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Canada's Digital Economy Strategy: Response to Government of Canada Consultation Submitted by OMDC

“What matters is program content; all the rest is housekeeping.”

- Robert MacLaren Fowler,
Royal Commission on Broadcasting, 1957

Executive Summary

Ontario Media Development Corporation (OMDC) has a mandate to build the capacity and competitiveness of Ontario's cultural media industries of book and magazine publishing, music, film and television production and interactive digital media. As supporters of content creation in the province of Ontario, OMDC believes that digital content should be at the heart of any national digital economy strategy.

Content creators are digital innovators and are currently producing content for all platforms that is reaching not only Canadian but global audiences. Content is what drives consumers to adopt digital technologies and has often been a driving force in the development of new technologies. At the same time, content creators are having to maintain their traditional lines of business and will continue to need to do so during this time of market transition.

Content creators need access to more capital – from public and private sources – if they are going to be innovative and keep their businesses strong in a digital economy. Support for content creators should be directed toward supporting companies to assist them in building their companies. This support should include investing in early-stage development, support for marketing activities or expanding existing support mechanisms such as tax credits.

Investing in content is a good investment for the government, since content creators make a major contribution to the Canadian economy - \$36 billion in GDP and 662,000 in direct jobs.

Government can play a role in the digital economy by supporting risk-taking and innovation not only in the development of technology but also in developing content to be delivered via that technology. Content creators need support to experiment with different kinds of content for new platforms in order to determine how to best serve audiences in the global digital economy.

Content creators absolutely must be able to control their intellectual property (IP) if they are going to be successful in building businesses based on exploiting that IP. This will allow them to re-invest in their businesses and create jobs in the digital economy.

Access to fast and affordable broadband is essential to ensuring that there is a Canadian audience for content. This physical infrastructure also needs to be supported by a regulatory environment that provides effective copyright protection, access to distribution networks for content creators and progressive foreign investment policies that are balanced with continuing to encourage the health of Canadian companies.

Canadian content creation companies, most of whom are small- and medium-sized companies, can find it challenging to keep on top of the skills necessary for digital transformation, particularly as they need to balance learning new skills with carrying on their daily job requirements. The types of skills needed in a digital economy also include digital literacy skills and education about ethical digital behaviour.

Introduction

Ontario Media Development Corporation (OMDC) is an Agency of the Ontario Ministry of Tourism and Culture (MTC) with a mandate to build the capacity and competitiveness of Ontario's cultural media industries. Through tax credits, programs and services for the film and television, book and magazine publishing, music and interactive digital media industries, OMDC maximizes opportunities for growth and innovation in Ontario and abroad. It also participates with MTC in ongoing efforts to identify the large and growing economic potential of the content-producing industries in Ontario.

As supporters of content creation in the province of Ontario, OMDC is keenly interested in the development of a national digital strategy. It is our belief that such a strategy should focus on digital content as the central element of a digital economy. Content is what drives consumers to adopt digital technologies and has often been a driving force in the development of new technologies. Ontario content creators are digital innovators and are currently producing content for all platforms that is reaching not only Canadian but global audiences.

The bulk of our submission will therefore focus on the investments needed to ensure that Canadian content creators continue to be able to be innovative and successful in the global digital economy. Because financial investments cannot exist in a vacuum, we also offer comments on infrastructure, the regulatory environment and skills development for consideration.

In preparing this submission, OMDC formed a working group made up of representatives from across the Agency's stakeholder groups. This working group provided initial input and advice on the direction of the submission and has reviewed and commented on a draft of the submission. OMDC also circulated a draft to its Industry Advisory Committees, made up of representatives from each of the industries we serve, and various trade organizations for their review and comments. OMDC also held a Digital Dialogue conference on June 30, 2010 in Toronto, and this submission draws on the conversations that went on that day.

While every attempt has been made to incorporate these viewpoints into the submission, OMDC is not claiming to speak on behalf of all of its stakeholders. The various trade organizations in each of the sectors we serve provide an authoritative voice for their respective members and OMDC looks forward to continuing the discussion with them and with all levels of government as the details of the national digital strategy are finalized.

Digital Dialogue

The goal of OMDC's Digital Dialogue Conference was to bring together stakeholders from the book publishing, music, interactive digital media, film, television and magazine publishing industries to discuss the key issues facing content creators with respect to the development of a national digital strategy. Also included were senior thinkers and leaders from the Ontario and Canadian government, academia, the technology industry, digital media buyers and agencies and creative financing and venture capitalists. Topics covered during the day included learning from international precedents, key issues for Canada's cultural media industries, what Ontario content creators are doing well and some strategic visions for Canada's digital future.

