

Dialogue

sur le rôle des médias pour la démocratie canadienne
on the Role of the Media in Canadian democracy

Vampire Squids and 'the Broken Internet': The Potential Future of Platform Regulation in Canada

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- Google, Apple, Facebook, Amazon, Microsoft and Netflix (GAFAM+) are under intense criticism for their influence on the media, economy, society and democracy.
- Policy regimes created in the 1990s and 2000s are said to have enabled them to centralize control over the Internet—a recurring cycle seen for the telegraph in the 19th Century and telephony, radio, film and tv in the 20th Century.
- they are said to be remaking the Internet in their image—an Internet of entertainment ruled by a few search engines (Google), social media services (Facebook, Twitter, WhatsApp) + digital media content aggregation platforms (Netflix, Amazon Video, Apple App Store, Google Play).
- they have rewired the internet for surveillance & hyper-targeted messaging, originally for advertising goals but those capabilities are now central to political communication + have been hijacked for disinfo/misinfo ops (Ghosh & Scott, 2018).

Google and Facebook's dominance of the Internet, and their ad-driven business models, are often cast as a form of "vampire economics" that is:

- responsible for the "crisis of journalism"
- upending the media and cultural industries.
- destroying democracy—democracy has been in retreat worldwide for 14 years in a row (Freedom House, 2020). The Internet is not a "technology of freedom".

Some argue that since the platforms increasingly function like media companies, media policy should be our North Star when it comes to creating a new generation of Internet regulation.

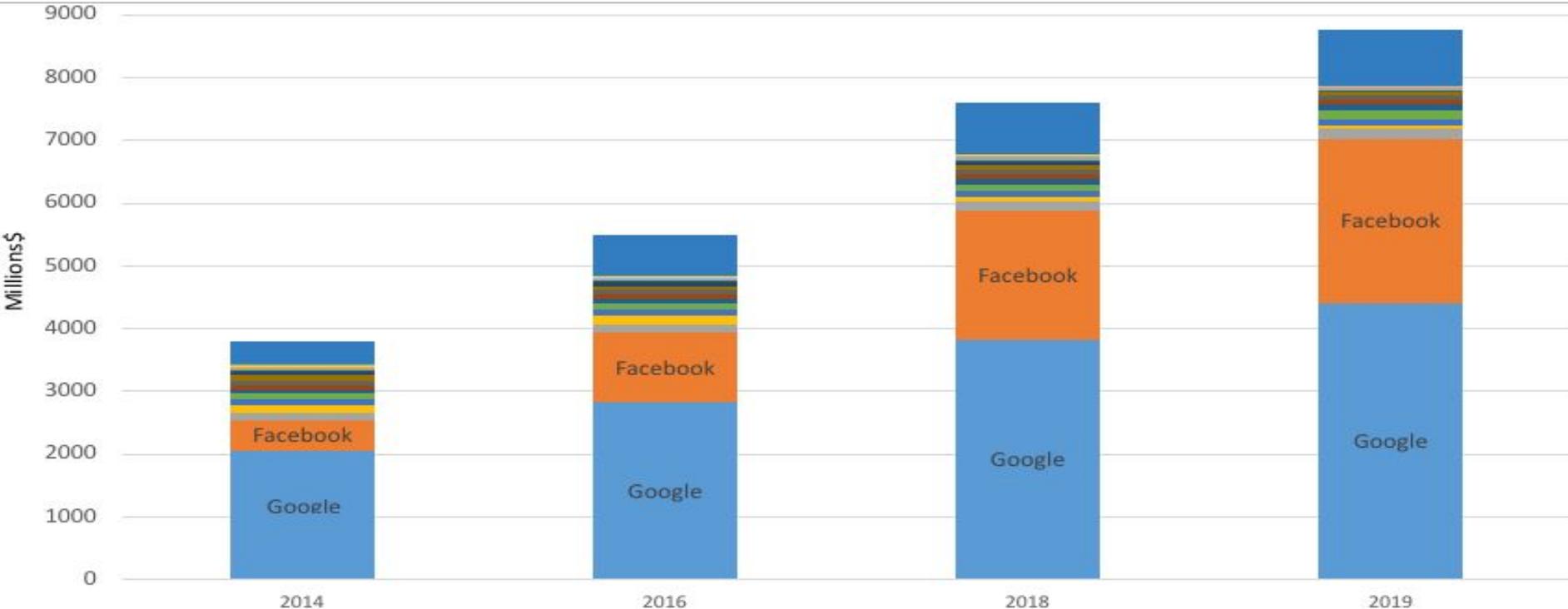
Many governments around the world, including in Canada, have convened a dizzying number of public policy inquiries to just such ends (Winseck and Puppis 2020).

- Broadcasting & Telecommunications Legislative Review Panel (2020) *Canada's Communication Future*.
- Bill C10 to amend the *Broadcasting Act*.
- Australian proposals for a regulated code of conduct covering the “terms of trade” between AUS news media and Google and Facebook seen as a model for others, including Canada.
- United States, Judiciary Committee (Oct. 6, 2020). *Investigation of Competition in Digital Markets: Majority Staff Report and Recommendations*.

