

Case Study: Canada's Online News Act Hurt Journalism, Competition, and the Internet



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Many countries are considering new laws to support the struggling news industry in the face of online competition. Some of these law proposals include 'link tax' schemes, which would require social media platforms, search engines, and other services to compensate news organizations for using their links (URLs). However, Canada's 2023 passage of the Online News Act shows that these laws not only fail to help the sustainability of the news industry but also disrupt people's access to the open Internet, threaten security and safety, and reinforce the dominance of large platforms.

Background

Traditional news media has struggled to find its footing in the digital era. While large digital platforms like social media websites and search engines adapted seamlessly to ever-changing Internet trends, many news outlets have failed to find a sustainable business model to drive revenue online. Canada's newsrooms, like many others worldwide, have faced mass layoffs over the last several years. Since 2023 alone, the country has seen major outlets such as CTV, CBC, and Vice Media cut thousands of journalism jobs, and the closure of dozens of small newspapers.

To alleviate this, some countries are trying to find ways to get large digital platforms to compensate media companies through a link tax or 'toll' to display news content online. For instance, in 2021, Australia adopted its "News Media and Digital Platforms Mandatory Bargaining Code" (NMBC). This legislation later inspired Canada's [Online News Act](#), which became law in 2023.

Inadvertently, these and other proposals fundamentally disrupt the relationship between people and the Internet. Government-imposed restrictions on URLs—a basic Internet function used to point to locations online—are a significant barrier to access that jeopardizes the free flow of information online. Furthermore, case studies such as Canada prove that similar proposals developing in countries such as the United States of America and Brazil, if adopted, will not only fail to revive a struggling news industry. If passed into law, they would also reinforce the market power of big platforms by restricting the ability of people and businesses to innovate and grow online¹.

¹ How Canada's Online News Act Will Harm the Internet. Available: <https://www.internetsociety.org/resources/doc/2023/internet-impact-brief-how-canadas-online-news-act-will-harm-the-internet-restricting-innovation-security-and-growth-of-the-digital-economy/>



The Internet Society analyzed the impacts of Canada's Online News Act to the Internet, as well as the people and businesses that rely on its promise of global connectivity. Based on our findings, this document provides recommendations on how countries can develop laws to support the news industry sustainability without harming the Internet.

How Link Tax Schemes Hurt People, Businesses, Journalism, and the Internet

The proposals, found in various forms, essentially involve a "link tax" that would splinter people and businesses from access to an open Internet. Link tax proposals would require large online platforms to compensate news media if they or their users share news content or links on their services. Additionally, both Australian and Canadian laws establish a centralized government-appointed authority to oversee compliance, effectively centralizing the management of Internet functions and content. These two elements create barriers to access that could significantly hinder people and businesses from participating in the digital economy and pose risks to online safety and security.

Furthermore, link tax schemes just don't work. If a platform does not want to comply by paying for user link shares, it can decide to stop enabling this feature and block links to news sources completely. For example, Meta chose to completely disable this feature on Facebook and Instagram to avoid falling under Canada's Online News Act and being subject to unlimited fees for allowing the sharing of news links online.

Alternatively, Google reached a deal with the federal government to exempt itself from provisions in the Act, promising to contribute a capped \$100 million annually to the news industry, which includes approximately \$50 million worth of existing contributions. Between Meta's departure and Google's exemption, some experts believe the estimated \$25M in new money news media could see² is far lower than the Parliamentary Budget Officer's \$329.2 million revenue projection.³ Not only is the Internet harmed by these laws, but end users are ultimately the ones who pay the price by losing basic information and resources many have come to rely on.

Canada's recent rollout of its Online News Act—and the reactions of two large platforms that would have fallen in scope—shows how these schemes will not only fail to achieve their intended goals of supporting journalism but also have dire consequences for Internet users and businesses on and offline.

