Revenue (Millions)".

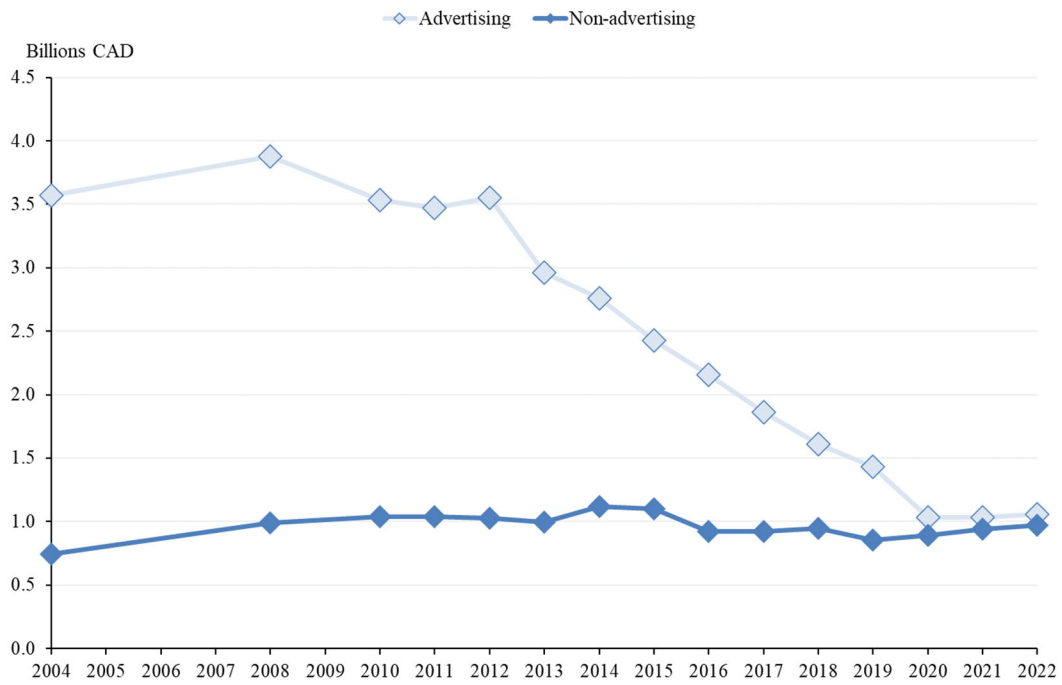
<sup>10</sup> Statistics Canada, "Table 21-10-0197-01: Newspaper publishers, sales by type of advertising (x 1,000,000)," November 2, 2023, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2110019701>.

<sup>11</sup> Statistics Canada, "Table 21-10-0194-01: Newspaper publishers, breakdown of total sales," November 2, 2023, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2110019401>. The New York Times Company, (2023), "Form 10-K," p. 5, <https://nytco-assets.nytimes.com/2024/02/2023-Form-10-K.pdf>.

<sup>12</sup> Statistics Canada, "Table 21-10-0196-01 Newspaper publishers, advertising sales by type of format," November 2, 2023, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2110019601>.

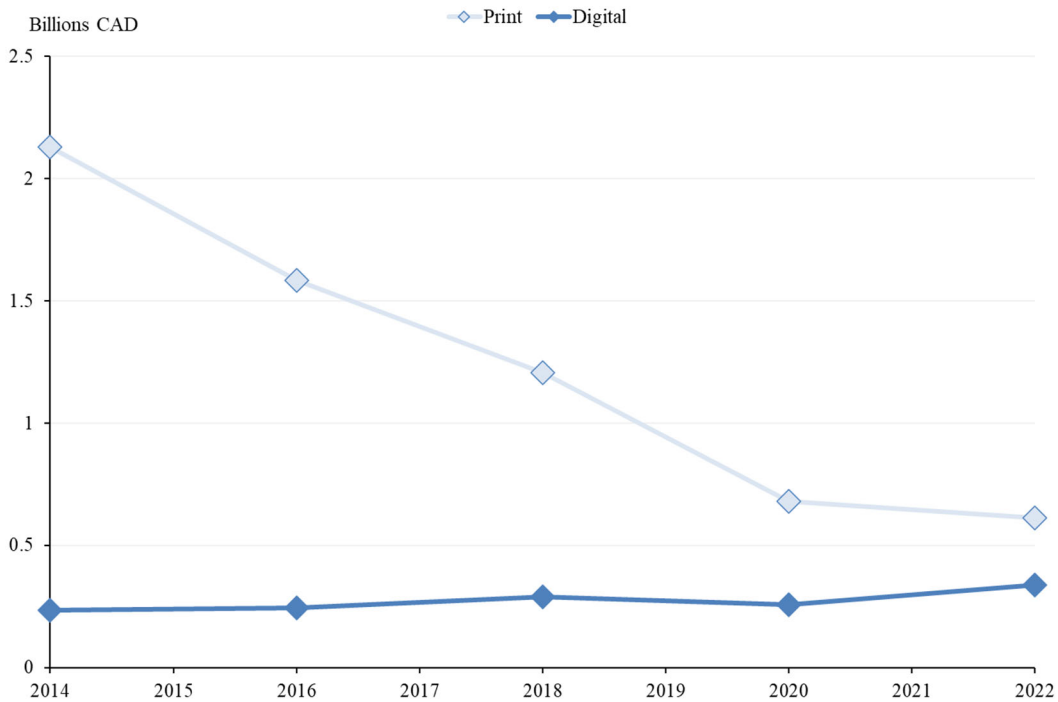


**Figure 2: Newspaper revenues in Canada**



Source: GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

**Figure 3: Newspaper advertising sales by newspaper format in Canada**



Source: Statistics Canada.<sup>13</sup>

Contributing to the decline in print advertising revenues were dramatic changes in the available options for classified advertisers—that is, advertisers offering to sell or buy something, or to solicit or offer services. As shown in **Figure 4**, newspapers historically generated a large portion of their advertising revenue from classified ads. However, with the advent of the internet, their revenues were hard hit by the migration of classifieds to websites like Kijiji (launched in Canada in 2005<sup>14</sup>), Craigslist (respectively in 2000<sup>15</sup>), and Cars.com.<sup>16</sup> As shown in the chart below, classified ads

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<sup>13</sup> Statistics Canada, “Table 21-10-0196-01 Newspaper publishers, advertising sales by type of format,” November 2, 2023, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=2110019601>.

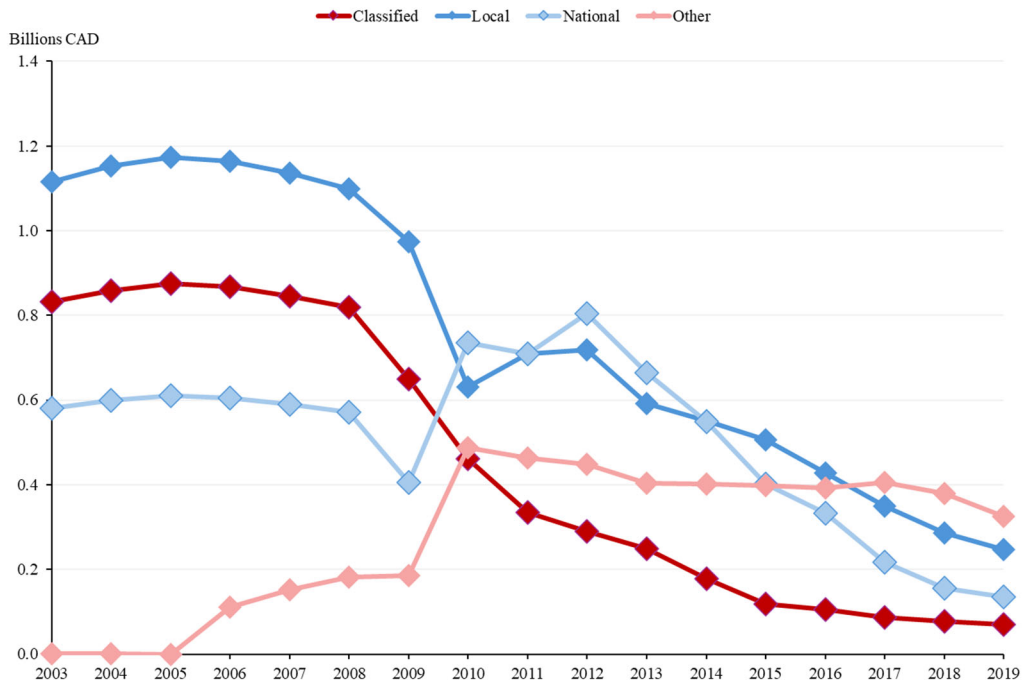
<sup>14</sup> Kijiji, “About us,” [https://www.kijiji.ca/kijijicentral/about-us/?utm\\_source=Kijiji&utm\\_medium=Footer](https://www.kijiji.ca/kijijicentral/about-us/?utm_source=Kijiji&utm_medium=Footer).

<sup>15</sup> Wikipedia, “craigslist,” <https://en.wikipedia.org/wiki/Craigslist>.

<sup>16</sup> Politico Magazine, “Don’t Blame Craigslist for the Decline of Newspapers,” Shafer, Jack, December 16, 2016, <https://www.politico.com/magazine/story/2016/12/craigslist-newspapers-decline-classifieds-214525/>. Minnpost, “How Craigslist killed the newspapers’ golden goose,” Reinan, John, February 3, 2014, <https://www.minnpost.com/business/2014/02/how-craigslist-killed-newspapers-golden-goose/>.

comprised 32% of daily Canadian newspapers' revenues on average in 2003-2008.<sup>17</sup> By 2019, they only comprised 9%,<sup>18</sup> and instead Kijiji has become synonymous with classifieds.<sup>19</sup>

**Figure 4: Daily newspapers advertising revenues in Canada**



Source: News Media Canada.<sup>20</sup>

Due to the overall declines in advertising revenues, newspapers have experienced substantial erosion in their profit margins, from 9.3% in 2014 to 2.5% in 2022.<sup>21</sup>

<sup>17</sup> News Media Canada, Net Advertising Volume Canada Reports for 2012, 2019, and 2022, <https://nmc-mic.ca/research-statistics/newspaper-revenue/>.

<sup>18</sup> News Media Canada, Net Advertising Volume Canada Reports for 2012, 2019, and 2022, <https://nmc-mic.ca/research-statistics/newspaper-revenue/>.

<sup>19</sup> The New York Times, "Kijiji, a Flop in the U.S., Rules Online Classifieds in Canada," Austen, Ian, May 17, 2015, <https://www.nytimes.com/2015/05/18/technology/kijiji-a-flop-in-the-us-rules-online-classifieds-in-canada.html>.

<sup>20</sup> News Media Canada, Net Advertising Volume Canada Reports for 2012, 2019, and 2022, <https://nmc-mic.ca/research-statistics/newspaper-revenue/>.

<sup>21</sup> Statistics Canada, "Table 21-10-0191-01 Newspaper publishers, summary statistics," November 2, 2023, <https://www150.statcan.gc.ca/t1/tb11/en/tv.action?pid=211001910>.

## B. The Advent of Radio: Audio Broadcasting as a New Medium

The introduction of the radio in the 1920s offered an alternative audio-based, rather than print news medium, and as referenced above, marked the beginning of a decline in print newspaper readership. Despite its relative age, radio is still popular today as a news source. A 2020 survey found that a majority of Canadians (68%) listened to commercial radio<sup>22</sup> (AM-FM stations other than CBC Radio and ICI Radio-Canada) on a weekly basis, and over a third (39%) tuned in daily.<sup>23</sup> The same survey showed that Canadians believed radio to be the most important broadcasting platform to have access to (45% voted 8-10 on 10 point scale), and 57% of these respondents believed local news content to be the most important aspect of radio.<sup>24</sup>

**Figure 5** below shows that broadcast radio (including public, commercial, and satellite subscription-based radio) revenues in Canada have been relatively stable in the last decade (from 2.2 billion CAD on average in 2011-2017 to 2.1 billion CAD in 2018-2022).<sup>25</sup> During this period, subscription revenue, driven by Sirius XM, increased from 238 million CAD in 2011 to 532 million CAD in 2022, and public funding increased from 280 million CAD in 2011 to 317 million CAD in 2022.<sup>26</sup> However, advertising revenues have declined (from 1.6 billion CAD on average in 2011-2017 to 1.3 billion CAD in 2018-2022).<sup>27</sup> Advertising comprises the overwhelming majority of private commercial (non-subscription) Canadian radio revenue,<sup>28</sup> and is the second largest source of revenue after public funding for the Canadian public radio, CBC/Radio-Canada.<sup>29</sup> However, according to industry analysts, dedicated radio listeners sustain radio's appeal to advertisers, along with its being, "... cheap, effective and

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<sup>22</sup> In the survey, commercial radio is defined as "an AM station or FM station (operating on the AM or FM frequency band) other than a campus/community station, an Indigenous station or an ethnic station, and other than one that is owned and operated by the CBC/Radio-Canada or a not-for-profit corporation." Ipsos Public Affairs, "Attitudes and opinions towards commercial radio in Canada," p. 11, [https://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/crtc/2021/090-19-e/POR090-19-Final\\_Report.pdf](https://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/crtc/2021/090-19-e/POR090-19-Final_Report.pdf).

<sup>23</sup> Ipsos Public Affairs, "Attitudes and opinions towards commercial radio in Canada," p. 6, [https://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/crtc/2021/090-19-e/POR090-19-Final\\_Report.pdf](https://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/crtc/2021/090-19-e/POR090-19-Final_Report.pdf).

<sup>24</sup> Ipsos Public Affairs, "Attitudes and opinions towards commercial radio in Canada," p. 6, [https://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/crtc/2021/090-19-e/POR090-19-Final\\_Report.pdf](https://epe.lac-bac.gc.ca/100/200/301/pwgsc-tpsgc/por-ef/crtc/2021/090-19-e/POR090-19-Final_Report.pdf).

<sup>25</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>26</sup> GMICP report and accompanying dataset at worksheets "Total Revenue (Millions)" and "Broadcast Radio."

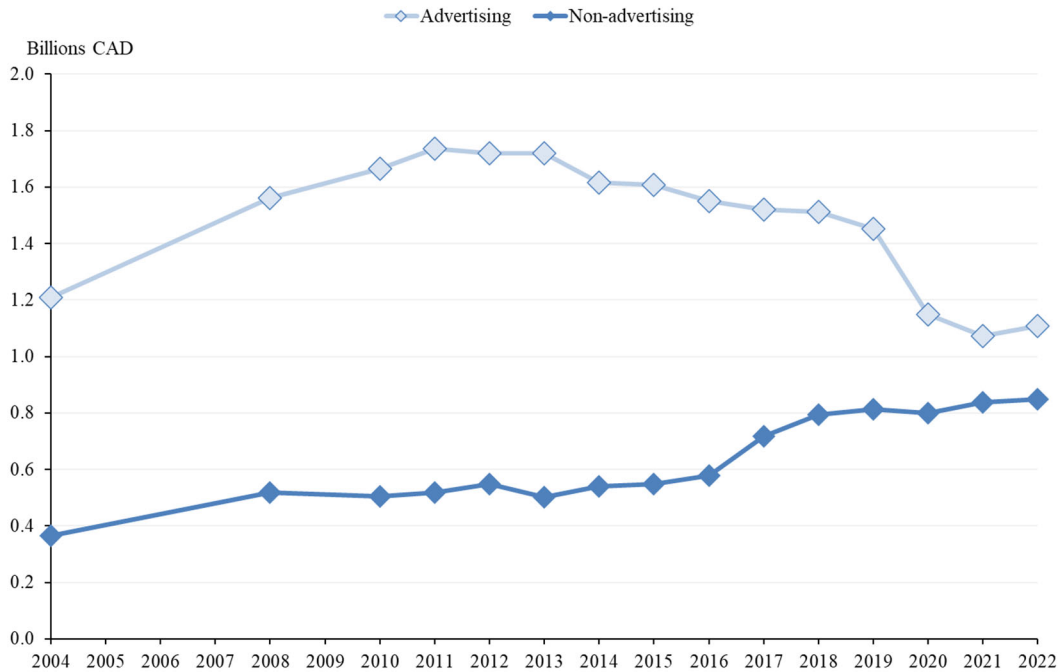
<sup>27</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>28</sup> Communications Management Inc., "Structural change in the Canadian commercial radio market: Implications for public policy," January 30, 2023, p. 1, <https://www.cab-acr.ca/wp-content/uploads/2023/02/CMI-CAB-ResearchNote-Radio-StructuralChange-Jan3023.pdf>.

<sup>29</sup> CBC Radio-Canada, "2021-2022 Annual Report," <https://cbc.radio-canada.ca/en/impact-and-accountability/finance/annual-reports/ar-2021-2022/financial-sustainability/revenue-and-other-funds>.

always there [as] a safe bet,” even with the growing presence of digital media (as further discussed below).<sup>30</sup>

**Figure 5: Broadcast radio revenues in Canada**



Source: GMICP report and accompanying dataset at worksheet “Total Revenue (Millions).”

### C. Television: Visual Media and the News Revolution

Continuing the march of technological change, television entered Canadian homes in the 1950s, adding a visual option to the choices available to Canadian news consumers. According to a recent survey, television remains the second most popular medium for news and current affairs in Canada today (right behind the internet) and continues to be the most common source among those age 35 and older (65% for ages 35 to 54; 88% for ages 55 and older).<sup>31</sup>

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<sup>30</sup> Veritone, “Radio vs. Digital Advertising: Why Radio Stays Relevant,” <https://www.veritone.com/blog/radio-vs-digital-advertising/>.

<sup>31</sup> Statistics Canada, “Media Consumption in Canada: Are Canadians in the Know?,” March 28, 2023, <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022055-eng.htm>.