To understand the scale, scope and clout of the digital platforms, we need to address 4 questions:

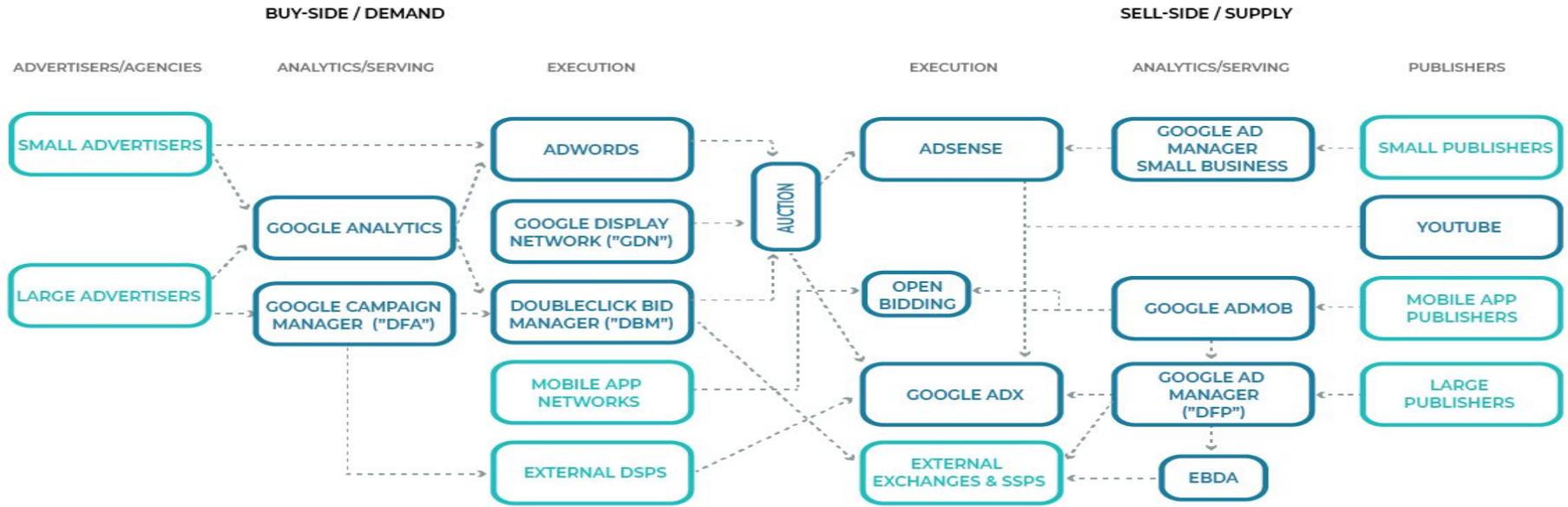
1. Are the GAFAM+ group of companies as dominant as often alleged?
2. Are they to blame for the crisis of journalism and for upending the media industries?
3. Are they media firms that should be regulated by the lights of media policy?
4. What other options are available to us as we imagine a new generation of Internet regulation?

“Google & Facebook do dominate Internet advertising.”



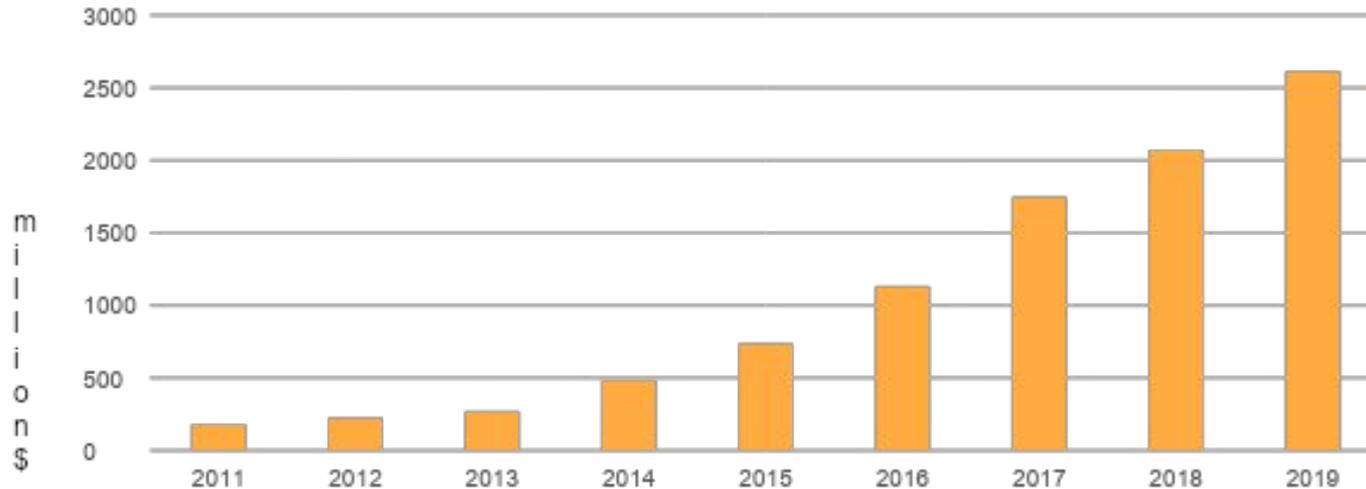
	2014	2016	2018	2019
Google+FB Market Share	66.9	72	77.5	80.2
CR4	73.2	76.5	80.3	82.6
HHI	3152	3089	3280	3436

- **Google's** revenue in Canada has soared from \$1.4 billion in 2011 to \$4.8 billion in 2019.
- It dominates in search (92% market share), mobile search (91%), desktop browsers (62%), online ad\$ (50%), mobile browsers (48%) and app stores (43%).
- It has vertically-integrated down the internet stack to own its own digital ad exchange (below).