Also during the day, MTC released a new report, *Ontario's Entertainment and Creative Cluster: A Framework for Growth* (http://www.culture.gov.on.ca/english/cult_ind/cluster_report.htm), to set out a vision for continuing the dramatic growth of the Cluster, as well as exploring the pillars on which industry and government can build together to deliver on this vision. The report also encourages collaboration among producers in all sectors to capitalize on pooled resources and create cross-platform opportunities. Most importantly for the Digital Economy Strategy, the report shows that digital content is a catalyst for cross-platform development, new forms of financing, enhanced skills and talent attraction. It also shows that the application of new technologies to production and distribution contributes to cluster growth.

It became very clear during the course of the Digital Dialogue Conference that there are three key issues facing content creators in the global digital economy:

- i. Content creators need access to more capital – from public and private sources – if they are going to be innovative and keep their businesses strong in a digital economy.
- ii. Government can play a role in the digital economy by supporting risk-taking and innovation not only in the development of technology but also in developing content to be delivered via that technology.
- iii. Content creators absolutely must be able to control their intellectual property (IP) if they are going to be successful in building businesses based on exploiting that technology.

OMDC supports content creators in looking for solutions to these issues and we are pleased to be engaging with the federal government in the ongoing dialogue around these issues through this consultation process. What follows are some more detailed suggestions of how these issues can be addressed in a national digital economy strategy.

Content Creators Are Already Creating Canada's Digital Content Advantage

“This sector represents one of our greatest growth opportunities. Digital technologies are continuing to transform the way [content producers] imagine, produce and distribute content.”

*- The Honourable Michal Chan, Minister of
Tourism and Culture, Speaking at the
Launch of “Ontario's Entertainment and
Creative Cluster”, June 30, 2010*

Content creators in Ontario are already digital innovators. Production methods in all sectors are almost entirely digital and have been so for several years. Technological advances in the creative industries are effective not only in advancing efficiency in these industries, but they also prove useful in other industries. For example, three-dimensional graphic techniques originally developed for video games are now used in everything from flight simulations to architecture.¹

This technological innovation and content creation is taking place while producers are not only doing the important job of telling Canadian stories to Canadians and the world, but also making an important

¹ Entertainment Software Association of Canada, *Game On Canada! Playing to win in the digital economy*, April 2010, p. 7.

contribution to the Canadian economy. The Conference Board of Canada estimates that 3.8 percent of Canada's real GDP - \$36 billion – and 3.9 percent of national employment – 662,000 direct jobs – is generated by the Canadian arts and culture sector.² In Ontario, the third largest creative cluster in North America after New York and Los Angeles, creative industry jobs have increased by 12 percent since 2003, including a three percent increase in 2009 in the middle of a global recession.³ These knowledge-based sector employees are well-positioned to compete in a global digital economy.

These industries also drive consumer spending on new technologies. For example, consumer demand for smartphones is largely driven by demand for the content-rich, multimedia applications that these devices deliver. And according to the Canadian Radiotelevision and Telecommunications Commission (CRTC), these consumers pay on average twice as much as traditional mobile phone users do - \$97 compared to \$51 per month – on their phone services.⁴ It is therefore important to continue to ensure that our cultural media companies have the tools they need to succeed in a global digital economy.

Ontario content creators in the cultural media industries of music, book and magazine publishing, interactive digital media and film and television production have achieved considerable success in the digital economy, many of which we were pleased to highlight at the OMDC Digital Dialogue, including Magazine Canada's Digital Newsstand.

The Digital Newsstand is an initiative of Magazines Canada, the national trade association for Canada's consumer, cultural and business media magazines. The project was supported by the Canada Periodical Fund and by the Entertainment and Creative Cluster Partnerships Fund, a program of the Ontario Government, co-administered by OMDC and the Ministry of Tourism and Culture, that supports strategic partnerships to provide fresh solutions to the priorities and needs of the Cluster. The Digital Newsstand (<http://magazinescanada.zinio.com>) was launched in late 2009 and provides access to Canadian content from 153 magazines as well as enhanced content such as related links, government information, business opportunities and more. Users can search by title, subject or keyword and can purchase single issues or subscribe to magazines. A small Ontario title like *SkyNews*, an astronomy magazine, had a print readership of about 5,000 but with the Digital Newsstand has been able to sell digital subscriptions in over 17 countries. This successful public/private partnership demonstrates how strategic investments can lead to both sales and audience in the digital economy.