**Figure 6** below shows that broadcast television revenues in Canada have fallen over the last two decades (from 3.2 billion CAD on average in 2004-2010 to 2.5 billion CAD in 2018-2022), driven by a decline in advertising revenues (from 2.2 to 1.6 billion CAD) while non-advertising revenues have slightly increased (from 0.9 to 1 billion CAD). Like newspapers and radio, advertising comprises a large share of revenue for many television providers. For simplicity, Canadian television stations can be split into two categories, (i) conventional television and (ii) discretionary services. Conventional television refers to free television services provided over the air (OTA). These services are local/regional stations that often make up national networks (e.g., CTV, Global, CBC, CITY). Discretionary services are television stations that are not conventional television stations and are not OTA. These stations are typically provided by broadcasting distribution undertakings—or BDUs—(e.g., Rogers, Bell, Shaw, Eastlink, TELUS, Videotron, Cogeco) in their subscription packages.<sup>32</sup> Local and community level news stations are classified as conventional television (e.g., CTV Ottawa and Global Montreal).<sup>33</sup> Larger national level news stations (e.g., CTV News and BNN Bloomberg) are labelled as discretionary services.<sup>34</sup>

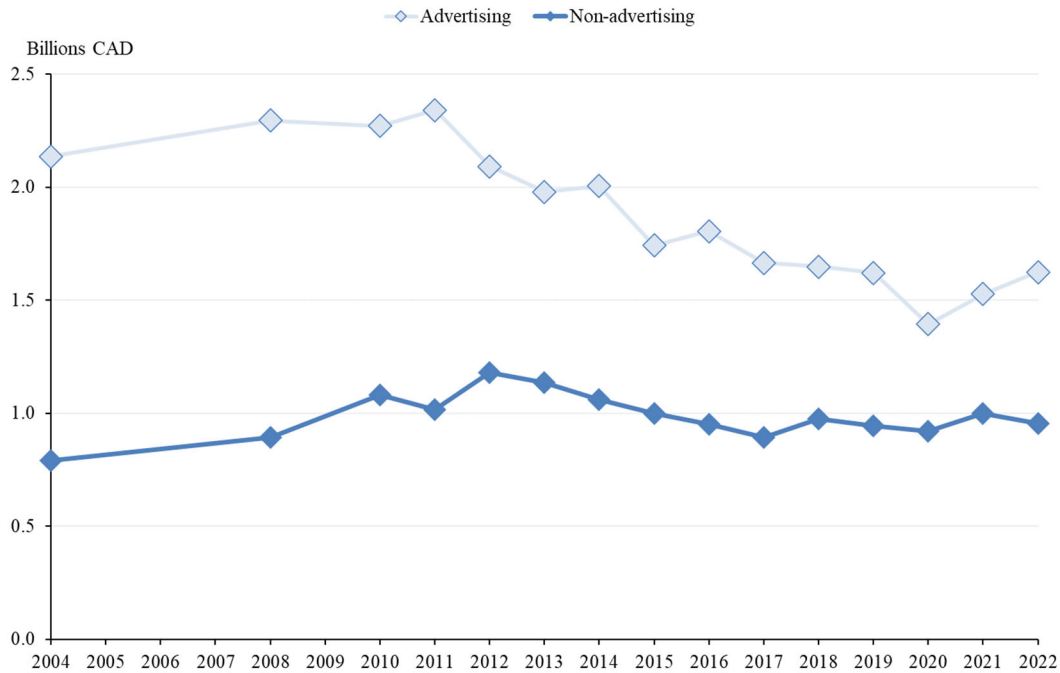
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<sup>32</sup> CRTC, “Types of TV broadcasters,” May 15, 2017, <https://crtc.gc.ca/eng/television/services/types.htm>.

<sup>33</sup> CBSC, “Conventional Television,” <https://www.cbsc.ca/associates/conventional-television/>.

<sup>34</sup> CBSC, “Discretionary Services,” <https://www.cbsc.ca/associates/discretionary-services/>.

**Figure 6: Private and public service broadcast television revenues in Canada**



Source: GMICP report and accompanying dataset at worksheet “Total Revenue (Millions).”

Conventional television relies heavily on advertiser spending to generate revenue.<sup>35</sup> This is especially the case for the private conventional broadcast television companies for which advertising represented 93% of total revenues in 2016 in Canada.<sup>36</sup> Increasing competition from discretionary television, streaming services (e.g., Netflix), and digital platforms (e.g., video aggregators, social media) have led to declining viewership numbers for conventional OTA broadcasters, and consequently, recent drops in ad spending.<sup>37</sup>

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<sup>35</sup> CRTC, “Harnessing Change: Financial Model of the Canadian Television Sector,” September 30, 2022, <https://crtc.gc.ca/eng/publications/reports/modeltele23.htm>.

<sup>36</sup> CRTC, “Conventional Television – Harnessing Change,” 2018, <https://crtc.gc.ca/eng/publications/s15/v5.htm>.

<sup>37</sup> CRTC, “Current trends – Broadcasting,” <https://crtc.gc.ca/eng/publications/reports/PolicyMonitoring/rad.htm>.

## D. The Podcast Boom: Audiovisual Content in the Internet Era

The widespread adoption of the internet in the 2000s introduced new options to news consumers. Podcasts, which started to appear in 2004,<sup>38</sup> are a form of digital audio and/or video media available over the internet. The percentage of Canadians who listen to podcasts monthly has increased from 14% in 2010 to 34% in 2022 according to Statista.<sup>39</sup> While consumption has been rising across all generations of users, statistics show that nearly half of podcast listeners are between the ages of 18 and 49.<sup>40</sup> According to Media Technology Monitor, 31% of Canadian adults listen to audio podcasts weekly, with an average listening time of 5.5 hours per week.<sup>41</sup>

Several explanations have been offered by industry analysts to explain the popularity of podcasts, including (i) the ability to focus on individual topics while radio and television broadcast a variety of programs, (ii) the wide diversity of genres and topics covered (news, comedy, history, science, personal development, etc.), (iii) the flexibility of listening to or viewing podcasts on the go using a smartphone or other mobile device, and (iv) the ability to subscribe to podcasts and get notified when new pertinent content is released.<sup>42</sup>

Within the podcasting landscape, a non-trivial portion relates to news. According to an early 2023 Reuters report, among the podcast listeners in Canada, 13% reported that they had listened to a news podcast in the previous month.<sup>43</sup> Likewise, according to a 2023 Pew Research Center survey,

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<sup>38</sup> The term “podcast” was first used in February 2004 by Ben Hammersley in an article from The Guardian and comes from the words “iPod” and “broadcast.” The first podcast dates back to 2004 and was created by Adam Curry (a former MTV VJ) and Dave Winer (a software developer). They extracted audio files from the internet and transferred them to an iPod, allowing users to listen to the contents on-demand and on the go, all from their iPods. International Podcast Day, “Podcasting Historical Timeline and Milestones,” <https://internationalpodcastday.com/podcasting-history/>. The Guardian, “Audible revolution,” February 11, 2004, <https://www.theguardian.com/media/2004/feb/12/broadcasting.digitalmedia>. Riverside, “Podcasts: The History of Podcasts & When They Were Invented,” Kendall Breitman, December 28, 2023, <https://riverside.fm/blog/podcasts>.

<sup>39</sup> Statista, “Share of adults who listened to a podcast in the last month in Canada from fall 2010 to spring 2022,” <https://www.statista.com/statistics/788900/canadian-adults-frequency-listening-podcasts/>.

<sup>40</sup> Statista, “Monthly podcast listeners in Canada from 2016 to 2022, by age group,” <https://www.statista.com/statistics/1396684/monthly-podcast-listeners-canada/>.

<sup>41</sup> Nlogic, “Podcast listening in Canada: who’s doing it and how often?,” Jo Loup, May 9, 2024, <https://inspiration.nlogic.ca/en/podcast-listening-in-canada>.

<sup>42</sup> Made in CA, “Podcast Statistics in Canada,” Nicole Blair, June 11, 2024, <https://madeinca.ca/podcast-statistics-canada/>. Great Learning, “How Podcasts play an important role in your digital marketing strategy,” Akriti Galav, May 6, 2024, <https://www.mygreatlearning.com/blog/podcasts-play-an-important-role-in-digital-marketing-strategy/>.

<sup>43</sup> Reuters Institute for the Study of Journalism and University of Oxford, “Reuters Institute Digital News Report 2023,” p. 49, [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2023-06/Digital\\_News\\_Report\\_2023.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2023-06/Digital_News_Report_2023.pdf).



in the U.S., 29% say that staying up to date about current events is a major reason they listen to podcasts.<sup>44</sup>

Due to their growing popularity, podcasts have also become an important medium for online advertising and have thus been contributing to the increase in digital advertising revenues. In the context of declining advertising revenues from traditional media (broadcast radio, broadcast TV, and newspapers) discussed above, Canadian (CBC, Radio-Canada, etc.) and international (The Economist, Le Monde, etc.) press publishers often offer podcasts as a way to attract audiences and deepen relationships with subscribers.<sup>45</sup>

Podcast advertising spending in Canada has steadily increased from 22 million CAD in 2017 to 82.24 million CAD in 2023 and is expected to reach 102.45 million CAD in 2027 according to Statista.<sup>46</sup> In Canada, 60% of all podcast advertising is host-read ads (i.e., read by the podcast host), 24% are pre-produced ads and 16% are programmatically inserted adverts (i.e., ads added to the podcast based on the listener profile such as its location or listening time).<sup>47</sup>

In addition to the growing podcast consumer audience which fuels podcasts advertising revenues, other drivers have been identified by industry commentators to explain why podcasts became an important medium for online advertising. These drivers include the following: (i) podcasts offer the possibility of targeted advertising that maximizes customer reach based for instance on their interests and listening habits while TV and radio are much less targeted, (ii) podcasts allow for dynamic ad insertion – keeping ads relevant across the shelf life of an episode and/or series, (iii) podcasts provide innovative ad formats (host-read ads) that help deepen connections with the audience, (iv) increasing sophistication of podcast technology enables the creation of appealing high-quality content, allowing advertisers to reach their target audience.<sup>48</sup> Podcast ads are also less likely to be

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<sup>44</sup> Pew Research Center, “Podcasts as a Source of News and Information,” Elisa Shearer et al., April 18, 2023, <https://www.pewresearch.org/journalism/2023/04/18/podcasts-as-a-source-of-news-and-information/>.

<sup>45</sup> Reuters Institute for the Study of Journalism and University of Oxford, “News Podcasts and the Opportunities for Publishers,” Digital News Project, December 2019, pp. 5-6, [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2019-12/Newman\\_Gallo\\_podcasts\\_FINAL\\_WEB\\_0.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2019-12/Newman_Gallo_podcasts_FINAL_WEB_0.pdf).

<sup>46</sup> Statista, “Podcast Advertising – Canada,” <https://www.statista.com/outlook/dmo/digital-media/digital-music/podcast-advertising/canada>. Amounts have been converted from USD to CAD using exchange rates provided by Statista (1 USD = 1.298 CAD in 2017, 1 USD = 1.35 CAD in 2023, 1 USD = 1.317 CAD in 2027). Statista, “Podcast Advertising – Canada,” <https://www.statista.com/outlook/dmo/digital-media/digital-music/podcast-advertising/canada>.

<sup>47</sup> Made in CA, “Podcast Statistics in Canada,” Nicole Blair, June 11, 2024, <https://madeinca.ca/podcast-statistics-canada/>.

<sup>48</sup> Statista, “Podcast Advertising – Canada,” <https://www.statista.com/outlook/dmo/digital-media/digital-music/podcast-advertising/canada>. Great Learning, “How Podcasts play an important role in your digital marketing strategy,” Akriti Galav, May 6, 2024, <https://www.mygreatlearning.com/blog/podcasts-play-an-important-role-in-digital-marketing-strategy/>.

avoided by the audience compared to other digital media: 46% of Canadian adults frequently avoid ads on podcasts compared to 60% who avoid them during web browsing and 58% on social media.<sup>49</sup>

## E. Digital Platforms

Relative to more traditional news sources, digital platforms may bring advantages to creators in the news space by providing them with the ability to generate and spread information on their own. This has resulted in (i) a “boots on the ground” approach to reporting, (ii) more tailored content, and (iii) an enrichment of the interaction between the audience and news producers.<sup>50,51</sup>

Akin to the speed advantage of radio during its debut, digital platforms provide consumers with a live-like experience of current events, delivering information ahead of traditional media. The “boots on the ground” style reporting is reflected by, for example, Cleo Abram, a former Vox employee, who has leveraged digital platforms (YouTube and TikTok in particular) to cover Science & Technology events.<sup>52</sup>

The advent of individual news provision has also made tailored news content more accessible and feasible. For example, Ameer Al-Khatahtbeh, a graduate from Rutgers University, has amassed over seven million followers across TikTok and Instagram as a content creator who focuses on news that affects the Muslim community.<sup>53</sup> Similarly, Cleo Abram, has created news content ranging from deep dives in cancer research to more current events, such as “yellow smog over New York City”—related to recent forest fires—and “the new technology Taylor Swift is using for her current concert tour.”<sup>54</sup>

Lastly, news creators on digital platforms are more connected to the audience than ever before. Creators like Hasan Piker, a former journalist for The Young Turks and HuffPost, use Twitch, a live

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<sup>49</sup> Nlogic, “Podcast listening in Canada: who’s doing it and how often?,” Jo Loup, May 9, 2024, <https://inspiration.nlogic.ca/en/podcast-listening-in-canada>.

<sup>50</sup> Rootnote, “Content Creator Journalists Are Becoming More Popular Than Legacy News Outlets,” <https://rootnote.co/content-creator-journalists-are-becoming-more-popular-than-legacy-news-outlets/>.

<sup>51</sup> Spinsucks, “How the Social Media News Anchor Is Redefining Journalism,” Gini Dietrich, <https://spinsucks.com/communication/social-media-news-anchor-redefining-journalism/>.

<sup>52</sup> Tubular, “8 News Creators You Should Be Following On Social,” Worthen, Henley, June 15, 2023, <https://tubularlabs.com/blog/8-news-creators-you-should-be-following-on-social/>. Newsnation, “Brian Entin,” <https://www.newsnationnow.com/author/brian-entin/>.

<sup>53</sup> Rootnote, “Content Creator Journalists Are Becoming More Popular Than Legacy News Outlets,” <https://rootnote.co/content-creator-journalists-are-becoming-more-popular-than-legacy-news-outlets/>.

<sup>54</sup> Tubular, “8 News Creators You Should Be Following On Social,” Worthen, Henley, June 15, 2023, <https://tubularlabs.com/blog/8-news-creators-you-should-be-following-on-social/>.

streaming platform, to present news and conduct political analyses live to their audiences.<sup>55</sup> The chat feature on Twitch allows Hasan to interact, in real-time, with his two million followers. Live streaming also gives Hasan and his followers a platform to react and comment on events as they unfold. This interaction between the creator and their audience can help guide the coverage or unearth angles that might not have been initially considered.<sup>56</sup>

The impact of digital platforms on news has led many legacy media companies to foster or partner with content creators of their own. For example, the Los Angeles Times, a U.S. newspaper company, partnered with Vitus Spehar (known as “V Spehar” or “V”), a successful news content creator on TikTok, to launch their own news-related TikTok account.<sup>57</sup> Closer to home, the CBC has launched its own creator partnership program, “Creator Network,” which aims to provide independent creators with a platform similar to social media.<sup>58</sup>

## II. Competing for Eyeballs: The Evolution of Digital Advertising Business Models

As described in the previous section, advertising has always been and continues to be an integral part of the news media ecosystem, providing core financial support for content creation. As technology has evolved, however, so too have the options available to advertisers, who are seeking to purchase advertisements that generate the highest return on their advertising investment. This section explores the digital advertising options available to advertisers, and how these options bring valuable capabilities to advertisers.

### A. Trends in Digital Advertising Revenue

Digital advertising can be seen as promoting and selling products or services using digital channels (search engines, websites, mobile devices, social media, etc.). Since the first online advertisement in 1994 (first banner ad displayed by AT&T on HotWired - now Wired),<sup>59</sup> statistics show that the

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<sup>55</sup> Wired, “How Twitch Streamers Could Shape the 2024 Elections,” Feiger, Leah, May 16, 2024, <https://www.wired.com/story/hasan-piker-twitch-joe-biden/>.

<sup>56</sup> Spinsucks, “How the Social Media News Anchor Is Redefining Journalism,” Gini Dietrich, <https://spinsucks.com/communication/social-media-news-anchor-redefining-journalism/>.

<sup>57</sup> The Verge, “The fandomization of news,” Kate Lindsay, August 18, 2023, <https://www.theverge.com/23836187/gen-z-news-creator-sourcing-tiktok-instagram-lil-tay>.

<sup>58</sup> CBC, “CBC Independent Producers,” <https://www.cbc.ca/independentproducers/genres/other/creator-network>.

<sup>59</sup> Clearcode, “The History of Digital Advertising Technology,” The AdTech Book by Clearcode, Włosik, Michał, August 1, 2019, <https://adtechbook.clearcode.cc/history-advertising-technology/>.

digital advertising industry has grown considerably, driven by the development of modern technologies.

Digital advertising revenue has rapidly grown in the last two decades in Canada and this trend is expected to continue. Using data compiled by the Global Media & Internet Concentration Project, **Figure 7** below shows that digital advertising revenues increased from 0.4 billion CAD in 2004 to 14.4 billion CAD in 2022, which corresponds to an average annualized growth rate of +22.7%.<sup>60</sup> According to industry forecasts, the online advertising segment is expected to grow further to reach 17.0 billion CAD in 2024<sup>61</sup> and 23.5 billion CAD in 2028.<sup>62</sup>

In parallel, the growth in platform advertising revenues has been accompanied by a decline in those of traditional media (commercial radio, broadcast TV, and newspapers). As seen in **Figure 7**, advertising revenues of traditional media decreased from 6.9 billion CAD in 2004 to 3.8 billion CAD in 2022, which corresponds to an average annualized growth rate of -3.3%.<sup>63</sup> Much of the advertising decline in traditional media is attributable to the decline associated with newspapers,<sup>64</sup> while advertising revenues for radio<sup>65</sup> and television<sup>66</sup> recorded lower declines. Collectively, the share of traditional media in the total advertising revenues (i.e., including digital advertising) decreased from 95% in 2004 to 21% in 2022.

Although traditional media advertising revenues have decreased, the overall advertising market has expanded due to the rise of digital advertising. Overall advertising revenues (radio, TV, newspapers, internet, music services, and online video services) increased from 7.3 billion CAD in 2004 to

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<sup>60</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."  $((14.39/0.36)^{(1/18)}-1)*100 = +22.7\%$ .

<sup>61</sup> IAB Canada, "2022 IAB Canada Internet Ad Revenue Survey," June 2023, p. 41, [https://iabcanada.com/wp-content/uploads/2023/06/IABCanadaRevenueSurvey2022\\_Final.pdf](https://iabcanada.com/wp-content/uploads/2023/06/IABCanadaRevenueSurvey2022_Final.pdf).

<sup>62</sup> Statista, "Digital advertising revenue in Canada from 2019 to 2028, by format," <https://www.statista.com/forecasts/456656/digital-advertising-revenue-format-digital-market-outlook-canada>. Amount for 2028 have been converted from USD to CAD using exchange rate provided by Statista (1 USD = 1.309 CAD in 2028). Statista, "Podcast Advertising – Canada," <https://www.statista.com/outlook/dmo/digital-media/digital-music/podcast-advertising/canada>.

<sup>63</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."  $((6.92/3.79)^{(1/18)}-1)*100 = -3.3\%$ .