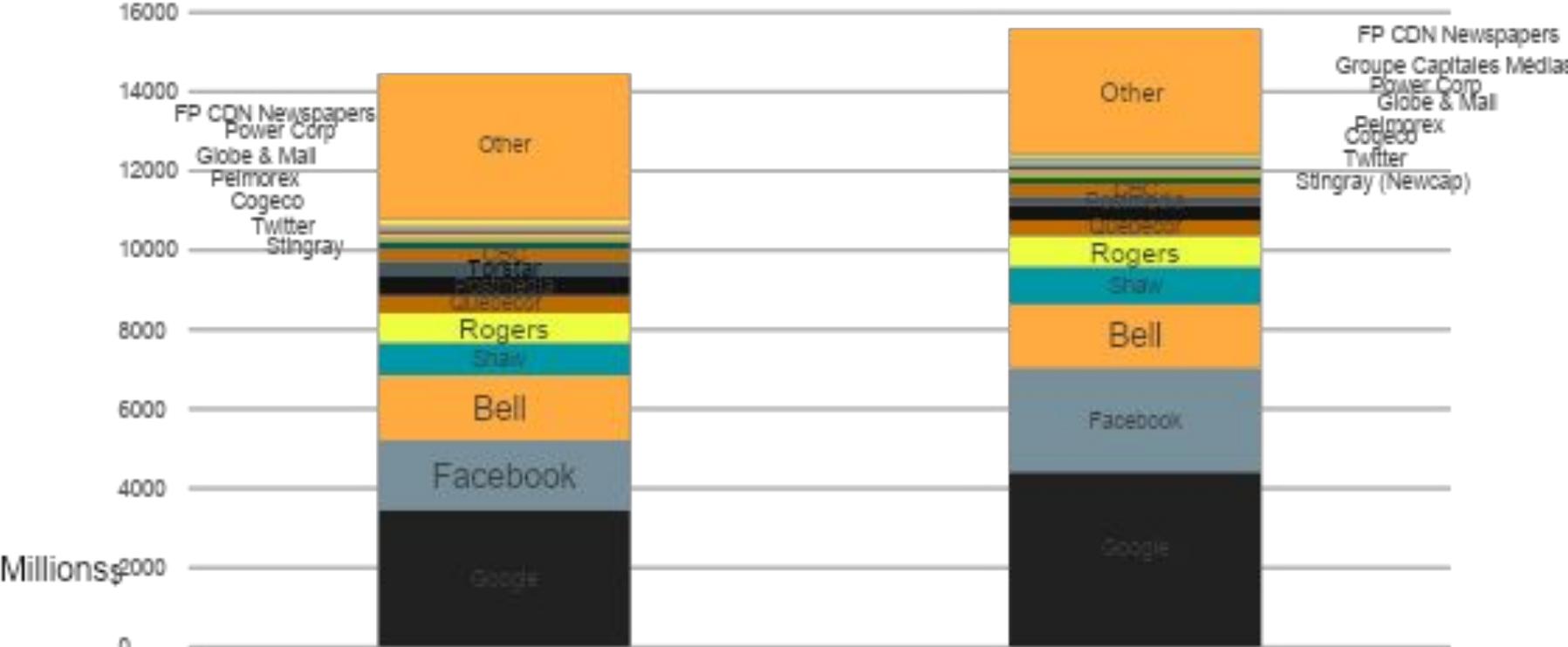


Facebook's users and revenues have risen greatly within Canada and worldwide as well.

- 15 million Canadian users in 2011 and estimated revenue of \$181.4 million vs
- 21.5 million Canadian users in 2019 and estimated revenue of \$2,614 million
- ARPU (average revenue per user/year) = \$12.10 in 2011 vs \$121.58 in 2019
- Growth through acquisitions: Instagram (2012) and WhatsApp (2014).
- Shift to the mobile Internet, circa 2012ff huge benefit.