Threats to Safety and the Free Flow of Information Online

² <https://thehub.ca/2023/12/15/michael-geist-the-government-guts-the-online-news-act-in-an-attempt-to-fix-a-mess-of-its-own-making/>

³ <https://www.pbo-dpb.ca/en/publications/RP-2223-017-M--cost-estimate-bill-c-18-online-news-act--estimation-couts-lies-projet-loi-c-18-loi-nouvelles-ligne>

The proposals could unintentionally compromise the fundamental security of our online environment. Encryption is a crucial tool for safeguarding our communication and data from unauthorized access. However, online platforms may struggle to implement strong encryption while adhering to "link tax" laws and effectively monitor content. Without provisions to safeguard encrypted services in these laws, major platforms may weaken the encryption they provide or consider creating encryption backdoors for content filtering. Without protections for strong encryption in link tax proposals, users could be deprived of a vital security feature both online and offline.

In 2023, Meta's decision to block news links on Facebook and Instagram in response to Canada's Online News Act had severe consequences during the country's worst wildfire season. Remote communities in the Northwest Territories, heavily reliant on Facebook for communication, were unable to share crucial fire updates, evacuation schedules, and news resources, putting people at risk during a time of emergency. This highlights the dangers of Internet fragmentation and the potential for digital policy decisions to have serious real-world consequences.⁴

Threats to New and Independent Businesses

When platforms choose to comply with laws by blocking links to media sites, this harms smaller media businesses more than the major players in the market. Startups building a following and local or niche publications rely heavily on social media to build and reach their audiences. If links to their websites are blocked, it can be a death sentence for smaller publications with little to no name recognition, while national businesses are less impacted because of their more diverse funding models.

In Canada, many small publishers have felt the impact of the Online News Act. When Meta began blocking news links on their platforms, some publications reported a drop in traffic to their sites by up to 80%⁵. Although the laws are intended to undercut large digital platforms' market dominance, they have mostly succeeded in creating a market that disadvantages smaller players while enabling large media businesses to survive.

Threats to Innovation and a Thriving Digital Economy

Regulations limiting how people can utilize basic Internet functions (e.g., URLs) and common standards threaten to fragment a user's online experience, diverging from an open, globally connected, secure, and reliable Internet. These limitations threaten innovation and growth of the digital economy by forcing users and businesses into a permission-based model that controls the use of the Internet's common language and address system, which runs counter to its fundamental design.

⁴ <https://www.internetsociety.org/blog/2023/10/building-more-affordable-and-reliable-internet-access-in-the-arctic/>

⁵ <https://www.niemanlab.org/2023/11/in-canadas-battle-with-big-tech-smaller-publishers-are-caught-in-the-crossfire/>



Furthermore, it reinforces the dominance of existing market leaders by creating an environment where only large digital platforms can afford to play. This discourages competition, as up-and-coming competitors will hit a wall that prevents growth lest they become within the scope of the bill.

Recommendations

Journalism plays a crucial role in society and the flow of information online. There are many ways governments can support the news industry without undermining the Internet and the users who rely on it. To avoid harm to our online environment, policymakers should keep the following recommendations in mind:

- Do not create a central authority that restricts the ability of people or businesses to use Internet functions like URLs, ultimately limiting innovation—what people can build—and freedom on the Internet.
- Do not impose policies that create incentives for intermediaries to block URL functionalities or cause URLs to behave inconsistently across contexts. This undermines interoperability of basic Internet functions and addressing online.
- Consider the potential global impact of digital platform payment proposals on Internet intermediaries in other countries. Recognize that compliance costs may lead some operators to alter services or withdraw from the market, reducing access to content for local citizens compared to other regions.
- Find ways to incentivize platforms to support journalism without association with news links, such as contributing to media funds, for example.
- Ensure that such proposals do not impose requirements that hinder Internet platforms' use of strong encryption. Protecting encryption is essential for maintaining security and confidentiality online, benefiting both large and small providers alike by preserving data integrity and user trust.
- Abstain from implementing provisions that restrict algorithmic content curation and ranking, which could stifle innovation and limit access to diverse news sources. Preserve the ability for consumers, educators, researchers, and others to freely access and link to news content without excessive regulatory barriers, supporting a dynamic and inclusive Internet environment.