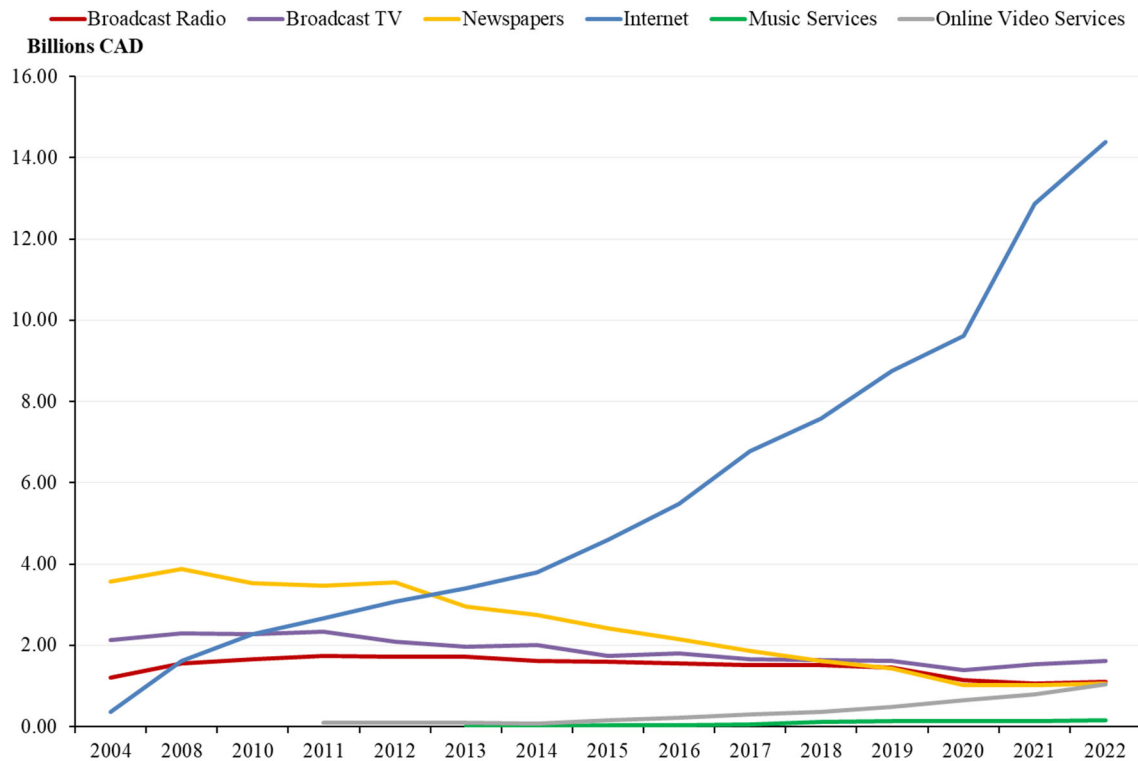
<sup>64</sup> Newspapers advertising revenues declined from 3.57 billion CAD in 2004 to 1.06 billion CAD in 2022 which corresponds to an average annualized growth rate of -6.5%.  $((3.57/1.06)^{(1/18)}-1)*100 = -6.5\%$ . GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>65</sup> Radio advertising revenues declined from 1.21 billion CAD in 2004 to 1.11 billion CAD in 2022 which corresponds to an average annualized growth rate of -0.5%.  $((1.21/1.11)^{(1/18)}-1)*100 = -0.5\%$ . GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>66</sup> Television advertising revenues declined from 2.14 billion CAD in 2004 to 1.62 billion CAD in 2022 which corresponds to an average annualized growth rate of -1.5%.  $((2.14/1.62)^{(1/18)}-1)*100 = -1.5\%$ . GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

19.4 billion CAD in 2022, which corresponds to an average annualized growth rate of +5.6%.<sup>67</sup> Digital platforms like Facebook, Google, YouTube, Amazon, Spotify, Apple Podcast, Netflix, Disney+, Apple TV, Twitter, LinkedIn, TikTok, and others have helped propel this growth by enabling small and medium-sized businesses to launch high-quality, targeted ad campaigns that reach and are relevant to their audience. Many of these small and medium-sized businesses would have been unable to afford larger-scale, national or regional newspaper or TV ads (which may have also required long-term contracts, unlike many digital platform ads).

**Figure 7: Advertising revenues by sector in Canada**



*Note: Data are available every four years from 2004 to 2009 and every year from 2010 to 2022. Data are not available for Music Services in 2004-2012 and for Online Video Services in 2004-2010.  
Source: GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."*

Today brands can target specific and precise audiences across both traditional and digital media. Modern digital platforms rely on sophisticated large-scale algorithms to show targeted ads to users that are often based on various factors, such as location, time, gender, age, browsing behaviour,

<sup>67</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."  $((19.38/7.28)^{(1/18)-1}) * 100 = +5.6\%$ .

and interests. By using targeting technology, advertisers aim to increase the likelihood of their advertisements being seen by the most relevant audiences, thereby increasing their return on their advertising investment. For instance, one study used answers from 3.3 million survey respondents who had been randomly exposed to 9,596 digital display advertising campaigns to conclude that digital advertising targeting increased.<sup>68</sup> Similarly, a recent large-scale experiment on Facebook and Instagram showed that purchasing targeted advertising on those platforms increased the advertisers' revenues, and that the revenue increases were larger for advertisers that had more experience on the platform and that frequently updated their campaigns (e.g., modified their budget, targeting, or other campaign features)<sup>69</sup> hence suggesting that more attention to targeting can lead to higher returns.

Another beneficial feature of digital advertising is its mechanism for determining the pricing for advertisements. In the early days of digital advertising, sellers and advertisers would engage in a bilateral direct process that was not all that different from the sale process for other types of non-digital advertisements. For instance, they would agree on a certain price for a given number of views of an ad space on the publisher website, often called the number of impressions.<sup>70</sup> Digital advertising has since evolved to benefit from modern techniques, including advertising networks,<sup>71</sup> network optimizers,<sup>72</sup> and real-time bidding.<sup>73</sup> Many platforms selling digital advertising use sophisticated

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<sup>68</sup> Goldfarb, A. and Catherine E. Tucker (2010), "Privacy Regulation and Online Advertising," *Management Science* 57(1):57-71.

<sup>69</sup> Tadelis, S., Hooton, C., Manjeer, U., Deisenroth, D., Wernerfelt, N., Dadson, N. and Greenbaum, L. (2023), "Learning, Sophistication, and the Returns to Advertising: Implications for Differences in Firm Performance," (No. w31201). National Bureau of Economic Research, pp. 3, 21.

<sup>70</sup> Clearcode, "The History of Digital Advertising Technology," *The AdTech Book* by Clearcode, Włosik, Michał, August 1, 2019. <https://adtechbook.clearcode.cc/history-advertising-technology/>.

<sup>71</sup> "Ad networks benefit both advertisers and publishers. They provide publishers with a highly effective way to sell their remnant inventory, which could be as little as a few percent to all of their inventory, depending on how many direct deals they have with advertisers. They also help cut down on the time and money associated with selling inventory to advertisers and offer a range of services, such as campaign setup, optimization, and technical support (aka troubleshooting). These services are known today as ad trafficking." Clearcode, "The History of Digital Advertising Technology," *The AdTech Book* by Clearcode, Włosik, Michał, August 1, 2019. <https://adtechbook.clearcode.cc/history-advertising-technology/>.

<sup>72</sup> "Network optimizers allowed publishers to: Eliminate the time-consuming task of managing multiple ad networks. Improve page-load time by sending a single request to a network optimizer rather than sending requests back and forth between the ad networks and the publisher's ad server. Increase revenue by matching their inventory to the right ad network. Maintain strict quality controls by blocking certain advertisers, e.g. ones that advertised taboo products and services, such as tobacco and alcohol." Clearcode, "The History of Digital Advertising Technology," *The AdTech Book* by Clearcode, Włosik, Michał, August 1, 2019. <https://adtechbook.clearcode.cc/history-advertising-technology/>.

<sup>73</sup> Real-time bidding (RTB) was widely introduced around 2007/2008. It allowed advertisers to buy individual impressions through real-time auctions, leading to the development of demand-side and supply-side platforms. "Real-time bidding (RTB) is a protocol that was introduced in the late 2000s and was a big game changer for the way online media was

algorithmic auction systems to determine in real-time which ad will be shown to which type of users, thereby improving the likelihood that advertising opportunities will be sold to those advertisers most likely to obtain the highest value from them.<sup>74</sup> Digital platforms like Meta also take into account factors such as ad quality (as measured by, e.g., the number of people viewing or hiding the ad) when deciding which advertiser should win a given auction, helping to ensure their users see higher-quality ads.<sup>75</sup>

Digital advertising also benefits advertisers by improving their ability to measure their advertisements' effect on sales, known as "marketing attribution."<sup>76</sup> Several digital platforms offer "attribution models"<sup>77</sup> as part of their efforts to attract advertiser customers. For example, Google touts its Google Analytics as a way for advertisers to "understand the customer journey and improve marketing ROI."<sup>78</sup> Businesses can also typically implement digital advertising campaigns without

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bought and sold. Originally designed to help publishers sell remnant inventory to advertisers, RTB is now used to sell all types of inventory, including premium inventory. Instead of buying thousands of impressions from the same publisher, RTB allows advertisers to purchase individual impressions across multiple publishers to reach their target audience more precisely and bid based on the information known about the website and user at that particular time." Clearcode, "Media-Buying Methods: Programmatic, Real-Time Bidding (RTB), Header Bidding, and PMP," *The AdTech Book* by Clearcode, Włosik, Michał, August 1, 2019, <https://adtechbook.clearcode.cc/media-buying-methods/>.

<sup>74</sup> Open Textbook Library, "eMarketing: The Essential Guide to Marketing in a Digital World - 7<sup>th</sup> Edition," 2022, p. 577, <https://open.umn.edu/opentextbooks/textbooks/14>. Entities such as AppNexus, a subsidiary of Microsoft, specialize in technology associated with "real time advertising," such as real time auctions. PR Newswire, "AppNexus Officially Launches Ad Platform Fueling the Real-Time Bidding Revolution in Display Advertising," March 12, 2010, <https://www.prnewswire.com/news-releases/appnexus-officially-launches-ad-platform-fueling-the-real-time-bidding-revolution-in-display-advertising-87460287.html>. Business Insider, "Microsoft just closed its acquisition of adtech firm Xandr. Here are 5 other companies it could buy to compete with Google and Meta," Sean Czarnecki, June 6, 2022, <https://www.businessinsider.com/microsoft-potential-adtech-acquisitions-that-could-build-advertising-business-2022-6?op=1>.

<sup>75</sup> Meta Business Help Center, "About ad auctions," <https://www.facebook.com/business/help/430291176997542?id=561906377587030>.

<sup>76</sup> Marketing evolution, "What is Marketing Attribution? A Complete Guide," July 2022, <https://www.marketingevolution.com/marketing-essentials/marketing-attribution>. Marketing attribution is "a method used in digital marketing to identify and assess the value of various touchpoints or channels that lead to a conversion event. This process enables marketers to understand which part of their marketing efforts is most effective in driving customer actions, such as purchases." Adtriba, "4 Reasons Why Marketing Attribution is Essential in Digital Advertising," Sarah O'Mahoney, <https://www.adtriba.com/blog/4-reasons-why-marketing-attribution-is-essential-in-digital-advertising>.

<sup>77</sup> Ghose, A., & Todri-Adamopoulos, V. (2016), "Toward a Digital Attribution Model: Measuring the Impact of Display Advertising on Online Consumer Behavior," *MIS Quarterly*, 40(4), 889–910.

<sup>78</sup> Google Marketing Platform, "About Analytics," <https://marketingplatform.google.com/about/analytics/>.



entering in long-term contracts<sup>79</sup> and for significantly lower minimum spend<sup>80</sup> compared to non-digital advertising, including in legacy media.

In this report, I will focus on businesses that primarily use two prominent types of digital advertising: search and display.<sup>81</sup>

- **Search advertising.** This corresponds to placing targeted ads on search engine<sup>82</sup> result pages based on users' queries (also sometimes called sponsored results). In other words, advertisers choose to show their ads next to the search result for specific keywords searched by specific types of users. Advertisers need to decide which keywords (or sets of keywords) to bid on and for which search engines.
- **Display advertising.** This corresponds to advertising spaces (or slots) displayed on online platforms (websites, apps, and social media) sold to advertisers. Display advertising includes social media advertising (ads shown on social and business networks), video advertisements (ads shown within web- or app-based video-players), and banner advertisements (ads shown within a website or app). Display advertising spaces can be sold via direct deals (sometimes called advanced reservation contracts) or via real-time bidding programmatic approaches.

## B. Online Platforms Offer Digital Advertising

This section provides an overview of prominent digital platform business models and how they use digital advertising. Platforms typically operate under what economists call a “two-sided” or “multi-

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<sup>79</sup> Digital Polygon, “An Overview of Digital Marketing,” <https://www.digitalpolygon.com/blog/an-overview-of-digital-marketing-create-awareness-and-deliver-value-for-your-business>.

<sup>80</sup> Meta Business Help Center, “How much it costs to advertise on Meta technologies,” <https://www.facebook.com/business/help/201828586525529?id=629338044106215>. MarketingProfs, “Is Digital Advertising Really More Effective Than Traditional Advertising?,” Leangaolou Ngata, <https://www.marketingprofs.com/articles/2023/48737/digital-vs-traditional-advertising#:~:text=Digital%20advertising%20is%20affordable%2C%20measurable,not%20have%20large%20advertising%20budgets>. Digital Polygon, An Overview of Digital Marketing, <https://www.digitalpolygon.com/blog/an-overview-of-digital-marketing-create-awareness-and-deliver-value-for-your-business>.

<sup>81</sup> European Parliament, “Online advertising: the impact of targeted advertising on advertisers, market access and consumer choice,” June 2021, p. 16, [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662913/IPOL\\_STU\(2021\)662913\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662913/IPOL_STU(2021)662913_EN.pdf). UK Parliament POST, “Online advertising technology and competition,” October 4, 2023, p. 3, <https://researchbriefings.files.parliament.uk/documents/POST-PN-0705/POST-PN-0705.pdf>. Open Textbook Library, “eMarketing: The Essential Guide to Marketing in a Digital World - 7<sup>th</sup> Edition,” 2022, pp. 525, 560 and 594, <https://open.umn.edu/opentextbooks/textbooks/14>.

<sup>82</sup> Google Search, Bing, Amazon Marketplace, etc.



sided” framework, whereby they connect two or more groups of users (e.g., consumers, sellers, advertisers) who have an economic interest in interacting with each other.<sup>83</sup> Platforms generate value by providing the technology to optimally match these sides together (for instance, advertisers reaching specific users searching on Google’s search engine or browsing content on X’s feed), sometimes resulting in *network effects*—namely a situation in which the value of a product or a service increases with the number of buyers, sellers or users.<sup>84</sup>

For a platform to be successful, it needs to generate participation from all its different sides. As such, platforms are competing on several grounds, as follows:

- **For users—or “eyeballs”—who come to the platform to consume the content on the platform.** The more users a platform has access to (and the more time these users spend on the platform), the better its monetization opportunities with advertisers (discussed below). In addition, more information about platform users may allow the platform to better target specific advertisements to tailored audiences. More broadly, platforms are also competing with other engagement activities to attract users. This competition is often referred to as the competition for users’ attention.
- **For content creators who contribute to the platform’s ability to retain users.** Content creators are individuals (normal users, bloggers, podcasters, celebrities, influencers, public figures, etc.) producing and displaying content on one or several platforms.<sup>85</sup> Content creators can, depending on the platform, generate revenue from their participation on the platform by (i) selling ad spaces (banners, video ads, etc.) associated with their content to advertisers, (ii) collaborating with brands and integrating their products or services into their content, (iii) leveraging affiliate marketing relationships to, for example, earn commissions on sales, (iv) selling their own products, and (v) crowdfunding. Some content creators may distribute their

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<sup>83</sup> For theoretical foundations of the two-sided and multi-sided markets framework, see: (i) Rochet, Jean-Charles, and Jean Tirole (2006), “Two-Sided Markets: A Progress Report,” *The RAND Journal of Economics* 37 (3): pp. 645-667, (ii) Weyl, E. Glen (2010), “A Price Theory of Multi-Sided Platforms,” *American Economic Review* 100 (4): pp. 1642-1672.

<sup>84</sup> There are two types of network effects: (i) direct network effects that occur in situation where the value of a product or service increases with the number of users (i.e. the more users on a platform, the more it attracts new ones) and (ii) indirect network effects that occur when a group on one side of the platform get larger, it reinforces the attractiveness for another group on the other side of the platform (i.e. more users increase the value of the platform from the advertisers point of view). Harvard Business School, “What are network effects?,” Tim Stobierski, Novembre 12, 2020, <https://online.hbs.edu/blog/post/what-are-network-effects>.

<sup>85</sup> Adobe, “What is a content creator and how to become one,” Erika Lenkert, October 12, 2020, <https://www.adobe.com/express/learn/blog/content-creator>.

content (links, articles, etc.) on one platform to drive traffic to another platform on which they earn advertising revenue.

- **For advertisers who pay to advertise to the platform's users.** As a general matter, advertisers are typically the revenue-generating side of a multi-sided business model that relies on digital advertising. As discussed above, online platforms are generally able to reach targeted audiences. Indeed, the data collected on users (location, age, gender, browsing behaviour, etc.) by the platforms enhances the advertiser's ability to target precise groups of individuals. A large field experiment conducted on Facebook in 2022 concluded that the value that users placed on their access to Facebook was the same regardless of whether their experience included target advertisements or no advertisements, suggesting that targeted advertisements did not create any significant disutility for the users.<sup>86</sup> Platforms compete to attract advertisers by offering the opportunity to target diverse and broad audiences of users, various ad formats, advertising management software, and targeting capabilities. Advertisers often choose to concurrently advertise on multiple digital platforms as well as on more traditional forms of media. For example, advertisers may choose to simultaneously show ads in a newspaper, on an Instagram post, and in a YouTube video. Advertisers have different options and formats to promote their products or services to their target audience. However, their advertising budgets are typically limited, making the decision of how to split them across different channels an important strategic consideration.

Below I discuss several prominent online platforms that use digital advertising.

## 1. Google

Google's operations include a search engine and advertiser technologies that operate under a multi-sided platform business model, serving users, advertisers, and publishers.

At a high level, Google offers three types of advertising opportunities to advertisers, which are search, video, and display.<sup>87</sup> First, it offers advertisers the opportunity to purchase priority placement in Google's search results for users (this used to be called Google AdWords but is now called Google Ads).<sup>88</sup> Google Ads uses algorithms and an auction process to determine which sponsored search

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<sup>86</sup> Brynjolfsson et al. (2023), "The Consumer Welfare Effects of Online Ads: Evidence from a 9-Year Experiment," National Bureau of Economic Research Working Paper, p. 3.

<sup>87</sup> Google, "How our display buying platforms share revenue with publishers," Hsiao, Sissie, June 23, 2020, <https://blog.google/products/admanager/display-buying-share-revenue-publishers/>.

<sup>88</sup> The new Google Ads brand represents the full range of campaign types available today, including search, video, and display.

results are shown to users and in what order. This is based on multiple factors such as each advertiser's bid, the relevance of the advertiser to the user's search, and the likelihood that the user will click on the advertiser's link.<sup>89</sup> Advertisers use Google's search ads to reach their target audience, leveraging Google's extensive data analytics and ad management toolkits to optimize the performance of their ad campaigns.

Second, Google Ads offers advertisers the ability to purchase ads that appear on YouTube, a video platform owned by Google that hosts videos from content creators (e.g., influencers, vloggers, podcasters) and publishers (e.g., digital newspapers). YouTube is used by many international and Canadian newspapers (CBC/Radio-Canada, CTV News, Le Monde) to build brand awareness and drive traffic to their websites. In Canada, 25% of respondents accessed YouTube for news according to a Reuters survey (62% of respondents use the platform in general).<sup>90</sup> By sharing content on their YouTube channels and building an audience, publishers aim to (i) earn revenue through advertising, (ii) drive traffic to their own websites, and (iii) enhance brand awareness.<sup>91</sup> Content creators may receive half or even more of the advertising revenue generated on YouTube from ads associated with their content if the content meets certain criteria (such as exceeding a threshold in terms of number of views).<sup>92</sup>

YouTube sells advertising spaces to businesses aiming to promote their products or services. The platform proposes various ad formats (such as in-stream ads, in-feed, and bumper ads<sup>93</sup>) to advertisers that can be pushed to specific targeted audiences based on data and algorithms.<sup>94</sup> In addition to advertising revenues, YouTube also relies on subscriptions. In parallel to its freemium model (content provided to users for free, monetized through advertising), YouTube also offers

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<sup>89</sup> Google Ads Help, "How the Google Ads Auction Works," <https://support.google.com/google-ads/answer/6366577?hl=en>.