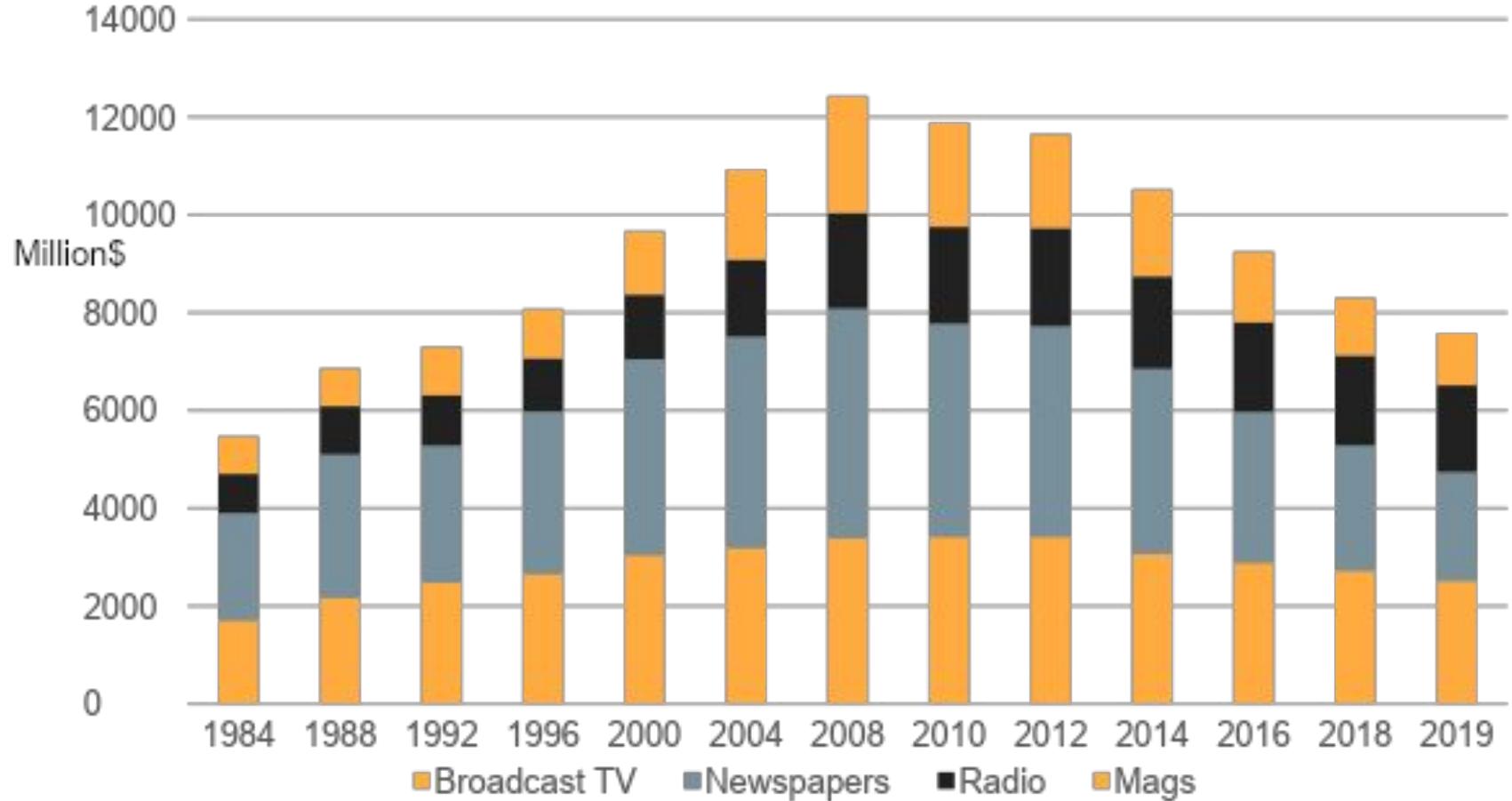


While Google & Facebook have the biggest & fastest growing share of ad\$ spending across all media, they do not dominate the overall advertising market in Canada.



	2017	2019
Google+FB Mrkt Share	36	45
HHI	945	1271

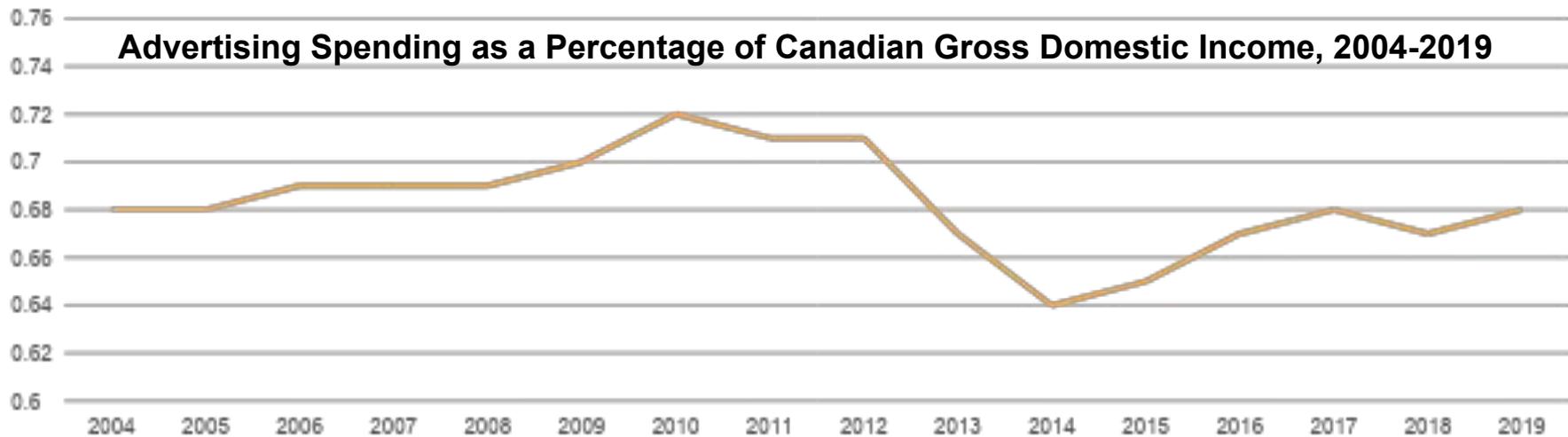
4 media sectors that depend mainly on ad\$ have seen a combined revenue decline of \$4.9 billion since 2008



