



KPMG LLP's Written Submission to the Standing Senate Committee on Transport and Communications

Study: Opportunities and Challenges of Artificial Intelligence in the Information and Communication Technology Sectors

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Introduction

Thank you for the opportunity to contribute to this study. The three areas this committee has been mandated to examine - AI in content creation and distribution, the implications for copyright and intellectual property, and the rise of AI-generated disinformation - are interconnected in ways that matter for how Canada responds. The same generative AI systems that create economic opportunity for Canadian creators and technology companies are the systems that can undermine authorship rights and flood the information ecosystem with synthetic falsehoods. A coherent Canadian response must hold all three threads simultaneously.

Canada has particular strengths to bring to this conversation: a robust cultural policy tradition, one of the world's most respected copyright frameworks, a bilingual and multicultural media landscape, and a research community that has been at the forefront of both AI development and AI ethics. The question is not whether Canada can lead here. The question is whether we will act with enough clarity and speed to shape outcomes before they are shaped for us.

Part I: AI in Content Creation, Distribution and Processing

The Opportunity

Generative AI is transforming content creation across every medium, text, image, audio, video, and code. For Canadian creators, information and communication technology (ICT) companies, and media organizations, this represents genuine opportunity. AI tools are already reducing production costs for independent filmmakers, enabling newsrooms to automate data-driven reporting, editorial placement, paywalls, print design, audience reporting, accelerating game development, and expanding the reach of French-language and Indigenous-language content that has historically been underserved by commercial production economics.

Canadian companies in the AI content space from generative media tools to content moderation platforms are well-positioned to compete globally, precisely because Canada's diverse, multilingual market has forced our ICT sector to solve harder localization and cultural nuance problems than more homogeneous markets require. That capability is exportable.

Broadcasters, publishers, and streaming platforms operating in Canada are already integrating AI into content distribution from personalizing recommendations, auto-generating metadata, translating and dubbing content across languages, to using AI to moderate harmful material at scale. These applications, when



properly governed, create real public benefit. A national broadcaster using AI to make its archives searchable and accessible in both official languages is not a threat, rather it is a public good.

The Challenge

The same tools that empower creators also commoditize their work. When a generative AI system can produce competent journalism, commercial music, or functional marketing copy in seconds, the market for human-produced equivalents faces structural pressure. This is already affecting Canadian freelance writers, illustrators, voice actors, and journalists.

The distribution challenge is equally pressing. AI-driven content recommendation systems which are largely operated by foreign platforms make editorial decisions about what Canadians see and hear at enormous scale, with limited transparency and no accountability to Canadian cultural policy objectives. The criteria optimized by these systems are engagement and retention, not accuracy, cultural diversity or democratic value. Canada's existing broadcasting and cultural policy frameworks were not designed for this environment.

It may be helpful to consider the governance implications within the AI value chain. Accountability is distributed across developers, deployers, and platforms, which makes it difficult to assign responsibility should something nefarious occur. One option to consider is how roles and obligations could be more clearly articulated as a framework, as diffuse accountability can make it harder to address issues such as bias, harmful content, or non-compliance.

Important Considerations

The committee should consider recommending that Canadian cultural policy frameworks including the *Broadcasting Act* and the instruments of the CRTC be updated to address AI-generated content in the context of Canadian content requirements. As an example, if a film is substantially generated by AI trained on foreign data with minimal Canadian creative authorship, it should not qualify as CanCon. Conversely, AI tools that demonstrably amplify the reach of Canadian creators, particularly in minority-language and Indigenous contexts, deserve policy support.

The government could also consider investing in AI tools and infrastructure specifically oriented toward Canadian cultural production: multilingual training datasets that include French and Indigenous languages, shared compute resources accessible to smaller Canadian cultural enterprises, and research partnerships between the National Film Board, CBC, and Canadian AI research institutes.

Part II: Copyright, Intellectual Property, and the Rights of Creators

No area of this study is more legally consequential than copyright. Generative AI systems are trained on vast datasets of human-created work, be it text, images, music or code - almost all of which were created by people who did not consent to that use and have not been compensated for it. The outputs of these systems then compete commercially with the human creators whose work was used to train them. This is the present state of the industry.

Canada's *Copyright Act* was not written with this in mind. The concept of authorship presupposes a human author. The concept of infringement presupposes a copy. Generative AI challenges both assumptions in



ways that existing doctrine does not cleanly resolve. When a diffusion model produces an image stylistically identical to a named Canadian illustrator's work, without copying any specific pixel, has that illustrator's copyright been infringed? Current law does not provide a clear answer.

Authorship and Ownership

The question of who owns AI-generated content is genuinely unresolved and requires legislative clarity. Three positions are commonly argued: that AI outputs belong to the user who prompted the system; that they belong to the company that built the model; or that, absent human authorship, they belong to no one and fall immediately into the public domain. Each position has different implications for Canadian creators, Canadian technology companies, and the public interest.

The temptation here may be to align closely with positions emerging from the United States or European Union; however, doing so could carry intended and unintended consequences for Canada's distinct cultural policy tradition and creator community. It may therefore be worth considering a more tailored approach, including a formal review of the Copyright Act focused on AI authorship, with space to reflect the perspectives of Canadian creators alongside those of the technology sector.

Training Data and Creator Compensation

The most urgent practical question is whether the use of copyrighted Canadian works to train commercial AI systems constitutes infringement or falls within existing exceptions. The current legal uncertainty exposes Canadian AI developers to litigation risk, and it denies Canadian creators any mechanism for consent or compensation.