<sup>90</sup> Survey conducted at the end of January/beginning of February 2023. Reuters Institute for the Study of Journalism and University of Oxford, "Reuters Institute Digital News Report 2023," p. 115, [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2023-06/Digital\\_News\\_Report\\_2023.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2023-06/Digital_News_Report_2023.pdf).

<sup>91</sup> United Kingdom Competition and Markets Authority, (2020), "Online Platforms and Digital Advertising market study, Appendix S: The relationship between large digital platforms and publishers," pp. S3-S4, <https://www.gov.uk/cma-cases/online-platforms-and-digital-advertising-market-study>."

<sup>92</sup> United Kingdom Competition and Markets Authority, (2020), "Online Platforms and Digital Advertising market study, Appendix S: The relationship between large digital platforms and publishers," pp. S4, <https://www.gov.uk/cma-cases/online-platforms-and-digital-advertising-market-study>."

<sup>93</sup> In-stream ads are displayed before, during or after videos are played on YouTube. In-feed ads are thumbnail images from a video with some text. Bumper ads are non-skippable six seconds or shorter ads displayed before, during or after videos are played on YouTube. YouTube Help, "About video ad formats," <https://support.google.com/youtube/answer/2375464?hl=en#infeed>.

<sup>94</sup> YouTube, "Grow your business with YouTube Ads," <https://www.youtube.com/ads/>.

YouTube Premium, an ad-free subscription version, under which content creators get a share of the subscription fees.

Third, Google Ads offers advertisers the opportunity to purchase ad impressions for displaying ads on third-party publishers' websites (e.g., a blog, a specialized website, a newspaper) either directly on Google's publisher inventory or through an auction intermediation process with either Google or third-party publisher supply aggregators. With these tools, advertisers can use Google Ads' targeted advertising infrastructure to determine which ads to show to users on the third-party publishers. Google, the third-party publisher supply aggregator (if relevant), and the publisher all share the advertising revenue generated from these display ads.<sup>95</sup>

Google attracts publishers to its display ads product because these publishers want to benefit from Google's sophisticated algorithmic targeting and broad reach capabilities to maximize the value of the publishers' ad impression opportunities. In 2023, Google generated 237.8 billion USD in revenue from its advertising business.<sup>96</sup> According to Google, in 2019, when advertisers used Google products to buy ads, publishers kept over 69% of the revenue generated in those transactions.<sup>97</sup>

## ***2. Meta's Facebook and Instagram***

Facebook and Instagram seek to both attract users and to earn advertisers' dollars by delivering a high return on investment for their ad spend. Meta competes both with other engagement activities to attract (and retain) users and with other ad-supported businesses to attract advertisers.<sup>98</sup>

Meta sells targeted advertising for placement on its users' feeds, generating a significant portion of its revenue through "selling advertising placements on [its] family of apps to marketers..."<sup>99</sup> Meta typically runs an auction to determine which of the multiple ads targeting specific types of users will fill each of those users' available impressions. Meta's algorithms will then determine the ad that is the winner of each auction by considering three factors: (i) each ad candidate's bid, (ii) ad quality (based on, e.g., feedback from people viewing or hiding the ad), and (iii) the probability that showing

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<sup>95</sup> Google, "How our display buying platforms share revenue with publishers," Hsiao, Sissie, June 23, 2020, <https://blog.google/products/admanager/display-buying-share-revenue-publishers/>.

<sup>96</sup> Alphabet (2023), "Form 10-K," at p. 35, <https://abc.xyz/assets/43/44/675b83d7455885c4615d848d52a4/goog-10-k-2023.pdf>.

<sup>97</sup> Google, "How our display buying platforms share revenue with publishers," Hsiao, Sissie, June 23, 2020, <https://blog.google/products/admanager/display-buying-share-revenue-publishers/>.

<sup>98</sup> Meta Platforms, Inc, (2023), "Form 10-K," p. 8, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

<sup>99</sup> Meta Platforms, Inc, (2023), "Form 10-K," p. 7, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

an ad to a person will lead to the desired outcome of the advertiser (e.g., the purchase of an advertised product).<sup>100</sup> Because these are components of the auction, an ad that's more relevant to a person could win an auction against ads with higher bids.<sup>101</sup>

Nowadays, many social media platforms, including Meta, use data-driven algorithms as one tool to recommend the most relevant content to users' feeds in order to maintain user engagement and to help advertisers target users who may be the most interested in their ads.<sup>102</sup> Meta's ad infrastructure allows for real-time bidding amongst advertisers, accounting for which ad will be most likely to be relevant to the user; broadly, this allows Meta to concurrently optimize ad revenue and user experience.<sup>103</sup> The integration of advanced algorithms in ad auctions and content recommendations highlights Meta's use of technology to stay competitive in the digital advertising market.

In certain circumstances, Meta uses information it collects about users to show ads, including user activity, age and location as explained in its privacy policy.<sup>104</sup> Meta and other companies that collect similar types of data are subject to compliance with multiple privacy and data protection regulations around the world.

Meta's worldwide revenue gradually increased from 0.3 billion USD in 2008 to 134.9 billion USD in 2023, which corresponds to an average annualized growth rate of +51.3%.<sup>105</sup> Meta reports that nearly all its revenue (98% on average between 2015-2023) is from advertising. In terms of location, the bulk of Meta's worldwide revenue originates from North America, but that share decreased from

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<sup>100</sup> Tadelis, S., Hooton, C., Manjeer, U., Deisenroth, D., Wernerfelt, N., Dadson, N. and Greenbaum, L. (2023). "Learning, Sophistication, and the Returns to Advertising: Implications for Differences in Firm Performance," (No. w31201). National Bureau of Economic Research, pp. 9-10.

<sup>101</sup> Meta, "About ad auctions," Meta Business Help Center, <https://www.facebook.com/business/help/430291176997542?id=561906377587030>.

<sup>102</sup> Meta Platforms, Inc. (2023), "Form 10-K," p. 7, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

<sup>103</sup> Meta Platforms, Inc. (2023), "Form 10-K," p. 7, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

<sup>104</sup> Tadelis, S., Hooton, C., Manjeer, U., Deisenroth, D., Wernerfelt, N., Dadson, N. and Greenbaum, L. (2023), "Learning, Sophistication, and the Returns to Advertising: Implications for Differences in Firm Performance," (No. w31201). National Bureau of Economic Research, p. 8.

<sup>105</sup>  $((134.902/0.272)^{(1/15)}-1)*100 = +51.3\%$ . Meta Platforms, Inc. (2012), "Form 10-K," p. 41, [https://s21.q4cdn.com/399680738/files/doc\\_financials/annual\\_reports/FB\\_2012\\_10K.pdf](https://s21.q4cdn.com/399680738/files/doc_financials/annual_reports/FB_2012_10K.pdf). Meta Platforms, Inc. (2023), "Form 10-K," p. 103, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

49% to 39% between 2016 and 2023.<sup>106</sup> The share of the worldwide revenue generated in Canada decreased from 3.1% in 2016 to 2.3% in 2023, even though revenues in absolute terms increased from 0.9 billion USD in 2016 to 3.1 billion USD in 2023.<sup>107</sup>

### **3. Amazon**

Amazon is known for its e-commerce platform generating revenues from retail sales and digital advertising but also from various other streams, including third-party sellers, subscription fees, and cloud computing services.<sup>108</sup> Amazon thus competes on a large variety of product types, service offerings, and delivery channels.<sup>109</sup> Considering the diversity of Amazon's activities, the e-commerce platform competes with other companies over a wide range of product/service areas.<sup>110</sup>

Amazon also operates under a multi-sided platform business model as it connects sellers and advertisers with consumers. On the one hand, the larger the consumer base on the platform, the greater the interest of both sellers and advertisers in offering their products. On the other hand, the wider the product offering on the platform, the greater the interest of consumers for the platform. This phenomenon is referred to as two-sided network effects.

Amazon provides advertising services for businesses aiming to promote their products or services. It provides advertisers with tools to reach potential buyers by leveraging customer data and cloud computing services to provide targeting capabilities. In terms of tools, Amazon offers advertising through programs such as sponsored search ads, display ads, and video advertising.<sup>111</sup> Display ads

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<sup>106</sup> Meta Platforms, Inc. (2018), "Form 10-K," p. 65, <https://www.sec.gov/Archives/edgar/data/1326801/000132680119000009/fb-12312018x10k.htm>. Meta Platforms, Inc. (2023), "Form 10-K," p. 103, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

<sup>107</sup> Meta Platforms, Inc. (2018), "Form 10-K," p. 65, <https://www.sec.gov/Archives/edgar/data/1326801/000132680119000009/fb-12312018x10k.htm>. Meta Platforms, Inc. (2023), "Form 10-K," p. 103, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

<sup>108</sup> Amazon.com, Inc., (2023), "Form 10-K," p. 43, <https://www.sec.gov/Archives/edgar/data/1018724/000101872424000008/amzn-20231231.htm>.

<sup>109</sup> Amazon.com, Inc., (2023), "Form 10-K," p. 4, <https://www.sec.gov/Archives/edgar/data/1018724/000101872424000008/amzn-20231231.htm>.

<sup>110</sup> Amazon.com, Inc., (2023), "Form 10-K," p. 4, <https://www.sec.gov/Archives/edgar/data/1018724/000101872424000008/amzn-20231231.htm>.

<sup>111</sup> Amazon.com, Inc., (2023), "Form 10-K," p. 44, <https://www.sec.gov/Archives/edgar/data/1018724/000101872424000008/amzn-20231231.htm>. Sponsored search ads are "keyword-targeted ads that appear in shopping results on Amazon." Display ads are "a flexible ad format that you can use to reach your desired audiences anywhere they spend their time using either Amazon-generated creative or your own" and "appear on Amazon websites, apps, and devices, as well as on sites and apps not owned by Amazon." Video

allow advertisers to enhance visibility and eventually sales by placing ads on Amazon’s platform or third-party publishers through Amazon’s publisher aggregator.<sup>112</sup> This capability parallels targeted advertising approaches employed by other platforms.

#### **4. Other High-Profile Platforms**

Beyond the three largest digital companies in terms of digital advertising revenues (Google, Meta, and Amazon), there are many other platforms who compete (i) for users’ attention by providing them with publishers’ content and (ii) for advertisers by providing them with a customer base and advertising tools (ads formats, targeting capabilities).

This section provides a brief overview of the business models and advertising tools offered by only some examples of additional digital advertising competitors: TikTok, Netflix, and Spotify. Similar to Google, Meta, and Amazon, these multi-sided platforms derive an important share of their revenues from advertising. These platforms offer different advertising formats and cater to different audiences.

**TikTok** is a social media platform. On the publishers and content creators’ side, TikTok offers them a medium to create and share short videos that can be watched by users.<sup>113</sup> TikTok is used by many international and Canadian newspapers (e.g., CTV News, Global News, Le Monde) to earn advertising revenues, build brand awareness, and drive traffic to the newspaper website. News publishers can earn direct advertising revenues with the product Pulse Premiere (showing ads alongside premium content from media brands) launched by TikTok in 2023, which allows publishers to get 50% of the ad revenues.<sup>114</sup> In Canada, 19% of respondents of a Reuters’ survey (conducted

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advertising “combine sight, sound, and motion to share your brand story and engage your audience anywhere they spend their time” and “alongside content on connected TVs, publisher channels and networks, IMDb, and IMDb TV.” Amazon Ads, “FAQ,” <https://advertising.amazon.com/resources/faq>.

<sup>112</sup> Amazon Ads, “Reach new customers with Amazon Ads, even if you don’t sell on Amazon,” [https://advertising.amazon.com/small-business/beyond-amazon?ref\\_=a20m\\_us\\_p\\_sd\\_smb\\_ne](https://advertising.amazon.com/small-business/beyond-amazon?ref_=a20m_us_p_sd_smb_ne). Amazon Ads, “Sponsored Display,” [https://advertising.amazon.com/solutions/products/sponsored-display?tag=googhydr-20&ref=pd\\_sl\\_2ve62boqgx\\_e\\_ps\\_gg\\_b\\_ca\\_en\\_d\\_core\\_e\\_646005244527&k\\_amazon%20display%20ads&group\\_145097269586](https://advertising.amazon.com/solutions/products/sponsored-display?tag=googhydr-20&ref=pd_sl_2ve62boqgx_e_ps_gg_b_ca_en_d_core_e_646005244527&k_amazon%20display%20ads&group_145097269586).

<sup>113</sup> The Business Model Analyst, “TikTok Business Model,” Pereira, Daniel, August 9, 2024, <https://businessmodelanalyst.com/tiktok-business-model/>.

<sup>114</sup> Emarketer, “TikTok’s new ad product splits revenues 50% with publishers,” Sara Lebow, May 3, 2023, <https://www.emarketer.com/content/tiktok-announces-ad-partnerships-publishers-ad-revenues>. Reuters, “TikTok to launch ad product that will give premium content creators 50% cut,” Chavi Mehta and Sheila Dang, May 3, 2023, <https://www.reuters.com/technology/tiktok-launch-ad-product-that-will-give-premium-content-creators-50-cut-2023-05-03/>. Digital content next, “TikTok’s Pulse Premiere partners with media brands. Will it work?,” Theresa Cramer, August 17, 2023, <https://digitalcontentnext.org/blog/2023/08/17/tiktoks-pulse-premiere-partners-with-media-brands-will-it-work/>.



in January and February 2023) indicated that they use TikTok, and 6% of the respondents indicated that they use it to access the news.<sup>115</sup>

Financial information about the ByteDance-owned TikTok is scarce as it is not a publicly traded company.<sup>116</sup> Available information indicates that TikTok's total U.S. revenues were about 16 billion USD in 2023 (120 billion USD for ByteDance as a whole) and that revenues are mainly driven by advertising.<sup>117</sup> Different sources indicate that U.S. TikTok ad revenues are projected to reach 10 to 11 billion USD in 2024.<sup>118</sup>

In return for sharing videos and attracting users' attention, TikTok sells advertising spaces whose revenues are used to compensate publishers and the platform itself. As such, TikTok relies mostly on advertising revenues and in-app purchases.<sup>119</sup> On the advertising side, TikTok offers various ad formats such as in-feed ads, branded hashtag challenges, branded camera effects and filters, and brand takeovers,<sup>120</sup> all of which allow businesses to engage with a particular user base at a personal level.<sup>121</sup> TikTok uses user data to optimize its ad targeting by audience, demographics,

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<sup>115</sup> Survey conducted at the end of January/beginning of February 2023. Reuters Institute for the Study of Journalism and University of Oxford, "Reuters Institute Digital News Report 2023," pp. 6 and 115, [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2023-06/Digital\\_News\\_Report\\_2023.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2023-06/Digital_News_Report_2023.pdf).

<sup>116</sup> Emarketer, "ByteDance revenues rival Meta as both compete over social commerce," Daniel Konstantinovic, November 15, 2023, <https://www.emarketer.com/content/bytedance-revenues-rival-meta-both-compete-over-social-commerce>. Financial Times, "TikTok's US revenues hit \$16bn as Washington threatens ban," Roula Khalaf, March 15, 2024, <https://www.ft.com/content/275bd036-8bc2-4308-a5c9-d288325b91a9>.

<sup>117</sup> Emarketer, "ByteDance revenues rival Meta as both compete over social commerce," Daniel Konstantinovic, November 15, 2023, <https://www.emarketer.com/content/bytedance-revenues-rival-meta-both-compete-over-social-commerce>. Financial Times, "TikTok's US revenues hit \$16bn as Washington threatens ban," Roula Khalaf, March 15, 2024, <https://www.ft.com/content/275bd036-8bc2-4308-a5c9-d288325b91a9>. Business of Apps, "TikTok App Report 2024," David Curry, September 9, 2024, [https://www.businessofapps.com/data/tiktok-report/?utm\\_source=tiktok&utm\\_medium=click&utm\\_campaign=featured-data-ad](https://www.businessofapps.com/data/tiktok-report/?utm_source=tiktok&utm_medium=click&utm_campaign=featured-data-ad). Reuters, "TikTok's US revenue hits \$16 bln as Washington threatens ban, FT reports," Jaspreet Singh, March 15, 2024, <https://www.reuters.com/technology/tiktoks-us-revenue-hits-16-bln-washington-threatens-ban-ft-reports-2024-03-15/>.

<sup>118</sup> Basis Technologies, "TikTok by the Numbers: Stats and Facts for Digital Advertisers," Megan Reschke, July 29, 2024, <https://basis.com/blog/tiktok-by-the-numbers-stats-and-facts-for-digital-advertiser>. Fair Observer, "The TikTok Ban: Unpacking the Battle for Advertising Dollars," Alex Gloy, May 9, 2024, <https://www.fairobserver.com/business/the-tiktok-ban-unpacking-the-battle-for-advertising-dollars/>.

<sup>119</sup> Untaylored, "Demystifying TikTok's Business and Revenue Model: An In-Depth Explanation," Roald Larsen, April 26, 2024, <https://www.untaylored.com/post/demystifying-tiktok-s-business-and-revenue-model-an-in-depth-explanation>. The Business Model Analyst, "TikTok Business Model," Pereira, Daniel, August 9, 2024, <https://businessmodelanalyst.com/tiktok-business-model/>.

<sup>120</sup> Untaylored, "Demystifying TikTok's Business and Revenue Model: An In-Depth Explanation," Roald Larsen, April 26, 2024, <https://www.untaylored.com/post/demystifying-tiktok-s-business-and-revenue-model-an-in-depth-explanation>.

<sup>121</sup> Untaylored, "Demystifying TikTok's Business and Revenue Model: An In-Depth Explanation," Roald Larsen, April 26, 2024, <https://www.untaylored.com/post/demystifying-tiktok-s-business-and-revenue-model-an-in-depth-explanation>.



interests/behaviours, and devices.<sup>122</sup> In addition to advertising revenues, TikTok has recently diversified by offering in-app purchases through TikTok Coins that can be bought by users and sent to content creators as virtual gifts.<sup>123</sup> A more recent in-app purchase offering is the TikTok Shop, an e-commerce feature that allows users to buy and sell products directly through the platform. In both cases, TikTok takes a commission on the transactions. TikTok uses a personalized, data-driven algorithm to maximize user engagement and satisfaction. This aims to provide value to advertisers who seek to effectively target ad campaigns and reach desired audiences.<sup>124</sup>

**Netflix** and **Spotify** offer audiovisual/audio content monetized with a mix of subscriptions and ads. First, **Netflix** is a streaming platform that provides content (TV shows, movies, anime, documentaries, etc.) acquired through licensing deals with production companies as well as original programming content.<sup>125</sup> Netflix is primarily a subscription-based service, as membership fees are its primary source of revenues.<sup>126</sup> However, as an additional option for subscribers, Netflix started offering a lower cost ad-supported subscription plan in October 2022.<sup>127</sup> As such, in addition to competing with other platforms on the consumer side of the market (competition for users' attention), Netflix now also competes on the advertising side. To attract advertisers, Netflix offers them broad targeting capabilities by country and genre.<sup>128</sup> Advertisers purchase ad space through Netflix's advertising offerings, allowing them to show targeted ads to its users. This way, advertisers can ensure that their ads are relevant to their audience, and they can also avoid content that is inconsistent with their brand.<sup>129</sup> Netflix expects to expand this revenue stream by attracting and

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<sup>122</sup> TikTok allows targeting by interests and behaviours that include delivering advertising to users based on "their higher interaction with certain Interests. TikTok, "About Ad Targeting," July 2024, <https://ads.tiktok.com/help/article/ad-targeting?lang=en>.