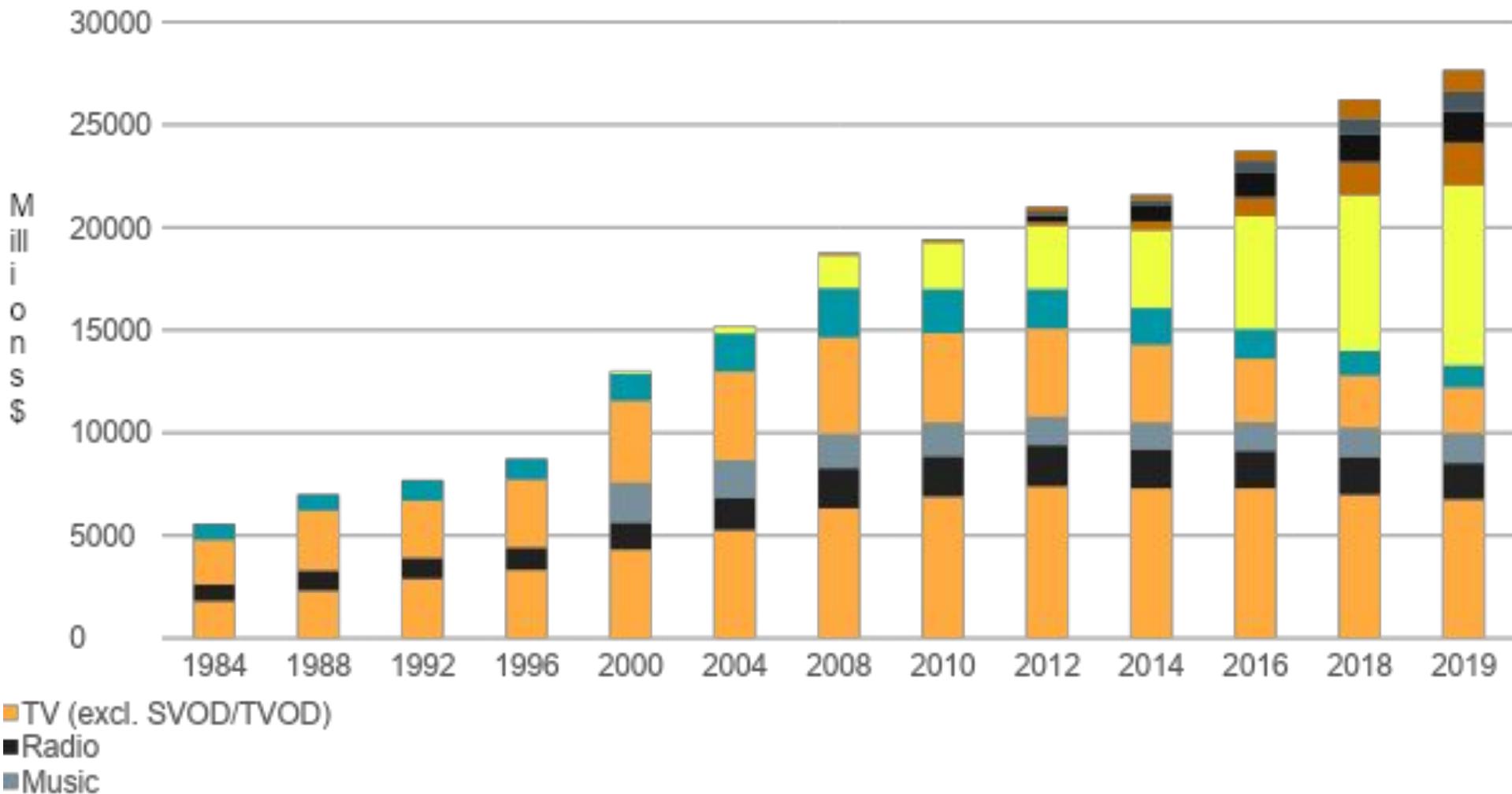
- full time journalist jobs have fallen from 13,000 to 9,100 since 2013—a drop of 30% (a big loss, for sure, but far less than the job losses typically cited by News Media Canada, Public Policy Forum, Friends of Canadian Broadcasting, etc.).
- eight broadcast television stations have gone dark and numerous daily newspapers have been closed or pared back their publishing schedules since 2008.

Google & Facebook are often blamed for these woes, but they are not the primary cause of them.

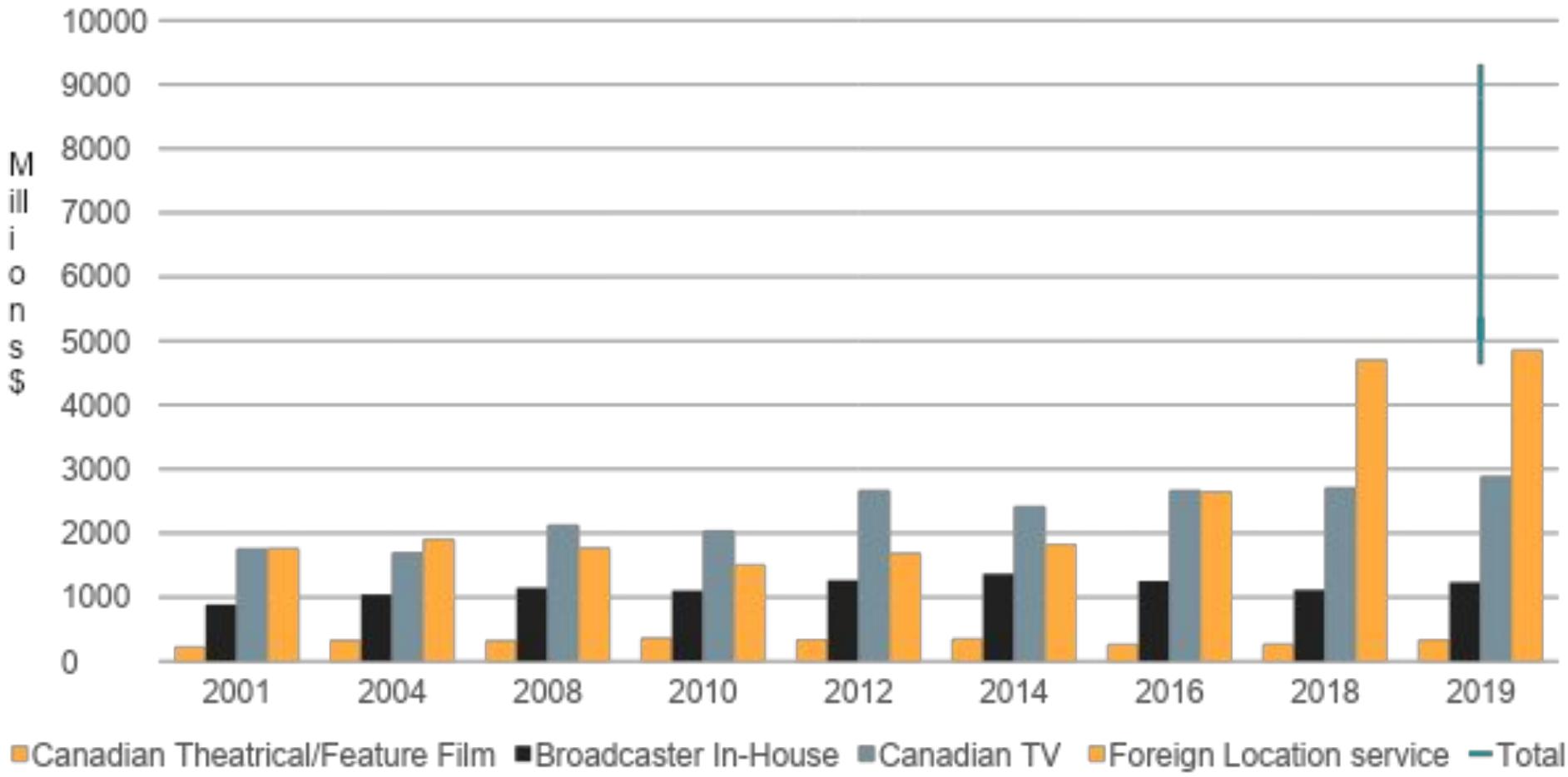
1. Total ad\$ has long been relatively fixed, but after the financial crisis in 2008 ad spending slowed, stagnated or shrunk. As a result, an estimated \$800 million to \$2.3 billion/year in ad\$ vanished from the media economy.
2. Media sectors & firms that rely on ad\$ are battling Google and Facebook for a stagnant/shrinking pool of ad\$.
3. Pay-per communication & media services (i.e. subscriptions & direct purchase) are the centre of the media economy. Pay-per communication and media outstrip ad\$-based media by ~5:1.
4. Self-inflicted wounds: M&As, financialization + tying media content to vertically-integrated telecoms-Internet & diversified conglomerates whose \$, profits & expertise lay elsewhere, i.e. mobile wireless + Internet access.



