CRTC’s Let’s Talk TV Presentation

Introduction

Thank you Mr. Chair. My name is Jason Kee, and I am Public Policy and Government Relations Counsel at Google Canada.

Gratitude for Consultation and Appearance

We thank the Commission for the opportunity to participate in this formal phase of it’s “Let’s Talk TV” consultations. As an information and technology company, we are not one of the Commission’s conventional stakeholders. In fact, while we commend the Commission for engaging in this comprehensive consultation on the future of Canadian broadcasting and support the stated policy objectives of 1) fostering choice and flexibility for consumers, 2) encouraging the creation of compelling and diverse Canadian content and 3) empowering Canadians to make informed choices, we are simply not in the business of conventional broadcasting and thus are ill-equipped to comment on specific subjects such as pick-and-pay or simultaneous substitution.

Rather, what we can do is speak about the strengths of online platforms such as YouTube and how they foster choice, flexibility and affordable access for Canadian consumers while at the same time providing tremendous opportunities for Canadian creators and producers. We can speak to the conditions necessary for these online platforms to thrive. And we can speak to the fact that due to robust competition in the online environment, the market is already achieving core policy objectives of the Canadian broadcasting system, rendering extension of conventional broadcasting regulation online unnecessary.

Canadians and the Internet

Canadians are active participants in the Internet. According to Comscore, we rank number one in the world in the number of webpages visited per month, while CIRA reports that we are second only to the US for the average number of hours spent online per user. And both report that Canadians are avid watchers of online video, with 74 percent of Canadians (Comscore, 2014) watching an average of 24.8 hours of online video per month (CIRA, 2014), making Canada second only to the UK in online video consumption.

YouTube: General

Our YouTube platform is at the forefront of this trend. Over a billion viewers watch 6 billion hours of video on YouTube every month. It has grown at rapid pace, and now 100 hrs of video are uploaded to YouTube every minute.
**YouTube: Business Models**

YouTube has become a powerful platform for creators. Its open model and global scale dramatically reduce the cost of getting content to international audiences, radically lowering barriers to entry and essentially eliminating conventional gatekeepers. But YouTube offers more than just exposure to creators, it provides them with effective tools to monetize their efforts. Participants in our YouTube Partners Program can enable their channels for monetization and earn revenue from ads. There are now more than one million channels earning revenue through the program, with thousands of channels making six figures annually, and Partner revenue across the platform increased by 60% over the past year alone.

Further, YouTube’s ContentID system gives creators an extremely powerful tool to monetize content uploaded to the platform by others. Partners deliver reference files of content they own to YouTube and decide what they want done in the event a match is found: track, monetize, or block. YouTube then compares videos uploaded against those reference files and automatically applies the rightholder’s preferred policy to any matching content. The vast majority of partners using ContentID choose to monetize rather than block, and ContentID has generated hundreds of millions of dollars for Partners.

YouTube Partners and verified channels also have access to advanced product features such as website and merch annotations that allow creators to embed links to external sites within their videos. This enables creators to give their audiences easy ways to financially support them and allows them to diversify their revenue streams. YouTube will also be introducing Fan Funding, a new feature that lets viewers contribute money directly to a channel at any time, adding to the many ways creators can grow their business on the platform.

**YouTube: Canada**

Canadian creators are playing an active role in the success of YouTube. Every year, millions of hours of new Canadian content is uploaded to the platform. Put another way, each month Canadians upload more content to YouTube than all of Canada's major national television networks broadcast in 10 years. This is more content than any viewer could comfortably watch in a lifetime.

**Canadian YouTubers**

Further, Canadian creators are extraordinarily successful at leveraging the global nature of the platform to reach international audiences. Canada is the 3rd largest exporter of content on YouTube. Generally, about 60% of any channel’s views come from outside a creator’s home country. In Canada it is closer to 90%, higher than any other country on the platform. Canadian content also accounts for a disproportionately high amount of global watchtime on YouTube, reflecting the compelling content Canadians create and their success abroad.

The range of Canadian content produced for the platform is extremely diverse, and includes Canadian-produced documentaries, animated films, humorous and musical pieces, lifestyle and
political programming, all available in a multiplicity of languages. Canadian success stories are numerous, but here are just a few examples:

The first is Montreal’s Watchmojo.com, which has built a successful business creating suggestion-driven reference and infotainment videos. Now Watchmojo produces close to 100 new videos each month. With over 4 and a half million subscribers, it routinely ranks as one of the top YouTube Partner channels in the world.

Another is Lilly Singh aka Superwoman, a comedian from Toronto area who has found a global audience on YouTube. Her popularity has grown significantly, her videos averaging nearly a million views from audiences around the globe. She has leveraged this into other success, recently taking her comedy show on the road and releasing a massively successful music video.