<sup>123</sup> The Business Model Analyst, "TikTok Business Model," Pereira, Daniel, August 9, 2024, <https://businessmodelanalyst.com/tiktok-business-model/>.

<sup>124</sup> Untaylored, "Demystifying TikTok's Business and Revenue Model: An In-Depth Explanation," Roald Larsen, April 26, 2024, <https://www.untaylored.com/post/demystifying-tiktok-s-business-and-revenue-model-an-in-depth-explanation>.

<sup>125</sup> Netflix, "Unlimited movies, TV shows, and more," <https://www.netflix.com/>. Untaylored, "Netflix - Explaining the Business Model and Revenue Streams," Roald Larsen, February 27, 2024, <https://www.untaylored.com/post/netflix-explaining-the-business-model-and-revenue-streams>.

<sup>126</sup> Netflix, Inc., (2023), "Form 10-K," p. 1, <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001065280/000106528024000030/nflx-20231231.htm>.

<sup>127</sup> CNN, "Netflix with ads is here. Here's everything you need to know," Frank Pallotta, October 13, 2022, <https://www.cnn.com/2022/10/13/media/netflix-ads-plan-cost/index.html>. Netflix, Inc., (2023), "Form 10-K," p. 4, <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001065280/000106528024000030/nflx-20231231.htm>.

<sup>128</sup> CNN, "Netflix with ads is here. Here's everything you need to know," Frank Pallotta, October 13, 2022, <https://www.cnn.com/2022/10/13/media/netflix-ads-plan-cost/index.html>.

<sup>129</sup> CNN, "Netflix with ads is here. Here's everything you need to know," Frank Pallotta, October 13, 2022, <https://www.cnn.com/2022/10/13/media/netflix-ads-plan-cost/index.html>.

retaining advertisers, while simultaneously managing risks associated with fluctuations in memberships and engagement.<sup>130</sup>

Second, **Spotify** is a multi-sided marketplace for advertisers, users, and creators that provide digital music, podcast, and video services.<sup>131</sup> Spotify offers creators a platform to provide content to users. As such, Spotify is used by many international and Canadian newspapers (e.g., podcasts from CBC, BBC, Reuters) to generate revenues, build brand awareness and drive traffic to the newspaper website. Similar to Netflix, Spotify monetizes its services through (i) a premium service (ad-free unlimited online and offline access) and (ii) an ad-supported freemium service (limited online access provided to users for free, monetized through advertising).<sup>132</sup> On the advertising side, Spotify sells ad inventories of different formats to businesses (video, audio, podcasts, display ads).<sup>133</sup> The platform allows advertisers to target specific audiences based on demographics, listening behaviours (preferred music genres), environment, and context (ads to be listened or viewed in moments relevant to the listener experience).<sup>134</sup> As such, Spotify offers a variety of innovative ad products along with tools for measuring ad effectiveness across its music and podcast content, providing advertisers with multiple ways, including data-driven techniques and automated ad buying products, to successfully show targeted ads that are relevant to users and maximize revenue for advertisers.<sup>135</sup>

In addition to these platforms, there are several other video streaming services that compete for user's attention and advertisers, including the most popular in terms of worldwide paid memberships Amazon Prime Video (over 200 million), Disney+ (153.6 million), Max (99.6 million), and Paramount+ (71.2 million).<sup>136</sup> These platforms generate revenues through both paid memberships and advertising

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<sup>130</sup> Netflix, Inc., (2023), "Form 10-K," p. 8, <https://www.sec.gov/ix?doc=/Archives/edgar/data/0001065280/000106528024000030/nflx-20231231.htm>.

<sup>131</sup> Spotify, "What is Spotify," <https://support.spotify.com/us/article/what-is-spotify/>. Spotify Technology S.A., (2023), "Form 20-F," pp. 35-38, [https://s29.q4cdn.com/175625835/files/doc\\_financials/2023/ar/26aaaf29-7cd9-4a5d-ab1f-b06277f5f2a5.pdf](https://s29.q4cdn.com/175625835/files/doc_financials/2023/ar/26aaaf29-7cd9-4a5d-ab1f-b06277f5f2a5.pdf).

<sup>132</sup> Investopedia, "How Spotify Makes Money," Matthew Johnston, June 13, 2024, <https://www.investopedia.com/articles/investing/120314/spotify-makes-internet-music-make-money.asp>. Spotify Technology S.A., (2023), "Form 20-F," pp. 35-38, [https://s29.q4cdn.com/175625835/files/doc\\_financials/2023/ar/26aaaf29-7cd9-4a5d-ab1f-b06277f5f2a5.pdf](https://s29.q4cdn.com/175625835/files/doc_financials/2023/ar/26aaaf29-7cd9-4a5d-ab1f-b06277f5f2a5.pdf).

<sup>133</sup> Spotify, "Ad Specs: Creative guidelines and specs to get you started," <https://ads.spotify.com/en-US/ad-specs/>.

<sup>134</sup> Spotify, "Audience targeting: Find your people," <https://ads.spotify.com/en-US/goals/audience-targeting/>.

<sup>135</sup> Spotify Technology S.A., (2023), "Form 20-F," pp. 12, 36 and 37, [https://s29.q4cdn.com/175625835/files/doc\\_financials/2023/ar/26aaaf29-7cd9-4a5d-ab1f-b06277f5f2a5.pdf](https://s29.q4cdn.com/175625835/files/doc_financials/2023/ar/26aaaf29-7cd9-4a5d-ab1f-b06277f5f2a5.pdf).

<sup>136</sup> Digitaltrends, "The 10 most popular streaming services, ranked by subscriber count," Phil Nickinson, May 9, 2024, <https://www.digitaltrends.com/home-theater/most-popular-streaming-services-by-subscribers/#dt-heading-3-disney-1536-million>.

to varying degrees depending on the platform.<sup>137</sup> For instance, available data shows that advertising revenues account for (i) 16.4% of total revenues of the Disney video streaming business segment (Disney+, Disney+ Hotstar and Hulu)<sup>138</sup> and (ii) 26.6% of total revenues of the Paramount video streaming business segment (Paramount+, Pluto TV, BET+, and Noggin).<sup>139</sup>

To attract users and ultimately generate advertising revenues, platforms can also buy broadcasting rights to sporting events (NFL, Nascar, Olympics, etc.) whose costs are financed by selling advertising spaces to businesses. For instance, ad revenues for the Super Bowl LVII reached 600 million USD in 2023 (in-game advertising during the Super Bowl).<sup>140</sup>

### C. News Outlets Also Have Digital Advertising Businesses

The digital arms of traditional news media are increasingly generating revenue through digital advertising, including by selling advertisements using advertising technology services on their websites. Digital advertising in this space includes direct-sold display ads, programmatic ads, and other digital marketing services. Most Canadian printed newspapers and broadcasters are also active online to expand their audience, build brand awareness, and derive complementary revenue through subscriptions and advertising revenues.<sup>141</sup> Most printed newspapers and broadcasters are

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<sup>137</sup> Emarketer, "Subscription streaming services have had varied success in driving revenues through ads," Ross Benes, May 17, 2024, <https://www.emarketer.com/content/subscription-streaming-services-varied-success-driving-revenues-through-ads>.

<sup>138</sup> The Disney video streaming business segment corresponds to the Disney "direct-to-consumer" business segment (corresponding to video streaming activities of Disney+, Disney+ Hotstar and Hulu). It has generated 19,886 million USD in 2023 in total worldwide revenues with (i) 3,260 million USD in advertising revenues (16.4% of total revenues), (ii) 16,420 million USD in subscription fees (82.6% of total revenues) and (iii) 206 million USD in other revenues (1% of total revenues). "Disney+: a global DTC service that primarily offers general entertainment and family programming. In certain Latin American countries, we offer Disney+ as well as Star+, a general entertainment service that also has sports programming ◦ Disney+ Hotstar: a DTC service primarily in India that offers general entertainment, family and sports programming ◦ Hulu (owned 67% by the Company): a U.S. DTC service that offers general entertainment and family programming and a digital over-the-top (OTT) service that includes live linear streams of cable networks and the major broadcast networks" (p. 3). The Walt Disney Company (2023), "Form 10-K," pp. 3, 40 and 65, <https://thewaltdisneycompany.com/app/uploads/2024/02/2023-Annual-Report.pdf>.

<sup>139</sup> The Paramount video streaming business segment correspond to the Paramount "direct-to-consumer" business segment (corresponding to video streaming activities including Paramount+, Pluto TV, BET+ and Noggin) generated 6,736 million USD in 2023 in total worldwide revenues with (i) 1,795 million USD in advertising revenues (26.6% of total revenues), (ii) 4,933 million USD in subscription fees (73.2% of total revenues) and (iii) 8 million USD in licensing (0.1% of total revenues). Paramount Global (2023), "Form 10-K," pp. I-5 and II-17, <https://ir.paramount.com/static-files/0f0d231a-8c49-4907-8846-7965c83591da>.

<sup>140</sup> Statista, "Super Bowl advertising in the United States - statistics & facts," <https://www.statista.com/topics/8999/super-bowl-advertising-in-the-us/#topFacts>.

<sup>141</sup> News Media Canada, "FAQ," <https://nmc-mic.ca/about-newspapers/faq/>.

servicing digital targeted ads either with internal ad tools<sup>142</sup> or using ad services from digital companies (such as Google Ad Manager<sup>143</sup>) helping publishers sell their ads space.

**CBC/Radio-Canada (or the CBC)** is an example of a Canadian legacy news publisher that has evolved its business model to take advantage of digital advertising as a source of revenue. As a crown corporation, the CBC receives most of its funding (about 71% in 2023) from the government.<sup>144</sup> The remaining 29% comes from revenues generated through advertising, subscriber fees, and other income sources (e.g., investments), and the portion from digital advertising has been growing in recent years. As of 2023, the CBC generated 73 million CAD in revenue (14.2%) from digital advertising,<sup>145</sup> up from 31 million CAD in 2019.<sup>146</sup>

**The New York Times (NYT)** is another example of a large publisher that has evolved its business model to take advantage of digital advertising. Last year, in 2023, digital advertising represented more than 60% of the NYT's advertising revenue, the majority of which was from advertisements that the NYT sold directly through a dedicated in-house sales team.<sup>147</sup> The NYT also generated a minority of its digital advertising revenue from programmatic auctions run by third-parties, such as those described above from Google.<sup>148</sup> This represents a significant shift over just a ten-year period; in 2013, the NYT generated more than three-quarters of its advertising revenue from print advertising.<sup>149</sup>

Furthermore, in response to increased competition for advertising revenues, some media, including news publishers, have developed strategies to increase revenues from subscriptions to become less dependent on advertising revenues altogether. For example, **The Globe and Mail** has evolved its

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<sup>142</sup> Deloitte, "Digital transformation through data, How news and media companies are delivering more value with insights," <https://www2.deloitte.com/us/en/pages/consulting/articles/digital-transformation-through-data-for-news.html>.

<sup>143</sup> Google News Initiative, "Google Tools for News Publishers," <https://newsinitiative.withgoogle.com/resources/trainings/start-building-your-audience/news-pub-tools/>.

<sup>144</sup> CBC Radio-Canada, "2022-2023 Annual Report," p. 27, <https://site-cbc.radio-canada.ca/documents/impact-and-accountability/finances/2023/2022-2023-Annual-Report.pdf>.

<sup>145</sup> CBC Radio-Canada, "2022-2023 Annual Report," p. 30, <https://site-cbc.radio-canada.ca/documents/impact-and-accountability/finances/2023/2022-2023-Annual-Report.pdf>.

<sup>146</sup> CBC Radio-Canada, "2019-2020 Annual Report," p. 37, <https://site-cbc.radio-canada.ca/documents/impact-and-accountability/finances/2019-2020-annual-report.pdf>.

<sup>147</sup> The New York Times Company, "2023 Annual Report," pp. 38 and 79, [https://nytco-assets.nytimes.com/2024/03/2023-Annual-Report\\_WR\\_-Final.pdf](https://nytco-assets.nytimes.com/2024/03/2023-Annual-Report_WR_-Final.pdf).

<sup>148</sup> The New York Times Company, "2023 Annual Report," p. 6, [https://nytco-assets.nytimes.com/2024/03/2023-Annual-Report\\_WR\\_-Final.pdf](https://nytco-assets.nytimes.com/2024/03/2023-Annual-Report_WR_-Final.pdf).

<sup>149</sup> The New York Times Company, "2013 Annual Report," p. 28, <https://nytco-assets.nytimes.com/2020/03/2013-Annual-Report.pdf>.

business model by investing in quality journalism to encourage consumers to buy print or digital subscription packages and ultimately generate revenues. This shift is illustrated by the fact that while revenues from advertising, display ads, and classifieds represented 70% of the Globe and Mail total revenues in 1999, the company has indicated that about two-thirds of its total revenues in 2022 were from paying subscribers, universities, businesses buying bulk subscriptions, and retail sales.<sup>150</sup> The NYT has likewise successfully implemented a similar strategy, generating roughly two-thirds of its 2023 revenue from subscriptions.<sup>151</sup>

### **III. The Online News Act: A Regulatory Response to Legacy Media’s Loss of Advertising Dollars**

As traditional media outlets face increasing financial pressures due to an industry trend away from print advertising towards digital advertising, governments and regulatory bodies worldwide have begun to explore implementing various frameworks aimed at supporting and sustaining legacy media. This section examines the Act as well as some of the different regulatory approaches being discussed and implemented across various other countries, highlighting their objectives, potential impacts, and challenges.

#### **A. The Motivation for an Intervention**

In Section I, I discussed how changes in technology and consumer preferences have disrupted legacy media business models, leading to a significant reallocation of advertising dollars towards digital advertising. Legacy media’s inability to adapt to this shift appears to have jeopardized the financial sustainability of some legacy media, e.g., some small and local newspapers and broadcasters. Without an evolution in their business models and/or some form of public intervention, this decline in revenue may pose a serious challenge to these news outlets.

According to the Department of Canadian Heritage, “[n]ews outlets play a vital role in maintaining a healthy democracy.”<sup>152</sup> The Canadian federal government has stated that this is consistent with

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<sup>150</sup> World Association of News Publishers, “How The Globe and Mail has managed to grow revenue, subscriptions – and print,” Neha Gupta, May 31, 2022, <https://wan-ifra.org/2022/05/how-the-globe-and-mail-has-managed-to-grow-revenue-subscriptions-and-print/>.

<sup>151</sup> The New York Times Company, “2023 Annual Report,” p. 34, [https://nytco-assets.nytimes.com/2024/03/2023-Annual-Report\\_WR\\_-Final.pdf](https://nytco-assets.nytimes.com/2024/03/2023-Annual-Report_WR_-Final.pdf).

<sup>152</sup> Government of Canada, “The Online News Act,” April 4, 2024, <https://www.canada.ca/en/canadian-heritage/services/online-news.html>. Government of Canada, “New Challenges for Media Freedom and Democracy,” December 12, 2020, [https://www.international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/human\\_rights-droits\\_homme/policy-orientation-democracy-democratie.aspx?lang=eng](https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/human_rights-droits_homme/policy-orientation-democracy-democratie.aspx?lang=eng).

Canada's Fundamental Freedoms that include freedom of press and media as a vital condition for the quality of democracy and the protection of human rights.<sup>153</sup> As such, the Canadian government believes it is a valid public policy objective to advocate for a robust and diverse media ecosystem and ensure the conditions exist such that the Canadian news ecosystem is plural, independent, and free of censorship. One of the key elements to achieve this is the financial independence and sustainability of the press.

Among legacy media, local and community news outlets are viewed as particularly vulnerable to the financial pressures caused by the shift in advertising revenue. To help sustain legacy local, community and Indigenous journalism, and more broadly to ensure a sound media ecosystem, the Canadian authorities have already implemented various regulations, including the Local Journalism Initiative<sup>154</sup> and the Indigenous Broadcasting Policy.<sup>155</sup>

The Act discussed in this report is another policy response from Canadian authorities that aims to contribute to the government's goals of ensuring a healthy news ecosystem and supporting Canadian democratic values.<sup>156</sup> However, as I detail in the next subsection, well intentioned policies are not enough and interventions that do not acknowledge the complexities associated with their design and implementation may have unintended consequences.

## B. The Complexities of Such an Intervention

In the previous section, I explained that the inability to adapt to the shift in advertising revenue for legacy media, and for local and community news outlets in particular, threatens their financial

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<sup>153</sup> Government of Canada, "Freedom of expression and media freedom," [https://www.international.gc.ca/world-monde/issues\\_development-enjeux\\_developpement/human\\_rights-droits\\_homme/freedom\\_expression\\_media-liberte\\_expression\\_medias.aspx?lang=eng](https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/human_rights-droits_homme/freedom_expression_media-liberte_expression_medias.aspx?lang=eng). The Canadian Charter of Rights and Freedoms states, under the heading of "Fundamental Freedoms" that "Everyone has the following fundamental freedoms: [...] freedom of thought, belief, opinion and expression, including freedom of the press and other media of communication." Government of Canada, "The Canadian Charter of Rights and Freedoms, Charterpedia, Section 2(b) – Freedom of expression," <https://www.justice.gc.ca/eng/csj-sjc/rfc-dlc/ccrf-ccd1/check/art2b.html>.

<sup>154</sup> The Local Journalism Initiative provides funding to eligible news outlets to produce civic journalism for underserved communities. News Media Canada, "Local Journalism Initiative, How It Works," <https://nmc-mic.ca/lji/about-lji/how-it-works/>. Government of Canada, "Support for independent local journalism because you deserve to know," March 1, 2024, <https://www.canada.ca/en/canadian-heritage/news/2024/03/support-for-independent-local-journalism-because-you-deserve-to-know.html>.

<sup>155</sup> The CRTC is in the process of updating the Indigenous Broadcasting Policy, which aims to provide broadcasting options meeting the needs and interests of Indigenous peoples. CRTC, "Co-development of the Indigenous Broadcasting Policy," August 23, 2024, <https://crtc.gc.ca/eng/comm/pp1/index.htm>.

<sup>156</sup> The Act mentions that "[a] free, strong and independent press is essential in informing communities, driving civic engagement and countering the rise of disinformation." Government of Canada, "Minister St-Onge releases final regulations for the Online News Act," December 15, 2023, <https://www.canada.ca/en/canadian-heritage/news/2023/12/minister-st-onge-releases-final-regulations-for-the-online-news-act.html>.

sustainability and may ultimately weaken the overall quality of the Canadian media ecosystem. As such, Canadian authorities have put forward policy responses aimed at ensuring a healthy media environment. From an economic and regulatory perspective, the design and implementation of such interventions should consider the economic incentives facing all parties involved at each stage of the policy's implementation in order to best support the policy's likelihood of generating the desired outcomes throughout the policy's life cycle (formulation, adoption, implementation, evaluation, maintenance).<sup>157</sup>

Prior to its implementation, an effective policy should clearly define the problem it intends to address,<sup>158</sup> including identifying the market failure—that is, the failure of the free market to distribute goods and services efficiently<sup>159</sup>—that creates the need for a policy intervention.<sup>160</sup> Then, the policy should identify all the relevant stakeholders and the business areas in which they are active in order to consider the full range of the policy's potential effects.<sup>161</sup> In the context of the Act, as I further develop in the rest of this paper, the relevant stakeholders and business areas are those involving news generation and distribution, competition for consumer attention, and advertising.