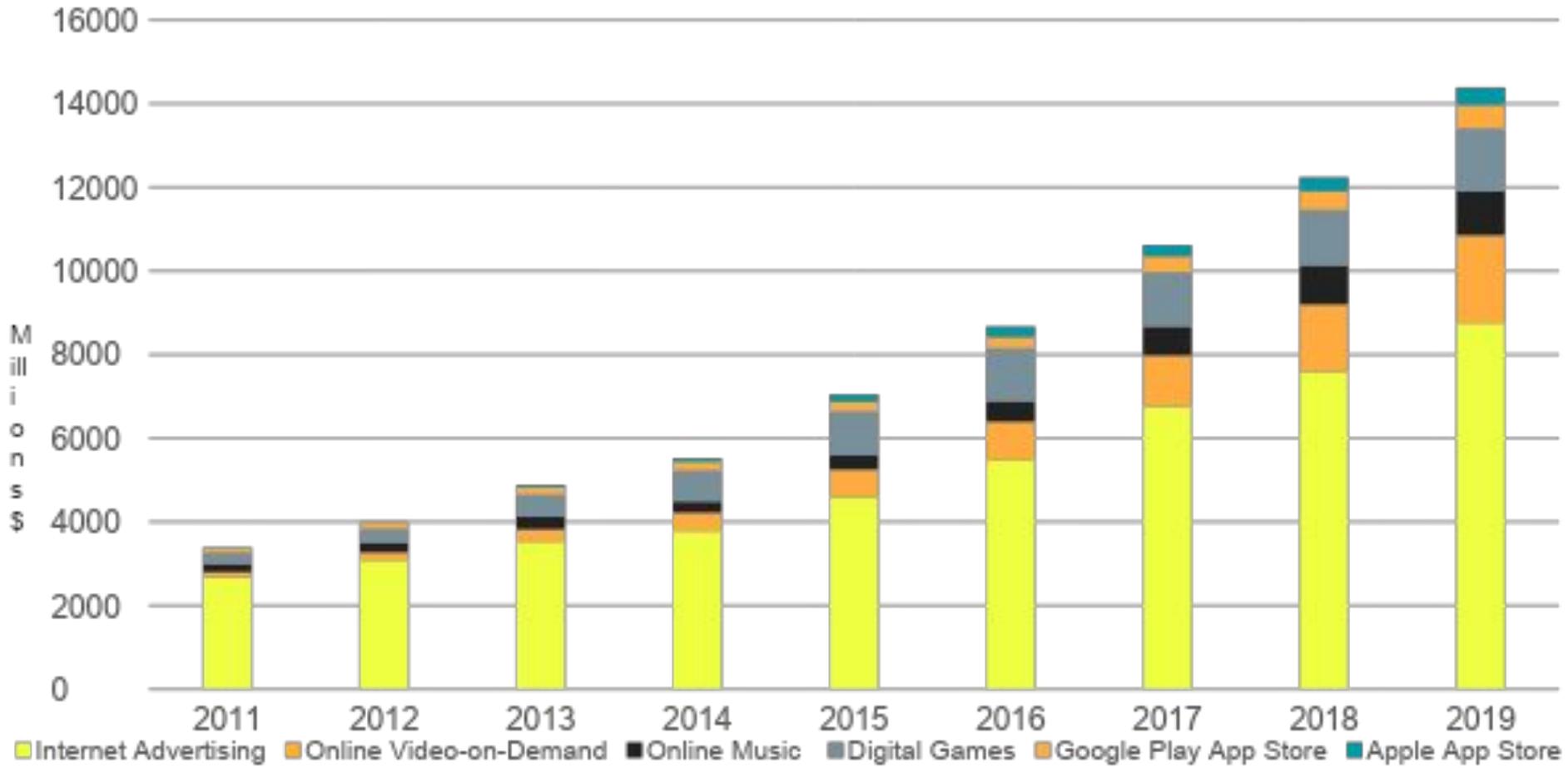
Most content media are growing.