Meanwhile, Mitchell Moffit and Greg Brown founded AsapSCIENCE to provide scientific explanations on various topics through animated videos. With nearly 3 million subscribers they have found great success. Their videos are fun and educational, and their popularity has lead to great opportunities such as being commissioned by CBC and others.

Lastly, Corey Vidal credits YouTube with not just changing his life but saving his life. He’s built a successful career on the platform, starting his own production company, ApprenticeA, and founding the Buffer Festival, a three-day event in October which celebrates YouTube content in theatres across Toronto… essentially the TIFF of YouTube.

Not only have independent creators like these had great success, but YouTube has worked with many established Canadian producers and broadcasters to deliver their programming to Canadian and global audiences. Last year Corus, DHX and OutTV were among the first to be included in the launch of paid subscriptions on YouTube, where they could offer popular TV programs, such as those found on TreeHouse, commercial free for a subscription. Successful production companies such as BlueAnt Media and Temple Street have opened new studios specifically for digital content creators to film with state of the art equipment. These are great examples of how traditional players in the Canadian broadcasting industry are adjusting to the changing landscape, supporting digital content creation and embracing YouTube to export their high quality content to new global audiences.

No Regulation Because Market is Working

It is clear that Canadian content is performing extraordinarily well on YouTube. Canadian creators, both emerging and established, are building global audiences and earning revenue without having to work through intermediaries. Compelling Canadian content succeeds online – all without broadcast regulations.

In the Notice of Consultation, the Commission confirmed that “regulatory intervention is only warranted where specific outcomes or objectives would not be achievable without it.” Given the preceding discussion, it is clear that in the online environment the highly dynamic market for content is obtaining the core policy objectives of the Canadian broadcasting system and
regulation is not warranted. Competition between online services is fierce and switching costs for both users and creators are typically low, requiring all services to constantly provide a compelling offering. This drives choice, flexibility and affordability for consumers, and impels platforms to provide attractive incentives for creators. Furthermore, it fosters competition with and among conventional broadcasting services, creating market-based incentives for established companies in a highly concentrated markets to offer competitive services. The recent announcement of Roger and Shaw’s Shomi platform clearly demonstrates the positive impact of competition and that the market is working.

**Regulation Harms Developing Ecosystem**

Moreover, not only is extending regulation online clearly unnecessary, it actually would cause significant harm to the nascent digital ecosystem.

There is a frequent refrain from some in the conventional broadcasting industry that online platforms like Netflix and YouTube do not contribute “to the system”. Respectfully, this is simply not true. Legitimate online services, whether foreign or domestic, do contribute by licensing the content they provide. This can be in the form of license fees or by establishing a revenue sharing arrangement, where revenues are split between the platform and the creator. This exchange represents a legitimate, market-driven contribution to the creation of Canadian content. The suggestion that the only acceptable means of fostering the development of Canadian content is in the form of some mandatory contribution of an arbitrary percentage of revenue to a production fund is simply incorrect.

Moreover, the imposition of such a regime on online services would have a series of negative consequences. First, mandatory contributions would likely increase costs to consumers (in form of increased subscription fees) and creators (in form of diminished license fees or revenue share for them). Second, foreign-owned platforms are unable to access Canadian content funds, so mandatory contributions essentially amount to a subsidy from online platforms to those who would benefit, most notably domestic BDUs. Third, the majority of online video creators do not consider themselves part of conventional broadcasting system and do not access Canadian content funds. So many independent creators would effectively subsidize conventional producers and broadcasters while receiving very little benefit themselves.

And this is not to mention the practical challenges inherent in such a regime. While the debate is typically framed as conventional broadcast vs “over-the-top”, the fact is we are all all competing with every imaginable form of content available on the Internet, including games, apps, e-books, online “news” and magazines and social media, all consumed on the same screens. Aren’t these also “extracting dollars and audiences” from Canadian broadcasting without “contributing”? Should they be regulated? In fact, many incorporate video content. Would regulation cover those? If short videos are to be covered, what about short-form animated images such as animated .gifs? Where would the line be drawn?

Further, identifying “Canadian content” online is challenging as the information typically used to determine this is simply unknown. This is especially true for content on “open” platforms like
YouTube, where we strive to make the process of uploading content as fast, easy and frictionless as possible and do not typically collect this type of information.

As all this suggests, extension of conventional broadcasting regulations online would impose significant regulatory burdens on online services and be a major disincentive to develop or invest in such platforms in Canada.

And last, but certainly not least, it is clear from the Commission’s own consultation that it would be deeply unpopular with Canadians. Simply put, the concept of extending regulation has met with overwhelming negative public response. In the Phase 2 report, 67% of participants did not think online services should be required to contribute to Canadian-made programming, while 71% of participants would not pay an additional fee, even if streaming did not count against monthly data cap. It is clear that most Canadians would not support the extension of regulations online.

Thank you for your time. I welcome your questions.