Once the objectives, relevant stakeholders, and business areas are identified, the policy design should strive to balance out the incentives faced by each stakeholder, and that the introduction of the policy drives behaviours aligned with the policy's objectives. If a redistribution policy intervention (such as the Act) that collects proceeds to be then redistributed is pursued following the above steps, then the intervention can be divided into two further steps that both need to be carefully considered to ensure that the policy reaches its objectives while minimizing unintended consequences. First, revenue extraction procedures need to be defined and carefully designed. Second, once collected, a sound redistribution mechanism must be designed to compensate the relevant stakeholders in a meaningful way (eligible parties to receive collected revenues, setting the specific amounts, etc.).

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<sup>157</sup> Harvard Catalyst, "Policy Life Cycle," <https://catalyst.harvard.edu/community-engagement/policy-research/unknown-61015f3cbb252-61015f57f388a-610bf6bb39406-610bf6ca02c07-610bf6d25a626/#:~:text=The%20policy%20life%20cycle%20consists,other%20in%20a%20continuous%20circle>.

<sup>158</sup> The World Bank Group, "Successful Policy Design Can Be Messy. Smart Policy Design and Implementation Can Help," May 25, 2023, <https://www.worldbank.org/en/news/feature/2023/05/25/successful-policy-design-can-be-messy-smart-policy-design-and-implementation-can-help>.

<sup>159</sup> Investopedia, "Market Failure: What It Is in Economics, Common Types, and Causes," June 25, 2024, <https://www.investopedia.com/terms/m/marketfailure.asp>.

<sup>160</sup> The CORE team, "Economy, Society, and Public Policy," Chapter 11, Market successes and failures, <https://www.core-econ.org/espp/book/text/11.html>.

<sup>161</sup> The World Bank Group, "Successful Policy Design Can Be Messy. Smart Policy Design and Implementation Can Help," May 25, 2023, <https://www.worldbank.org/en/news/feature/2023/05/25/successful-policy-design-can-be-messy-smart-policy-design-and-implementation-can-help>.



Once implemented, regulators should evaluate the effects of the policy relative to its objectives and adjust the policy accordingly if necessary.<sup>162</sup>

### C. Overview of Bill-C18: The Online News Act

Canada began contemplating policies to redistribute revenues from digital platforms to news outlets in 2017, when the Standing Committee on Canadian Heritage released a report titled “Disruption: Change and Churning in Canada’s Media Landscape.”<sup>163</sup> The report emphasized the importance of local news and highlighted the various challenges facing Canadian news outlets, such as the migration of advertising dollars to digital platforms.<sup>164</sup> In its report, the Committee recommended that the Minister of Canadian Heritage explore new funding models that are platform agnostic and support journalist content, including ensuring that foreign news aggregators be subjected to the same tax obligations as Canadian providers.<sup>165</sup>

In January 2020, the Broadcasting and Telecommunications Legislative Review Panel chaired by Janet Yale submitted to Minister Bains (Minister of Innovation, Science and Industry) and Minister Guilbeault (Minister of Canadian Heritage) its final report with recommendations on modernizing the legislation governing Canada’s communications sector.<sup>166</sup> In particular, the report advocated for regulatory measures to ensure that news creators are fairly compensated for their content when used by online platforms, including the creation of a fund to support the production of news financed by media aggregation and media sharing undertakings.<sup>167</sup>

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<sup>162</sup> Harvard Catalyst, “Policy Life Cycle,” <https://catalyst.harvard.edu/community-engagement/policy-research/unknown-61015f3cbb252-61015f57f388a-610bf6bb39406-610bf6ca02c07-610bf6d25a626/#:~:text=The%20policy%20life%20cycle%20consists,other%20in%20a%20continuous%20circle>.

<sup>163</sup> The Hon. Hedy Fry, “Disruption: Change and Churning in Canada’s Media Landscape,” Report of the Standing Committee on Canadian Heritage, June 2017, [https://publications.gc.ca/collections/collection\\_2017/parl/x61-1/XC61-1-1-421-6-eng.pdf](https://publications.gc.ca/collections/collection_2017/parl/x61-1/XC61-1-1-421-6-eng.pdf).

<sup>164</sup> The Hon. Hedy Fry, “Disruption: Change and Churning in Canada’s Media Landscape,” Report of the Standing Committee on Canadian Heritage, June 2017, pp. 3 and 4, [https://publications.gc.ca/collections/collection\\_2017/parl/x61-1/XC61-1-1-421-6-eng.pdf](https://publications.gc.ca/collections/collection_2017/parl/x61-1/XC61-1-1-421-6-eng.pdf).

<sup>165</sup> The Hon. Hedy Fry, “Disruption: Change and Churning in Canada’s Media Landscape,” Report of the Standing Committee on Canadian Heritage, June 2017, Recommendations 1, 6 and 18, [https://publications.gc.ca/collections/collection\\_2017/parl/x61-1/XC61-1-1-421-6-eng.pdf](https://publications.gc.ca/collections/collection_2017/parl/x61-1/XC61-1-1-421-6-eng.pdf).

<sup>166</sup> Broadcasting and Telecommunications Legislative Review, “Canada’s communications future: Time to act,” January 2020, [https://ised-isde.canada.ca/site/broadcasting-telecommunications-legislative-review/sites/default/files/attachments/BTLR\\_Eng-V3.pdf](https://ised-isde.canada.ca/site/broadcasting-telecommunications-legislative-review/sites/default/files/attachments/BTLR_Eng-V3.pdf).

<sup>167</sup> Broadcasting and Telecommunications Legislative Review, “Canada’s communications future: Time to act,” January 2020, pp. 16, 33 and 34, [https://ised-isde.canada.ca/site/broadcasting-telecommunications-legislative-review/sites/default/files/attachments/BTLR\\_Eng-V3.pdf](https://ised-isde.canada.ca/site/broadcasting-telecommunications-legislative-review/sites/default/files/attachments/BTLR_Eng-V3.pdf).



In December 2021, Canadian Prime Minister Justin Trudeau asked the Minister of Canadian Heritage to introduce legislation “modelled on the Australian approach” (detailed in the next section) that would require digital platforms to share revenues with Canadian news outlets for the content shared on their platforms to “level the playing field between the global platforms and Canadian outlets.”<sup>168</sup>

The Act, formally titled “An Act respecting online communications platforms that make news content available to persons in Canada” (and also known as the Bill C-18) was introduced in Parliament in April 2022, received Royal Assent in June 2023, and came into effect in December 2023.<sup>169</sup> The Act defines news content as “content — in any format, including an audio or audiovisual format — that reports on, investigates or explains current issues or events of public interest and includes such content that an Indigenous news outlet makes available by means of Indigenous storytelling.”<sup>170</sup>

The Act aims to promote the “fairness,” “sustainability,” and “independence” of Canadian news.<sup>171</sup> Its main objectives are to (i) enhance fairness in the Canadian digital news marketplace and contribute to its sustainability, (ii) support press independence, and (iii) promote diversity among news outlets.<sup>172</sup> In practice, the Act seeks to require large digital platform owners to pay news organizations for any news content shared on the platforms (including by the news organizations themselves), so as to address a perceived “bargaining power imbalance” between these digital platforms and news organizations by requiring these digital platforms to negotiate directly with publishers and allowing smaller publishers to collectively bargain. Additionally, the Act provides a mandatory arbitration framework if an agreement cannot be reached.<sup>173</sup>

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<sup>168</sup> Prime Minister of Canada, Justin Trudeau, “Minister of Canadian Heritage Mandate Letter,” December 16, 2021, <https://www.pm.gc.ca/en/mandate-letters/2021/12/16/minister-canadian-heritage-mandate-letter>.

<sup>169</sup> LEGISinfo, “An Act respecting online communications platforms that make news content available to persons in Canada,” <https://www.parl.ca/legisinfo/en/bill/4ble4-1/c-18>. Parliament of Canada, Statutes of Canada 2023, Chapter 23, “An Act respecting online communications platforms that make news content available to persons in Canada,” June 22, 2023, Bill C-18, <https://www.parl.ca/documentviewer/en/44-1/bill/C-18/royal-assent>.

<sup>170</sup> Government of Canada, “Online News Act, S.C. 2023, c. 23, Assented to 2023-06-22,” <https://laws.justice.gc.ca/eng/acts/O-9.3/page-1.html>.

<sup>171</sup> Government of Canada, “Regulations Respecting the Application of the Online News Act, the Duty to Notify and the Request for Exemptions,” Canada Gazette, Part I, Volume 157, Number 1, September 2, 2023, <https://canadagazette.gc.ca/rp-pr/p1/2023/2023-09-02/html/reg1-eng.html>.

<sup>172</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

<sup>173</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

The Act considers that a “significant bargaining power imbalance” may exist between a digital platform and a news publisher if (i) the platform is large (global revenue of more than 1 billion CAD in a calendar year), (ii) the market for the platform provides a “strategic advantage over news businesses,” and/or (iii) the platform occupies a “prominent market position.” These criteria are met in accordance with the Act if the platform operates a search engine or a social media service that has an average of at least 20 million unique visitors/active users in Canada per month.<sup>174</sup> As noted above and described further below, in practice and by design, the only affected platforms are those owned by Google and Meta.

The legislation aims to facilitate “fair compensation for Canadian media outlets and journalists.”<sup>175</sup> The Act defines that an agreement is “fair” if the remuneration is “comparable to the compensation received by other news businesses of comparable size, with a similar business model and similar capabilities that provide a similar type of news content to comparable markets and communities.”<sup>176</sup>

Digital media platforms can be exempt from bargaining and arbitration with individual publishers if they reach an agreement with a single group or collective that meets three conditions. First, the amount of compensation should be equivalent to the “contribution” of news publishers. Second, compensation should be distributed “equitably” among its members, following the deduction of reasonable expenses. Lastly, the group must remain open to all news publishers that participated in the open call.<sup>177</sup> For an agreement with a collective group, “equitable distribution” must be assessed based on “the number of full-time equivalent employees engaged in the production of original news content employed by a news business over the previous calendar year.”<sup>178</sup>

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<sup>174</sup> Parliament of Canada, Statutes of Canada 2023, Chapter 23, “An Act respecting online communications platforms that make news content available to persons in Canada,” June 22, 2023, Bill C-18, <https://www.parl.ca/documentviewer/en/44-1/bill/C-18/royal-assent>. Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

<sup>175</sup> Parliament of Canada, “Legislative Summary of Bill C-18: An Act respecting online communications platforms that make news content available to persons in Canada,” Brosseau, Laurence. et al, Parliamentary Information, Education and Research Services, October 13, 2022, p.1, [https://lop.parl.ca/sites/PublicWebsite/default/en\\_CA/ResearchPublications/LegislativeSummaries/441C18E](https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/LegislativeSummaries/441C18E).

<sup>176</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

<sup>177</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

<sup>178</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

To be subject to the law, a platform must meet the following criteria:

- First, the platform must qualify as a “digital news intermediary,” defined as “an online communication platform, including a search engine or social media service, that is subject to the legislative authority of Parliament and that makes news content produced by news outlets available to persons in Canada.”<sup>179</sup> In this context, “making news available” means reproducing or facilitating access to any portion of news content through indexing, aggregation, or ranking.<sup>180</sup> An eligible news outlet is defined as an individual or entity that is “operated exclusively for the purpose of producing news content,” the content from which is made available by the digital news intermediary.<sup>181</sup>
- Second, the platform must meet all the following business criteria: (i) it must have total global revenue of more than 1 billion CAD in a calendar year, (ii) it must operate a social media service or search engine, and (iii) it must have had an average of at least 20 million active users or unique visitors in Canada per month.<sup>182</sup>

At the time of the Act’s passage, the Canadian government’s position appeared to be that only Google and Meta potentially qualify under these conditions.<sup>183</sup> I discuss their and other constituents’ reactions to the Act in the next section.

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<sup>179</sup> Parliament of Canada, Statutes of Canada 2023, Chapter 23, “An Act respecting online communications platforms that make news content available to persons in Canada,” June 22, 2023, Bill C-18, <https://www.parl.ca/documentviewer/en/44-1/bill/C-18/royal-assent>.

<sup>180</sup> Parliament of Canada, Statutes of Canada 2023, Chapter 23, “An Act respecting online communications platforms that make news content available to persons in Canada,” June 22, 2023, Bill C-18, <https://www.parl.ca/documentviewer/en/44-1/bill/C-18/royal-assent>.

<sup>181</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

<sup>182</sup> Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

<sup>183</sup> “Canadian Heritage Minister Pablo Rodriguez recently confirmed that Bill C-18 in its current form only applies to two companies: Google and Meta.” Michael Geist, “As Government Moves to Cut Off Bill C-18 Debate, the Reality is Artificial Intelligence Renders Bill Already Out of Date,” June 20, 2023, <https://www.michaelgeist.ca/2023/06/as-government-moves-to-cut-off-bill-c-18-debate-the-reality-is-artificial-intelligence-renders-bill-already-out-of-date/>. BBC News, “Meta’s news ban in Canada remains as Online News Act goes into effect,” Nadine Yousif, December 19, 2023, <https://www.bbc.com/news/world-us-canada-67755133>.

## D. Reactions to the Act

### 1. Meta blocked news content to comply with the Act

Meta expressed concerns about Bill C-18, calling on the government to “rethink its approach to help create a fairer and more sustainable news industry in the long term.”<sup>184</sup> Meta argued that its business model differs from that of Google and stated that publishers choose to share their content voluntarily.<sup>185</sup> In May 2023, Nick Clegg, Meta’s President of Global Affairs, stated that “[p]ublishers choose to share their content because it benefits them to do so.”<sup>186</sup> Unlike Google, which uses links to news web pages in its search engine,<sup>187</sup> Meta does not “need or collect content from news websites to put on [Meta’s] services.”<sup>188</sup> Mr. Clegg also emphasized that news content is not valuable to Meta’s business model.<sup>189</sup>

In June 2023, Meta announced a plan to begin conducting product tests to remove news should C-18 become law,<sup>190</sup> taking the position that removing news from its platform would make Meta compliant with the regulation by being outside its scope. It stated that the Act is a “fundamentally flawed legislation that ignores the realities of how our platforms work, the preferences of the people who use them, and the value we provide news publishers.”<sup>191</sup> On August 1, 2023, Meta officially announced that it would end the availability of news content in Canada. According to Meta’s announcement, users are prohibited from accessing news content from both Facebook and

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<sup>184</sup> Meta, “Sharing Our Concerns with Canada’s Online News Act,” Dinsdale, Marc, October 21, 2022, <https://about.fb.com/news/2022/10/metasc-concerns-with-canadas-online-news-act/>.

<sup>185</sup> Meta, “Sharing Our Concerns with Canada’s Online News Act,” Dinsdale, Marc, October 21, 2022, <https://about.fb.com/news/2022/10/metasc-concerns-with-canadas-online-news-act/>.

<sup>186</sup> Meta, “Meta’s Position on Canada’s Online News Act,” May 8, 2023, <https://about.fb.com/news/2023/05/metasc-position-on-canadas-online-news-act/>.

<sup>187</sup> Google and Meta have distinct business models that interact differently with news content. Google’s core business revolves around its search engine and aggregation of news and information, where providing users with relevant news articles is crucial for maintaining engagement. As a result, Google relies on news content to drive traffic and user engagement. In contrast, Meta’s platforms, Facebook and Instagram, are social media networks where user-generated content is the key driver of engagement, so that Meta’s algorithms can more easily replace news content by other type of content without significantly impacting user engagement or revenue. Consequently, Meta’s dependence on news is relatively low, and news content does not directly contribute to its core advertising-based revenue model.

<sup>188</sup> Meta, “Meta’s Position on Canada’s Online News Act,” May 8, 2023, <https://about.fb.com/news/2023/05/metasc-position-on-canadas-online-news-act/>.

<sup>189</sup> Meta, “Meta’s Position on Canada’s Online News Act,” May 8, 2023, <https://about.fb.com/news/2023/05/metasc-position-on-canadas-online-news-act/>.

<sup>190</sup> Meta, “Changes to News Availability on Our Platforms in Canada,” June 1, 2023 (updated August 1, 2023), <https://about.fb.com/news/2023/06/changes-to-news-availability-on-our-platforms-in-canada/>.

<sup>191</sup> Meta, “Changes to News Availability on Our Platforms in Canada,” June 1, 2023 (updated August 1, 2023), <https://about.fb.com/news/2023/06/changes-to-news-availability-on-our-platforms-in-canada/>.

Instagram within Canada.<sup>192</sup> News outlets outside of Canada will still be able to post news content, but “that content will not be viewable by people in Canada.”<sup>193</sup> In September 2023, a person filmed themselves driving across the bridge from Canada to Buffalo, NY to confirm that once in the United States, the news that was previously blocked on their phone became unblocked.<sup>194</sup> As discussed in more detail in Section IV.B., Meta’s decision to remove access to news content in Canada appears to be part of a broader worldwide strategy to reduce its involvement with news-related content and features across its platforms.

## **2. Google settled with the Canadian government to comply with the Act**

Google initially opposed the Act, citing concerns with the concept of a “link tax.” On June 29, 2023, shortly after the Act received Royal Assent, Kent Walker, the President of Global Affairs at Google, stated that establishing a “link tax” was “the wrong approach to supporting journalism in Canada and [might] result in significant changes to [Google’s] products.”<sup>195</sup> He also posited that the Act would “make it harder for Canadians to find news online, make it harder for journalists to reach their audiences, and reduce valuable free web traffic to Canadian publishers.”<sup>196</sup> Despite the initial opposition, Google negotiated with the Canadian government and secured a five-year exemption to the mandatory bargaining and arbitration process (Google’s application was approved by the CRTC in October 2024).<sup>197</sup> Instead of negotiating with individual news outlets, the exemption allowed

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<sup>192</sup> Canadian news content, while being blocked in Canada, remained visible elsewhere. In the context of the Australian legislation, Meta’s response to the News Media Bargaining Code in 2021 was to implement a news ban affecting Australian news content worldwide. Indeed, before reaching agreements with news publishers in Australia, Meta made decisions that had cross-border effects on international publishers and international users as Australian news content could not be viewed or shared by the international community on Facebook (in addition to links and posts from international and Australian publishers being blocked in Australia in a similar way as in the Canadian context). Meta, “Changes to Sharing and Viewing News on Facebook in Australia,” William Easton, February 17, 2021, <https://about.fb.com/news/2021/02/changes-to-sharing-and-viewing-news-on-facebook-in-australia/>.

<sup>193</sup> Meta, “Changes to News Availability on Our Platforms in Canada,” June 1, 2023 (updated August 1, 2023), <https://about.fb.com/news/2023/06/changes-to-news-availability-on-our-platforms-in-canada/>.

<sup>194</sup> NowToronto.com, “Man Drives Across US Border to View Canadian News on Social Media Amid Meta News Block,” De Boer, Tara, September 14, 2023, <https://nowtoronto.com/news/man-crosses-border-to-see-if-canadian-news-visible/>.

<sup>195</sup> Google, “An update on Canada’s Bill C-18 and our Search and News products,” Walker, Kent, June 29, 2023, <https://blog.google/intl/en-ca/company-news/outreach-initiatives/an-update-on-canadas-bill-c-18-and-our-search-and-news-products/>.

<sup>196</sup> Google, “An update on Canada’s Bill C-18 and our Search and News products,” Walker, Kent, June 29, 2023, <https://blog.google/intl/en-ca/company-news/outreach-initiatives/an-update-on-canadas-bill-c-18-and-our-search-and-news-products/>.