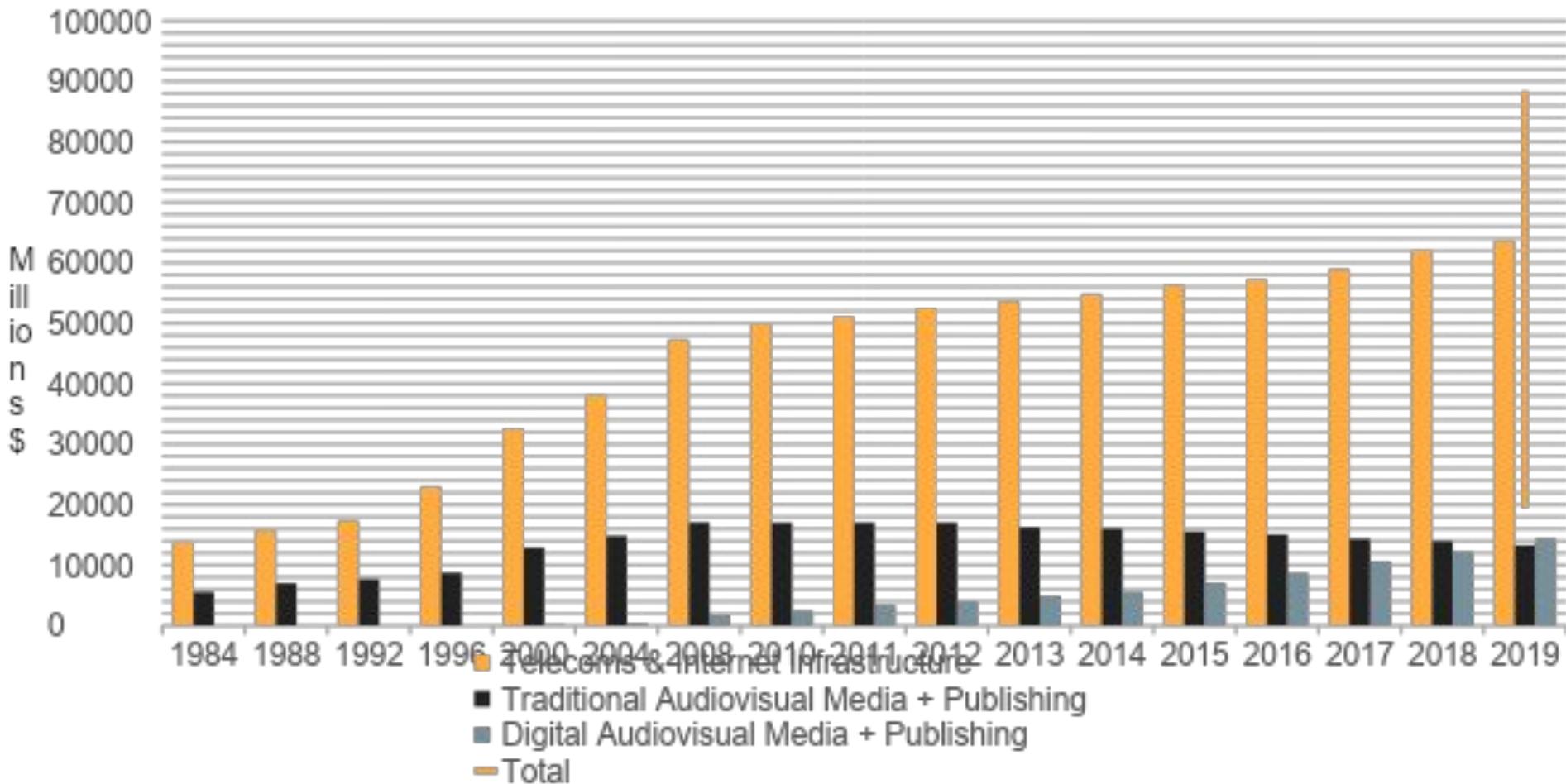
TV & Film production in Canada is booming. The same is true in the US and the EU.



Digital media—e.g. streaming services, apps and Internet advertising—have exploded.



The network media economy in Canada had \$91.3 billion in total revenue last year.



Key Observations:

Several ad\$-funded media are in crisis: broadcast TV, newspapers, radio & magazines.

Most sectors of the media are vibrant, growing and based on subs \$ + direct purchase.