Several models deserve the committee's attention. The EU's approach under the AI Act requires transparency around training data. Some jurisdictions are exploring opt-out registries. Others are considering statutory licensing frameworks analogous to those that govern music performance rights.

Canada has deep expertise in collective licensing through organizations like Access Copyright and SOCAN. There is a plausible Canadian model here - one that provides legal certainty for AI developers while establishing a genuine compensation mechanism for creators whose work contributes to commercial AI systems.

One option to consider is encouraging greater transparency around AI systems commercialized in Canada, such as disclosure of training data sources. It may also be worth exploring the establishment of a working group to examine approaches to creator compensation in the AI training context, with attention to ensuring equitable consideration for both English- and French-language creators.

Part III: AI-Generated Disinformation, Misinformation, and Deepfakes

The Scale of the Problem

The threat to public trust and media integrity from AI-generated synthetic content is serious, accelerating, and already present in Canada's information environment. Deepfake audio and video of public figures,



politicians, journalists and executives can be produced in minutes with commercially available tools. Synthetic news articles, fabricated quotes, and AI-generated social media personas are being deployed in influence operations targeting democratic institutions across the Western world. In a recent KPMG Canada survey of 250 business leaders, the most common AI-powered fraud/cyberattacks they encountered were AI-generated phishing emails/chats (60 per cent), deepfake documents (39 per cent) and voice-clone executive impersonation calls (24 per cent). As researchers who appeared before this committee in November 2025 documented, foreign state actors have already used AI-generated synthetic audio to impersonate senior government officials in Europe and North America.

Canada is not a bystander in this environment. Our elections, our public health communications, and our social cohesion are all targets. The barrier to entry for sophisticated disinformation operations has effectively collapsed. What previously required state-level resources and tradecraft can now be accomplished by small, motivated actors with modest budgets.

The Specific Harms

Three categories of harm deserve the committee's particular attention. First, electoral integrity: AI-generated content targeting Canadian voters with false statements attributed to candidates, synthetic robocalls, fabricated evidence of electoral fraud poses a direct threat to democratic participation that existing elections law is not equipped to address. Second, reputational harm to individuals: non-consensual deepfake intimate imagery, a form of technology-facilitated sexual violence, is being used to target women in public life at alarming rates. Third, the erosion of epistemic trust: when synthetic content is sufficiently widespread and sufficiently convincing, the damage is not just to specific falsehoods but to citizens' willingness to trust any media, a condition sometimes called "the liar's dividend" that benefits bad actors even when their specific fabrications are exposed.

A Canadian Response

Canada's response would benefit from operating on several levels simultaneously.

At the content level, the committee could examine legislation requiring provenance labelling, alongside technical standards for watermarking or content credentials in AI-generated media. Liability could be attached to platforms that knowingly amplify unlabeled synthetic content. Industry self-regulation on this issue has proven insufficient, and clearer statutory obligations would help ensure transparency at the point of creation and distribution.

When we survey different approaches globally, we see different jurisdictions talking about requiring at the platform level, the obligations of social media and content distribution platforms to detect, label, and limit the amplification of AI-generated disinformation as a codified requirement. Canada's Online News Act and the broader digital safety agenda provide a legislative foundation, but they were not designed with generative AI in mind. AI-specific provisions are now necessary to address the scale, speed, and realism of synthetic content.

At the legal and sovereignty level, Canada would greatly benefit from reconciling its domestic policy tools with international trade and intellectual property constraints. Under CUSMA, governments are restricted from requiring the transfer or disclosure of proprietary source code or algorithms as a condition of market access, though important exceptions exist for regulatory and enforcement purposes. In parallel, Canada's anti-circumvention provisions under copyright law limit the ability to



bypass digital locks, even for legitimate auditing or research in many cases. Together, these frameworks constrain timely and practical oversight of the systems shaping public discourse. Taking a serious approach to digital sovereignty requires a reassessment of how trade obligations and copyright protections interact with the need for regulatory access, accountability, and inspection in an AI-driven information environment.

At the capacity level, Canadian journalism, media literacy education, and public broadcasting must be treated as core democratic infrastructure and supported accordingly. The CBC, community media, and local news organizations are not merely cultural assets; they are the institutions that provide citizens with verified information against which synthetic content can be assessed. Their erosion represents a structural vulnerability to disinformation, not just a cultural loss.

Finally, at the international level, Canada could further benefit from being an active participant in multilateral coordination. Disinformation does not respect borders, and technical standards for content provenance – such as those being developed by the Coalition for Content Provenance and Authenticity (C2PA) – require broad adoption to be effective. Canada could play a leadership role in shaping these standards to ensure they serve democratic resilience rather than narrow commercial interests.

Conclusion

The three areas this committee has been asked to examine share a common structure: powerful AI capabilities, concentrated in a small number of largely foreign companies, interacting with Canadian creators, Canadian democratic institutions, and Canadian citizens in ways that our existing legal and policy frameworks were not designed to govern.

A Canadian response that is ambitious, practical, and rooted in our values would entail updating copyright law to protect creators without strangling innovation. It means modernizing cultural policy frameworks that support Canadian voices in an AI-mediated information environment. And it means developing real obligations on platforms, on AI developers, and on the use of synthetic content in democratic processes, rather than relying on voluntary commitments.

Canada has the credibility, the institutions, and the values to demonstrate that democratic societies can govern AI in the public interest. This committee's work is part of that demonstration. KPMG Canada is grateful for the opportunity to contribute and lend its expertise to this important work.