<sup>197</sup> CRTC, “CRTC approves Google’s application and paves way for annual \$100 million contribution to Canadian news organizations,” October 28, 2024, <https://www.canada.ca/en/radio-television-telecommunications/news/2024/10/crtc-approves-googles-application-and-paves-way-for-annual-100-million-contribution-to-canadian-news-organizations.html>. CTV News, “No concessions’ St-Onge says in \$100M a year news deal with Google,” Aiello Rachel, November 29, 2023, <https://www.ctvnews.ca/politics/no-concessions-st-onge-says-in-100m-a-year-news-deal-with-google-1.6665565>.

Google to pay 100 million CAD per year, inflation-adjusted, to a fund that would be distributed to eligible news organizations based on their size.<sup>198</sup> Google initiated an open call for all news organizations that wished to benefit from the funds and received approximately 1,500 applications.<sup>199</sup>

The distribution of Google's contribution of 100 million CAD per year to news outlets will be operated by the Canadian Journalism Collective—Collectif Canadien de Journalisme (CJC-CCJ), a non-profit organization responsible for overseeing the distribution of funds.<sup>200</sup> The CJC-CCJ is comprised of small and independent publishers, and its goal is to “promote sustainability, equity, and innovation in the implementation of the Online News Act and regulations.”<sup>201</sup> The distribution of Google's funds across eligible news businesses is a function of these businesses' full-time equivalent employees and freelancers.<sup>202</sup> Based on the 2023 distribution of employees and freelancers in the news media industry, the CJC-CCJ has indicated that it plans to allocate 7% of the fund to the CBC, 30% to other eligible broadcasters, and the remaining 63% to other news publishers. The government has stated that small print and digital outlets can expect to receive approximately 17,000 CAD per journalist that they employ per year.<sup>203</sup>

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<sup>198</sup> CTV News, “No concessions’ St-Onge says in \$100M a year news deal with Google,” Aiello Rachel, November 29, 2023, <https://www.ctvnews.ca/politics/no-concessions-st-onge-says-in-100m-a-year-news-deal-with-google-1.6665565>.

<sup>199</sup> Google, “Canada’s Online News Act: How we’re moving forward with the Canadian news ecosystem,” <https://blog.google/canada-news-en/#overview>. Microsoft Start, MSN, “Group in charge of Google’s \$100M for news outlets lays out its governance model,” Djuric, Mickey, The Canadian Press, July 17, 2024, <https://www.msn.com/en-us/news/canada/group-in-charge-of-google-s-100m-for-news-outlets-lays-out-its-governance-model/ar-BB1qa7P9?ocid=BingNewsSerp>.

<sup>200</sup> CRTC, “CRTC approves Google’s application and paves way for annual \$100 million contribution to Canadian news organizations,” October 28, 2024, <https://www.canada.ca/en/radio-television-telecommunications/news/2024/10/crtc-approves-googles-application-and-paves-way-for-annual-100-million-contribution-to-canadian-news-organizations.html>. Canadian Journalism Collective, “Frequently Asked Questions,” July 15, 2024, <https://cjc-ccj.ca/en/>.

<sup>201</sup> Canadian Journalism Collective, “Frequently Asked Questions,” July 15, 2024, <https://cjc-ccj.ca/en/>.

<sup>202</sup> According to the CJC-CCJ, “[t]he share of each eligible news business (ENB) of Google’s contribution will be proportionate to the sum of 10 times their full-time equivalent (FTE) employee number plus 7 times their (FTE) freelancer number.” Canadian Journalism Collective, “Funding Distribution Policy & Rationale,” August 26, 2024, <https://cjc-ccj.ca/documents-en/>.

<sup>203</sup> CTV News, “Google signs deal with organization to distribute \$100M to Canadian news companies,” Djuric, Mickey, June 7, 2024, <https://www.ctvnews.ca/business/google-signs-deal-with-organization-to-distribute-100m-to-canadian-news-companies-1.6918010>. I note that the distribution mechanism for the funds received from Google does not appear to be clearly tied to the Act’s stated criteria (which is somewhat ambiguous) for determining whether the compensation received by a given publisher in exchange for access to their work is “fair”—that is whether the compensation is “comparable to the compensation received by other news businesses of comparable size, with a similar business model and similar capabilities that provide a similar type of news content to comparable markets and communities.” See Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.



### **3. The public reaction has been mixed**

The public reaction to the Online News Act has been mixed. While some large publishers have praised the law, many smaller publishers, academics, and the general public have mostly reacted negatively or with caution regarding the potential unintended consequences of the Act.

Many small publishers have responded negatively to the Act, expressing concerns that the main beneficiaries of the funds will be larger networks that have long been advantaged by industry consolidation. For example, in an open letter to its members, the executive director of LION Publishers—a professional association for local and independent news publishers in the U.S. and Canada—mentioned that distribution of funds from the Act and similar proposed laws in the U.S. will likely depend on the extent of lobbying done by legacy and broadcast media organizations, with smaller groups likely to be disqualified. The letter also questioned how payments given to large media conglomerates with significant market power in an already concentrated industry would preserve local journalism, particularly given that these same companies have been “withdrawing” from local community journalism for years.<sup>204</sup> Michael Geist, a law professor at the University of Ottawa, has also pointed out that many smaller outlets do not qualify for funds under the Act’s existing standards.<sup>205</sup>

Some academics worry that the policy also has implications for the independence of the media. For example, Ariel Katz, a law professor at the University of Toronto, argues that the Act risks making publishers financially dependent on international digital platforms. This could potentially turn them into stakeholders in these companies’ success instead of serving as independent free press and corporate watchdogs.<sup>206</sup>

Surveys show that a vast majority of Canadians support free and easy access to news.<sup>207</sup> Additionally, a minority believe that Google or social media platforms should pay a fee for articles shared or clicked on through their platforms. In a survey commissioned by Google Canada, when asked if Google should pay a fee to news organizations if an article on Google is clicked on by its

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<sup>204</sup> Lion Publishers, “A letter to LION members about the Journalism Competition Preservation Act and the Online News Act,” Krewson, Chris, September 5, 2022, <https://www.lionpublishers.com/a-letter-to-lion-members-about-the-journalism-competition-preservation-act-and-the-online-news-act/>.

<sup>205</sup> Michael Geist, “Why the Real Bill C-18 Threat is Bill C-18,” October 22, 2022, <https://www.michaelgeist.ca/2022/10/why-the-real-bill-c-18-threat-is-bill-c-18/>.

<sup>206</sup> Katz, A. (2023). “Sedating Democracy’s Watchdogs: Critical Reflections on Canada’s Proposed Online News Act.” *The Columbia Journal of Law & The Arts*, 46(3), 345–366.

<sup>207</sup> Leger, “Opinion on Bill C-18: Survey of Canadians,” September 19, 2023, [https://leger360.com/wp-content/uploads/2024/02/Leger-X-CP\\_C-18.pdf](https://leger360.com/wp-content/uploads/2024/02/Leger-X-CP_C-18.pdf).

users, only 30% responded yes.<sup>208</sup> Even fewer, 21%, responded yes when posed the same question about articles shared on social media platforms.<sup>209</sup>

## E. International Models

In the last decade, several European countries, such as Germany, France, and Spain, have implemented regulations on internet platforms displaying news content and links with the aim of “rectifying perceived economic imbalances” between digital intermediaries and the news industry.<sup>210,211</sup> In 2019, the European Parliament introduced measures to be adopted by all European Union members; France was the first country to implement this directive.<sup>212</sup>

In 2021, Australia enacted the News Media Bargaining Code (NMBC), which required designated platforms to compensate eligible news publishers for news content made available on their platforms and which served as the inspiration for Bill C-18.<sup>213</sup> Neither Google nor Meta have been designated under the law, but each reached multiple agreements outside the NMBC<sup>214</sup>—combined worth over 140 million USD—with news publishers in Australia.<sup>215</sup> However, in March 2024, Meta announced that it would not renew its agreements when the contracts expire later in the year, consistent with its recognition that users do not come to its platforms for news and political content.<sup>216</sup>

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<sup>208</sup> Abacus Data, “Canadians’ views on Bill C-18, the Online News Act,” Coletto, David, October 14, 2022, <https://abacusdata.ca/public-opinion-bill-c-18-online-news-act-canada/>.

<sup>209</sup> Abacus Data, “Canadians’ views on Bill C-18, the Online News Act,” Coletto, David, October 14, 2022, <https://abacusdata.ca/public-opinion-bill-c-18-online-news-act-canada/>.

<sup>210</sup> Computer & Communications Industry Association, “Understanding “Ancillary Copyright” in the Global Intellectual Property Environment,” February, 2015, p. 1, <https://ccianet.org/wp-content/uploads/2015/02/CCIA-Understanding-Ancillary-Copyright.pdf>.

<sup>211</sup> Computer & Communications Industry Association, “Understanding “Ancillary Copyright” in the Global Intellectual Property Environment,” February, 2015, p. 4, <https://ccianet.org/wp-content/uploads/2015/02/CCIA-Understanding-Ancillary-Copyright.pdf>.

<sup>212</sup> Simmons & Simmons, “The DSM Directive two years on: is it in force?,” September 9, 2021, <https://www.simmons-simmons.com/en/publications/ckctct3gfi1tIs0b02r8s9vgfb/the-dsm-directive-two-years-on-is-it-in-force>.

<sup>213</sup> Ingram, Matthew “Canada imitates Australia’s news-bargaining law, but to what end?,” Columbia Journalism Review, March 16, 2023, [https://www.cjr.org/the\\_media\\_today/canada\\_australia\\_platforms\\_news\\_law.php](https://www.cjr.org/the_media_today/canada_australia_platforms_news_law.php).

<sup>214</sup> Australian Government, The Treasury, “News Media and Digital Platforms Mandatory Bargaining Code, The Code’s first year of operation,” November 2022, p. 3, <https://treasury.gov.au/sites/default/files/2022-11/p2022-343549.docx>.

<sup>215</sup> Poynter, “Australia’s news media bargaining code pries \$140 million from Google and Facebook,” Schiffrin Anya, August 16, 2022, <https://www.poynter.org/business-work/2022/australias-news-media-bargaining-code-pries-140-million-from-google-and-facebook/>.

<sup>216</sup> Honi Soit, “Facebook pulls out of World-first News Bargaining Code. Where to Next?,” Khochaiche, Zeina, March 27, 2024, <https://honisoit.com/2024/03/facebook-pulls-out-of-world-first-news-bargaining-code-where-to-next/>.



## IV. The Online News Act Is Unlikely to Meet Its Objectives

In the previous sections, I explained that the Act was designed in response to the financial challenges faced by legacy media, with broad stated objectives of enhancing fairness in the Canadian digital news marketplace, supporting press independence, and promoting diversity among news outlets. In this section, I argue that, while seemingly well-intentioned, the Act does not address the consequences of the primary business dynamic facing legacy news publishers, which is a decrease in advertising revenue in the face of additional competition and choice for advertisers. To the extent legislative intervention should be pursued to address the downstream consequences of increased competition and choice for advertisers (a question this paper does not address), the Act is unlikely to meet its objectives.

Additionally, I examine in this section how the Act's particular implementation, despite the motivations underpinning its passing, may lead to unintended consequences.

### A. The Act's Focus on News Intermediaries is too Narrow

As discussed, in determining the entities that shall be bound to comply with the provisions of the Act, the Act defines a selection rule that applies to “digital news intermediaries” meeting specific criteria in terms of revenues, activities, and users.<sup>217</sup> This definition appears intended to limit the Act's reach to only those entities with a news nexus; that is, to those whose business operations involve news in some way. Despite the potential reasonableness of this limitation, once a more complete understanding of the business models of ad-supported legacy media and digital platforms (as described above) is reached, it becomes clear that this limitation causes the Act to fail to address the core issue facing legacy news publishers—declining *advertising* revenue in the face of increased competition for advertising dollars and increased choice for advertisers. It is far from clear that any legislation redistributing revenue to legacy news publishers can be an effective method by which to ensure fairness, sustainability and independence of Canadian journalism, but it is clear that the Act is not.

As I explained in Section I, in recent years in Canada, newspapers, radio, and OTA broadcasters experienced significant declines in revenue that predominantly stemmed from substantial declines

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<sup>217</sup> As mentioned, platforms must meet all the following conditions: (i) exceed a total global revenue of 1 billion CAD in a calendar year, (ii) operate a social media service or search engine, and (iii) have had an average of at least 20 million active users or unique visitors in Canada per month. The government's position appears to be that only Google and Meta currently qualify under these conditions. Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

in advertising revenue. For newspapers, total revenues have decreased from 4.6 billion CAD on average in 2004-2010 to 2.2 billion CAD in 2018-2022 driven by a decline in advertising revenues (from 3.7 billion CAD to 1.2 billion CAD) while non-advertising revenues have remained fairly steady (0.9 billion CAD on average in both periods).<sup>218</sup> For broadcast radio, total revenues have been relatively stable in the last decade (from 2.2 billion CAD on average in 2011-2017 to 2.1 billion CAD in 2018-2022), supported by increasing subscription revenue for satellite radio and government funding. However, advertising revenues have declined (from 1.7 billion CAD on average in 2011-2017 to 1.3 billion CAD in 2018-2022).<sup>219</sup> For broadcast television, total revenues have decreased from 3.2 billion CAD on average in 2004-2010 to 2.5 billion CAD in 2018-2022, also driven by a decline in advertising revenues (from 2.2 to 1.6 billion CAD).<sup>220</sup>

As I explained in Section II, despite the declines in advertising revenues for legacy media, *overall* advertising revenues in Canada are growing, driven by large increases in revenue from digital advertising, which provides advantages to advertisers relative to some non-digital advertising, including by enabling small- and medium-sized businesses who could not afford to advertise via some traditional methods to reach their customers via targeted ads. Indeed, overall advertising revenues (broadcast radio, broadcast TV, newspapers, internet, music services, and online video services) have increased at an average annualized growth rate of +5.6% between 2004 and 2022 (from 7.3 billion CAD to 19.4 billion CAD).<sup>221</sup> This 5.6% growth rate mainly results from the rise in digital advertising revenues (average annualized growth rate of +22.7% between 2004 and 2022 from 0.4 billion CAD to 14.4 billion CAD)<sup>222</sup> while legacy media (commercial radio, broadcast TV, and newspapers) advertising revenues have decreased (average annualized growth rate of -3.3% from 6.9 billion CAD to 3.8 billion CAD).<sup>223</sup>

I also explained in Section II that digital platforms using business models involving digital advertising compete with each other and with other ad-supported businesses (such as newspapers, radio, and OTA broadcasters) for advertisers. It's important to highlight that this competition for advertisers is not specific to news. In fact, all ad-supported businesses are competing for eyeballs (and for users' attention) whose numbers constitute the business degree of attractiveness for advertisers. Beyond

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<sup>218</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>219</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>220</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."

<sup>221</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."  $((19.38/7.28)^{(1/18)}-1)*100 = +5.6\%$ .

<sup>222</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."  $((14.39/0.36)^{(1/18)}-1)*100 = +22.7\%$ .

<sup>223</sup> GMICP report and accompanying dataset at worksheet "Total Revenue (Millions)."  $((6.92/3.79)^{(1/18)}-1)*100 = -3.3\%$ .

the three largest digital platforms in terms of digital advertising revenues (Alphabet/Google, Meta, and Amazon), there are many other ad-supported platforms (TikTok, Netflix, Spotify, etc.) that also compete for users' attention and advertisers.

By creating a nexus with news content, and by describing the objective of the Act as to (among other things) address a perceived “bargaining power imbalance” between digital platforms and news organizations over the use of news content, the Act implies that the problem it is trying to solve is that “digital news intermediaries,” namely, Google and Meta, are purportedly not paying news publishers compensation commensurate with the value of the news content at issue. However, regardless of whether news content is fairly priced or not (and I discuss this question with respect to Meta below), the fairness of the price of news is not the right problem for policymakers to try to solve if their objective is to support the financial stability of news publishers and thus the availability of news as a public good.

The real issue, in my opinion, is that many news publishers are losing their core *advertising* revenue due to the increased competition for advertisers as a result of increased options to advertisers to spend their advertising budgets. Today, advertisers benefit from increased options from digital platforms, and tomorrow more advertising options may come from the next emerging technology. The Act's preoccupation with “digital news intermediaries” ignores this reality and its misplaced focus on charging platforms for news content posted on their platforms creates additional problems as discussed in the next section.

## **B. Meta Does Not Derive High Value from News Content**

In Section II.B.1, I described that Meta's platforms operate under a multi-sided business model that uses data-driven algorithms to recommend the most relevant content to user feeds in order to help advertisers' ads reach the users who may be the most interested in their ads.<sup>224</sup> In other words, Meta's algorithms generally show content to users that Meta estimates will best attract user time spent on the platform. In general, the more time users spend on the platform, the more opportunities Meta has to sell ads to advertisers for those users, and therefore the more opportunities Meta has to generate revenue from ad sales. Meta has maintained that news content does not, in and of itself, hold much (if any) monetary value for its platforms because (i) users are generally not coming to Facebook (or Instagram) to see news content, and (ii) Meta's algorithms can easily substitute news

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<sup>224</sup> Meta Platforms, Inc. (2023), “Form 10-K,” p. 7, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1326801/000132680124000012/meta-20231231.htm>.

content with other types of content that provides equal engagement for its users.<sup>225</sup> Various publicly available indicators suggest that both of these reasons are likely true. Next, I elaborate on those two points.

According to Nick Clegg, President Global Affairs at Meta “The truth is, our users don’t come to us for news. They come to share the ups and downs of life, the things that make them happy and sad, that interest them and entertain them. Links to news stories are a tiny proportion of that – less than three percent of the content they see in their Facebook Feed.”<sup>226</sup>

Multiple independent analyses of engagement on Meta’s platforms before and after its removal of news appears to corroborate Meta’s stance that its algorithms can easily replace news with alternative content that is equally engaging to users.<sup>227</sup> For instance, according to an August 2023 Reuters article, the data analytics companies SimilarWeb and Data.ai both reported no change in the number of Facebook daily active users or time spent on the app in the periods before and after Meta’s decision to block news in Canada, hence suggesting that the news blocking event had little effect on Facebook user engagement.<sup>228</sup> A report from July 2024 also indicated that the absence of news has not affected Meta’s user base or revenue, with app downloads remaining steady, and Meta’s ad revenue across the U.S. and Canada growing 19% in the nine months since the news removal began.<sup>229</sup>

Several of Meta’s actions around the world also corroborate its position that it derives little to no value from news content. Meta has initiated a worldwide broader pullback from news-focused products in recent years. In 2022, a Meta representative explained that “it doesn’t make sense to over invest in areas [news articles] that don’t align with user preferences.”<sup>230</sup> For instance, Meta

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<sup>225</sup> Medium.com, “Debunking claims about news content on Meta’s platforms,” Meta Australia Policy Blog, March 13, 2024, <https://medium.com/meta-australia-policy-blog/debunking-claims-about-news-content-on-metas-platforms-b7117945ac87>.

<sup>226</sup> Meta, “Meta’s position on Canada’s Online News Act,” May 8, 2023, <https://about.fb.com/news/2023/05/metas-position-on-canadas-online-news-act/>.

<sup>227</sup> Reuters Institute for the Study of Journalism and University of Oxford, “Reuters Institute Digital News Report 2024,” [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2024-06/RISJ\\_DNR\\_2024\\_Digital\\_v10%20lr.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2024-06/RISJ_DNR_2024_Digital_v10%20lr.pdf). The Guardian, “‘News on Facebook is dead’: memes replace Australian media posts as Meta turns off the tap,” Nick Evershed and Josh Taylor, May 5, 2024, <https://www.theguardian.com/technology/article/2024/may/06/news-on-facebook-is-dead-memes-replace-australian-media-posts-as-meta-turns-off-the-tap>.