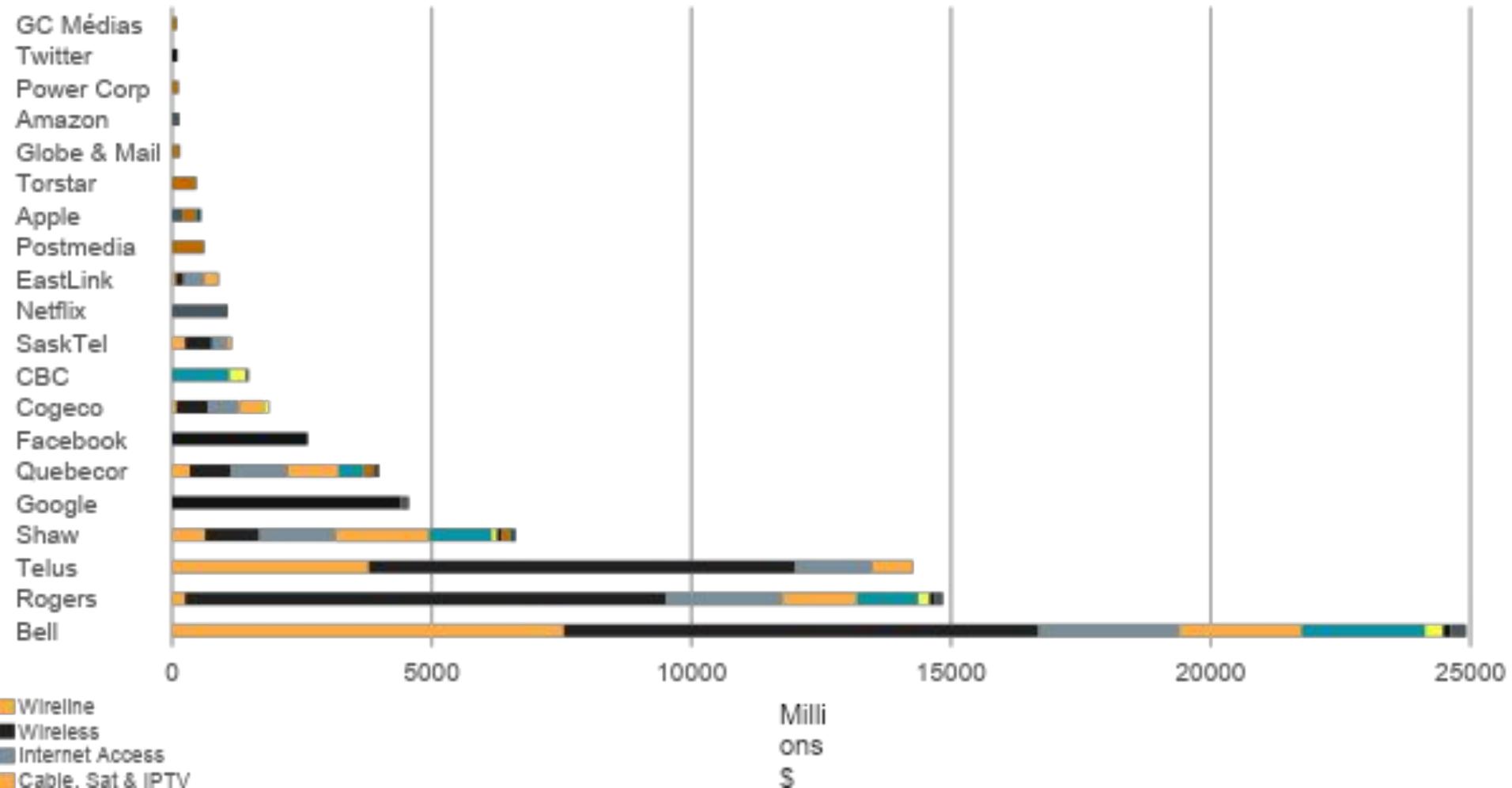
The media economy has grown immensely & become more diverse & complex but remains highly concentrated in many areas.

GAFAM+ had combined revenue of \$9.2 billion and market share of ~10% in Canada in 2019.

BCE revenue (\$25b) & market share (28%) in Canada alone was more than triple that of GAFAM+ *combined*.

The “big 5” Canadian companies account for three-quarters of the \$91.3 billion media economy: Bell, Rogers, Telus, Shaw (Corus) and Quebecor.

Top 20 Telecom-Internet and Media Companies in Canada, 2019



Regulating GAFAM+

Defining digital platforms as media companies rests on superficial analogies.

Proposals to use media policy often justify breathtakingly broad approaches to *Internet content regulation* based on the restrictive standards of *broadcasting regulation*.

They are also often driven by incumbent interests, intense lobbying & a desire to preserve the status quo, although many comms & media scholars seem to like this approach too.

Attempts to regulate foreign Internet giants must assess the relative scale of that dominance alongside "the big 5" Canadian communications and media behemoths that straddle the media economy in this country: Bell, Rogers, Telus, Shaw (Corus) and Quebecor.

Sky-high levels of integration between carriers and content media in Canada create perverse industry incentives while driving high prices for communication and Internet services, expensive per GB data costs, and low data caps.

Such conditions suppress Internet and media use and, consequently, media and communications development.

Outline for a new generation of Internet regulation based on telecoms, banking & public utility regulation (Rahman 2018):

- 1. Structural separation:** break-up and/or separate subsidiaries, including broadband internet and mobile wireless operators (e.g. vertical separation of Google's Ad Xchange from rest of company);
- 2. Line of business restrictions (i.e. firewalls):** common carriage prohibitions against carriers getting into the info/broadcasting/content business + German Cartel Office's ruling banning Facebook from sharing user data between Instagram, WhatsApp and Facebook.
- 3. Public obligations:** must carry all legal content; regulated terms-of-trade between platforms and media firms, including with respect to interconnection, interoperability, control of audience/user data, billing, etc.; personal data and privacy protection; non-discrimination; EU-style AVMS regulation.
- 4. Public alternatives:** time for a new Great Canadian Communications Corporation—a merger of CBC, NFB, Library and Archives Canada and Canada Post?:
 - national broadband Internet & mobile wireless operator, especially in under- and un-served communities;
 - media and information archives;
 - original media, journalism, news and popular entertainment creation and circulation;
 - digital platform for aggregation and distribution of Canadian produced audiovisual media.

These ideas offer a richer intellectual & political taproot than media/broadcasting policy that takes us back to the genesis of regulated capitalism, circa 1860-1920.

They are based on bright line *ex ante* rules versus media policy, self-regulation, voluntary codes, AI, or the *ex post* tools of anti-trust law.

Govts, not corporate actors, should regulate *illegal* content—e.g. hate speech, disinformation, insider trading, fraud a piracy—based on the rule-of-law and norms of a democratic society.