<sup>228</sup> Reuters, “Exclusive: Meta’s Canada news ban fails to dent Facebook usage,” Paul, Katie and Steve Scherer, August 29, 2023, <https://www.reuters.com/technology/metas-canada-news-ban-fails-dent-facebook-usage-2023-08-29/>.

<sup>229</sup> NewsBytes, “One year later: Did Facebook’s news ban cripple Canadian media?,” Roy, Dwaipayan, July 22, 2024, <https://www.newsbytesapp.com/news/science/how-facebook-s-news-ban-affected-canadian-media/story>.

<sup>230</sup> The Verge, “Meta’s Instant Articles for Facebook will be going away,” Jay Peters, October 14, 2022, <https://www.theverge.com/2022/10/14/23404626/meta-facebook-instant-articles-end-support>.

recently (in 2023) removed three news-focused products: (i) Instant Articles (interactive news articles on Facebook that loaded quickly on mobile devices) worldwide,<sup>231</sup> (ii) Bulletin (Meta's off-platform newsletter compiling work from independent writers and sent to users' mailbox upon subscription) worldwide,<sup>232</sup> and (iii) Facebook News (tab on Facebook dedicated to news content) in the United Kingdom, France, and Germany (and in the U.S. and Australia this year).<sup>233</sup> Additionally, as discussed before, Meta recently (March 2024) signalled that it would not be renewing its agreement with news publishers to include their content on its platforms in Australia.<sup>234</sup> Meta's broad pullback from news-focused content supports that such content has a low, or at least lower, value for Meta in driving user engagement relative to other types of content.

Meta's actions can be contrasted with those of TikTok, for example, which appears to be actively soliciting news content creators, such as Vox Media, Conde Nast, and NBCUniversal, for its platform.<sup>235</sup> As discussed above, on TikTok, news publishers can earn direct advertising revenues with the product Pulse Premiere, launched in 2023, which places ads alongside premium content from media brands and allows publishers to get 50% of the ad revenues.<sup>236</sup> Likewise, the role that news plays in Meta's business model can be contrasted with news' role in Google's business model, whereby user engagement is specifically linked to the relevance of the content returned by Google's search algorithm in response to a particular user query. In this context, Google's inability to return

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<sup>231</sup> An Instant Article is "an HTML document that loads very quickly in Facebook giving publishers the ability to tell rich stories in a branded and customizable article format that renders fast on mobile." Meta, "About Instant Articles," Meta Business Help Center, <https://www.facebook.com/business/help/1625017240947072>. Meta, "Introducing Instant Articles," May 12, 2015, <https://www.facebook.com/formedia/blog/introducing-instant-articles>. The Verge, "Meta's Instant Articles for Facebook will be going away," Jay Peters, October 14, 2022, <https://www.theverge.com/2022/10/14/23404626/meta-facebook-instant-articles-end-support>.

<sup>232</sup> Techcrunch, "Meta shuts down Bulletin newsletters, moves resources to its discovery algorithm," Amanda Silberling, October 4, 2022, <https://techcrunch.com/2022/10/04/bulletin-newsletter-shut-down-meta-facebook/>. The Verge, "Meta's shutting down its Substack competitor after less than two years," Mitchell Clark, October 4, 2022, <https://www.theverge.com/2022/10/4/23387510/facebook-meta-bulletin-newsletter-substack-shutdown>.

<sup>233</sup> Meta. "An Update on Facebook News in Europe," September 5, 2023, <https://about.fb.com/news/2023/09/an-update-on-facebook-news-in-europe/>. Facebook News is a "dedicated tab on Facebook in the bookmarks section that spotlights news." Techcrunch, "Meta to deprecate Facebook News in the UK, Germany and France," Paul Sawers, September 5, 2023, <https://techcrunch.com/2023/09/05/meta-to-deprecate-facebook-news-in-the-u-k-germany-and-france/>. Meta, "An Update on Facebook News," February 29, 2024, <https://about.fb.com/news/2024/02/update-on-facebook-news-us-australia/>.

<sup>234</sup> Honi Soit, "Facebook pulls out of World-first News Bargaining Code. Where to Next?," Khochaiche, Zeina, March 27, 2024, <https://honisoit.com/2024/03/facebook-pulls-out-of-world-first-news-bargaining-code-where-to-next/>.

<sup>235</sup> Digital content next, "TikTok's Pulse Premiere partners with media brands. Will it work?," Theresa Cramer, August 17, 2023, <https://digitalcontentnext.org/blog/2023/08/17/tiktoks-pulse-premiere-partners-with-media-brands-will-it-work/>.

<sup>236</sup> Emarketer, "TikTok's new ad product splits revenues 50% with publishers," Sara Lebow, May 3, 2023, <https://www.emarketer.com/content/tiktok-announces-ad-partnerships-publishers-ad-revenues>. Reuters, "TikTok to launch ad product that will give premium content creators 50% cut," Chavi Mehta and Sheila Dang, May 3, 2023, <https://www.reuters.com/technology/tiktok-launch-ad-product-that-will-give-premium-content-creators-50-cut-2023-05-03/>.

relevant news content in response to user search queries could potentially negatively impact user engagement.<sup>237</sup>

By positioning the Act as aiming to “level the playing field” between Meta and news publishers in their hypothetical negotiations over Meta’s inclusion of news content on its platforms, the Act mistakenly positions Meta as an entity that is earning significant value from its use of news content without fairly compensating news publishers as the source of that content’s value. This position could theoretically be valid if Meta actually did extract significant value from its inclusion of news content on its platform; however, as discussed above, available evidence suggests that it does not. (Importantly, as I explore later in this paper, the same cannot be said for Meta’s value to news publishers, who willingly post links to their content on Meta’s platforms to promote their work.)

Given that Meta derives little value from news content, it is economically irrational to expect the company to pay for it, as suggested in the Act.<sup>238</sup> To comply with the Act, Meta had two options: (i) pay to maintain content that provides them little to no value, or (ii) not pay for the content and not use it. From an economic perspective, Meta’s decision to remove news from its platforms to comply with the Act can be seen as rational.

### **C. The Act’s Implementation Has and Will Likely Continue to Have Unintended Negative Consequences**

In addition to failing to address the core business problem facing news publishers—namely, increased competition for advertisers from digital platforms—the specific implementation of the Act has also already caused and will likely continue to cause unintended negative consequences, which I discuss in this section.

#### ***1. The Act has distorted news publishers’ ability to utilize Meta’s platforms as a strategic complement***

The rational response from Meta to comply with the Act by removing news from its platforms has caused a distortion in publishers’ ability to benefit from the opportunities related to their presence on

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<sup>237</sup> Google also potentially derives value from news content through its role as an intermediary for display digital advertising, where news content and users’ engagement with news can enhance the targeting effectiveness of ads placed through Google intermediary services on other ad-supported businesses.

<sup>238</sup> “Canadian news businesses continue to produce content that attracts web traffic and adds value to digital platforms, while seeing their advertising revenues dwindle as a result of the market control exerted by large digital platforms.” Government of Canada, “Online News Act Application and Exemption Regulations: SOR/2023-276,” Canada Gazette, Part II, Volume 158, Number 1, December 15, 2023, <https://canadagazette.gc.ca/rp-pr/p2/2024/2024-01-03/html/sor-dors276-eng.html>.

Meta's platforms, especially for small publishers and individual reporters using Meta and other digital platforms as a (free and effective) microphone for their work. Meta's platforms—like many digital platforms—are effective tools for reaching and broadening publishers' audiences. Platforms can potentially expand publishers' distribution network, which can directly benefit the publishers through increased web traffic and greater brand awareness, potentially leading to more advertising dollars for those publishers and, more subscribers.

The extent to which Meta's removal of news content from its platforms has affected Canadian news consumption has yet to be determined.<sup>239</sup> Some publishers, however, have emphasized the value that Facebook provided to them in the wake of Meta's removal of news from Canada. For example, Jen Gerson, the co-founder of The Line and an independent journalist, stated, "We publishers are the ones who benefit when a user posts a link to our content on Facebook, Twitter and the like. This free distribution drives traffic to our websites, which we can then try to monetize through subscriptions and advertising. This is why major media organizations encourage link sharing below all articles. It's why they have spent untold sums on maximizing SEO and it's why they literally spend money with digital news intermediaries to boost stories on these platforms."<sup>240</sup> By distorting Meta's incentives through requiring it to pay to include news content on its platforms (from which it derives little to no value), the Act's implementation has jeopardized the very real benefits that news publishers obtain from being able to make their content available on Meta's platforms.

In fact, several newspapers have warned of this risk, describing the positive role played by Facebook in promoting their work and offering them a means of expression. For instance, a journalist from the local New Brunswick River Valley Sun stated that "Facebook helped us and gave us the space to put our stuff without having to spend the resources and the time in learning how to make a website, which I'm doing now, obviously, but Facebook allowed us to get our message out."<sup>241</sup>

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<sup>239</sup> Some commentators have recently suggested that initial expectations of large declines in publisher traffic have been overblown, and some have even suggested positive effects. See for example: The Audit, "The Online News Act Disaster That Wasn't," David Clinton, August 12, 2024, <https://www.theaudit.ca/p/the-online-news-act-disaster>. Le Devoir, "Un an après le blocage des nouvelles sur Facebook, « plus de peur que de mal », Paré, Étienne, July 23, 2024, <https://www.ledevoir.com/culture/medias/816937/an-apres-blocage-nouvelles-facebook-plus-peur-mal> (in French).

<sup>240</sup> House of Commons Canada, Standing Committee on Canadian Heritage, "NUMBER 043, 1<sup>st</sup> SESSION, 44<sup>th</sup> PARLIAMENT," September 23, 2022, <https://www.ourcommons.ca/documentviewer/en/44-1/CHPC/meeting-43/evidence>.

<sup>241</sup> Reuters Institute for the Study of Journalism and University of Oxford, "In Canada's battle with Big Tech, smaller publishers are caught in the crossfire," Kahn, Gretel, November 7, 2023, <https://reutersinstitute.politics.ox.ac.uk/news/canadas-battle-big-tech-smaller-publishers-are-caught-crossfire>.



## ***2. The Act forces Google and Meta to determine what constitutes Canadian news, both conceptually and technically***

Regardless of how Meta attempts to comply with the Act, it will need to identify what constitutes Canadian “news” that users and publishers can share. However, the definition of “news content” provided in the Act is quite general given that it includes “any format [...] that reports on, investigates or explains current issues or events of public interest” (with the Act later clarifying that an eligible news outlet must primarily produce original news content that is “not focused on a particular topic such as industry-specific news, sports, recreation, arts, lifestyle or entertainment”<sup>242</sup>) raises the question of whether putting Meta (a U.S. for-profit company) in the position of making such a determination is desirable for Canada. In addition, the need for Meta (and potentially Google) to determine (both conceptually and technically) what constitutes Canadian “news” imposes a potentially unfair “compliance cost” to these companies relative to other platforms, such as TikTok and X, that may also include the same content but are not subject to the Act. In general, platforms incur costs in identifying and removing specific types of content, which would now also include news. For instance, platforms incur large costs in using algorithms and human review to identify content that is malicious or that violates the platform’s rules.<sup>243</sup> To comply with the Act, Meta will likely incur costs related to the development and maintenance of methods to identify news content and to the time spent by its employees reviewing whether the content qualifies as news (once again, the exact definition of which content qualifies as news may often be ambiguous and subjective).

Given Meta’s decision to stop including news content on its platforms to comply with the Act, it must deploy methods that remove content that would be considered as such by whomever is responsible for ensuring compliance. But these methods could be imperfect and result in false positives (i.e., content identified as news that would not be considered as such by the authorities) and/or false

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<sup>242</sup> “News content means content — in any format, including an audio or audiovisual format — that reports on, investigates or explains current issues or events of public interest and includes such content that an Indigenous news outlet makes available by means of Indigenous storytelling.” Parliament of Canada, Statutes of Canada 2023, Chapter 23, “An Act respecting online communications platforms that make news content available to persons in Canada,” June 22, 2023, Bill C-18, <https://www.parl.ca/documentviewer/en/44-1/bill/C-18/royal-assent>.

<sup>243</sup> Ferrara, Emilio, “The History of Digital Spam,” *Communications of the ACM*, Vol. 62(8), August 1, 2019, <https://cacm.acm.org/magazines/2019/8/238347-the-history-of-digital-spam/fulltext>. Ho, Kenny, et al., “Evaluating Social Spammer Detection Systems,” ACSW 18: Proceedings of the Australasian Computer Science Week Multiconference, January 2018. Google Search, “How Insights From People Around the World Make Google Search Better,” August 4, 2020, Sullivan, Danny, <https://blog.google/products/search/raters-experiments-improvegoogle-search/>. Google, “A Look at How We Tackle Fake and Fraudulent Contributed Content,” February 18, 2021, Pritchett, Dan, <https://blog.google/products/maps/google-maps-101-how-we-tackle-fake-and-fraudulent-contributed-content/>. Venturebeat, “Facebook’s AI detects fake accounts with fewer than 20 friend requests,” April 21, 2020, Wiggers, Kyle, <https://venturebeat.com/ai/facebooks-ai-detects-fake-accounts-with-fewer-than-20-friend-requests/>.



negatives (i.e., content considered as being news by the authorities but that would not be identified as such by the removal methods used).<sup>244</sup>

This creates a tension between Meta’s potential obligations and its users’ ability to post or share content freely. On the one hand, Meta could set up restrictive methods to attempt to ensure compliance with the Act’s provisions and avoid liability to publishers for news content. However, restrictive methods may lead to Meta’s removal of content that might not be considered news, thus potentially unduly limiting users’ ability to freely post or share content that falls outside the Act’s scope. On the other hand, Meta could set up less restrictive methods to avoid potentially unintentionally removing non-news content, but this could put it at risk of failing to comply with the Act in case news content remains on its platforms. This complex balancing act raises significant concerns on the implementation of the Act.

### **3. The Act may distort competition amongst digital platforms**

As a regulation that applies to only certain participants in a specific space (in this case, Google and Meta in the digital-advertising-supported businesses space), the Act runs the risk of distorting competition within that space. It is well-established in economics that policy-selection rules with defined thresholds (such as the Act, in this case, with its thresholds that, as a practical matter, apply only to Google and Meta) may distort agents’ growth incentives to remain below those thresholds, and ultimately avoid being subject to the relevant regulatory obligations.<sup>245</sup>

In this case, other businesses, besides Google and Meta, could be disincentivized from innovating in Canada out of fear of becoming subject to the Act.<sup>246</sup> Ultimately, this behaviour could translate into inefficient outcomes, where platforms could limit growth and thus reduce the intensity of competition, ultimately distorting the competitive landscape. The selection rule currently singles out two

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<sup>244</sup> T2D2, “The Confusion Matrix: False Positives and False Negatives in Ai,” Jonathan Ehrlich, August 15, 2023, <https://t2d2.ai/blog/the-confusion-matrix-false-positives-and-false-negatives-in-ai>. Google, “Thresholds and the confusion matrix,” <https://developers.google.com/machine-learning/crash-course/classification/thresholding>.

<sup>245</sup> In economics, this type of behavior is known as “bunching” which refers to behaviour by firms or individuals to cluster at policy thresholds effectively creating a discontinuity around in the concentration of firms or individuals. A common example of “bunching” is income taxation, where individuals often concentrate their earnings just below the threshold of a higher tax bracket to minimize tax liability. In this example, the tax thresholds may discourage some individuals from generating additional income which could in turn be a source of additional tax revenue for society. World Bank, “Ready, Set, Bunch!,” Bachas P., Kondylis F., Loeser J., March 8, 2021, <https://blogs.worldbank.org/en/impactevaluations/ready-set-bunch>.

<sup>246</sup> Internet Society, “How Canada’s Online News Act Will Harm the Internet, Restricting Innovation, Security, and Growth of the Digital Economy,” Sullivan, Andrew and Natalie Campbell, February 14, 2023, <https://www.internetsociety.org/wp-content/uploads/2023/02/IIB-Canada-Online-News-Act.pdf>.

businesses, but there are a lot of other competitors that could potentially exceed the thresholds in the future. However, the Act itself could disincentivize these competitors from growing.

#### ***4. The Act has resulted in a distribution mechanism that does not reward quality***

The only payment to have resulted from the Act is Google’s settlement for 100 million CAD (adjusted for inflation) each year. However, as I explained in Section III.D.2, the recently determined distribution mechanism for Google’s 100 million CAD per year is based on a function of the quantity of news (measured as the number of full-time equivalent employees and freelancers) produced by an organization, rather than on a measure of the quality of that news.<sup>247</sup>

As such, under the current distribution mechanism, two news outlets with the same number of journalists would be granted a similar compensation from the Google’s fund, even if one were to be producing high-quality content of the type presumably envisioned by the architects of the Act as a public good—such as investigative journalism, for example—while the other produced low-quality content intended as sensational clickbait.

## **V. Conclusions**

It’s been a bit more than a year since the implementation of the Act in Canada. This paper has examined and commented on the underlying motivations behind the regulation, the difficulties in its implementation, and the various problems it has encountered. Despite well-intentioned motivations, the Act has not successfully addressed the root causes of the financial and operational struggles of news publishers (even assuming that legislation should intervene to address the consequences of increased competition and choice for advertisers—a question this paper does not address) and therefore is unlikely to solve the issues that traditional news outlets are facing and will continue to face in the future.

Historically, newspapers, radio, and television, have been pillars of modern democratic societies, ensuring not only that citizens are informed about public affairs but also, by doing so, holding our elected leaders and institutions accountable. They have historically provided in-depth reporting, investigative journalism, and a platform for diverse voices, which are essential for an informed electorate and a vibrant public discourse, both crucial elements of a healthy democracy. Starting with the rise of the radio, and later television, each technological innovation has introduced new forms of content delivery and consumption, fragmenting audience attention and challenging the traditional media’s ability to retain its audience. The internet, and more recently, digital and social

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<sup>247</sup> Canadian Journalism Collective, “Funding Distribution Policy & Rationale,” August 26, 2024, <https://cjc-cj.ca/documents-en/>.

media platforms, have accelerated this trend, and newer technologies, such as AI and virtual reality are expected to further it even more.

As consumer attention has shifted away from traditional news outlets, so too have advertising dollars. The migration of advertising revenues to modern digital spaces—which do not necessarily provide news content—has had a detrimental impact on traditional news media outlets. Modern digital advertising provides advertisers with tools that use targeting and data analytics to reach potentially interested users and consumers. As such, digital advertising through any digital space, whether news-related or not, provides a valuable and effective alternative for advertisers. This paradigm shift in the advertising market has jeopardized the financial health of some news media outlets—including some local and/or smaller entities—putting their long-term sustainability at risk and affecting their ability to continue providing quality journalism.

To help sustain quality and diverse journalism and in response to the financial challenges faced by traditional news outlets, regulatory agencies have put forward new regulatory frameworks such as the Canadian Online News Act, which aim to address the economic pressures on traditional media. However, such a policy will only be effective if it has been designed with clear objectives and a thorough understanding of the underlying market failures that supported the need for an intervention in the first place. Unfortunately, the Act is not successful in that regard, including because its focus on news dissemination misses the point. Traditional news media outlets are increasingly competing for the public’s attention while at the same time advertisers have found more effective (potentially non-news related) digital spaces on which to advertise.

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