Another successful Ontario company in the digital realm is Capybara Games (www.capybaragames.com), an independent award-winning game studio in Toronto, which has grown from a six-person operation to having 23 full-time employees. At the Digital Dialogue, company founder Nathan Vella described success as being able to develop their own IP and make quality content that they can be proud of, and Capybara has done just that. In 2008, Capybara received OMDC support for *Critter Crunch*, an original game for PlayStation 2's digital download service and the company's first foray into console game development. By publishing the game themselves, Capybara not only earned a higher royalty, they were able to maintain ownership of their IP. The game has gone on to win numerous awards internationally.

² Cited in Government of Canada, *Improving Canada's Digital Advantage: Strategies for Sustainable Prosperity: Consultation Paper on a Digital Economy Strategy for Canada*, May 2010, p. 25.

³ Ontario Ministry of Finance, "2010 Ontario Budget: Sector Highlights, Entertainment and Creative Industries," March 25, 2010.

⁴ Canadian Radio-television and Telecommunications Commission, Policy Development and Research, *Navigating Convergence: Charting Canadian Communications Change and Regulatory Implications*, February 2010, p. 31, para. 146.

Challenges

These significant successes by Ontario companies don't negate the fact that business models in the digital economy have yet to be firmly established. Revenues in the digital realm, while growing, have not yet reached the same levels as revenues from traditional models. This means that companies need to continue to operate in their traditional markets with traditional products. As stated in the consultation paper, "[t]he challenges are particularly acute for legacy players that are accustomed to an orderly marketplace. They have the dual task of meeting consumer demand for their established products while at the same time creating the business opportunities for tomorrow."⁵

To gain a content advantage in the global digital economy, Canada will need well-capitalized content producers who can make their products stand out in a global marketplace. The type of government support needed to make this happen needs to be flexible enough to support innovative companies who are experimenting with new ways to do business. It also needs to support and encourage collaboration with private investors. Marketing support and policies that ensure access to distribution channels are also essential if Canadian products are going to be made available and discoverable in a crowded worldwide marketplace.

Investing in Canadian Content for the Digital Economy

“Governments are enablers; they must create a supportive environment, lead by example and provide targeted support mechanisms that will make a difference.”

- *FilmOntario, “Driving a Digital Strategy Through Content”, December 2009*

In order to be successful in the new digital economy, content companies need to be financed well enough not only to create intellectual property (IP) but also be able to maintain the rights to that IP so they can re-invest in their companies for long-term growth. According to a recent study undertaken by Nordicity Group with PricewaterhouseCoopers (PwC) for OMDC⁶, there are three key financing challenges that are currently keeping companies from being able to do this: scarcity of equity investment, lack of adequate access to credit and the need for more effective government support measures. These challenges can be addressed through some form of incentives for private equity investment, mechanisms to support companies' ability to obtain credit and additional forms of direct support in the cultural media value chain, particularly in early-stage development and in marketing.

The federal government has a long and fairly successful history of providing support to the cultural media industries. This has allowed Canada's content creators to establish themselves at home and on the world stage with high-quality and appealing content. As stated earlier, it has also led to the creation of jobs and investment in the Canadian economy. This type of funding continues to be important for content creators. But if content creators are to keep telling stories and creating jobs, they need a new and different kind of support to see them through this time of market transition. This new type of support needs to focus on

⁵ Government of Canada, *Improving Canada's Digital Advantage: Strategies for Sustainable Prosperity: Consultation Paper on a Digital Economy Strategy for Canada*, May 2010, p. 25.

⁶ *Directions in New Financing for the Cultural Media Industries*, Nordicity with PricewaterhouseCoopers for OMDC, January 2010. www.omdc.on.ca

financing companies rather than projects and must support risk-taking and innovation to give companies the ability to experiment in the marketplace.

The federal government has already begun the process of revamping its programs for a digital economy. Recent changes to programs such as the Canada Book Fund, Canada Media Fund, Canada Music Fund and the Canada Periodical Fund which allow for greater flexibility in distribution methods and eligible products are an important first step in the right direction toward making federal support programs more responsive to the business needs of the cultural media industries. In the past few years, OMDC has made similar changes to its own programs in order to allow companies to engage in the types of business activities that are most appropriate for their own corporate growth.

To advance these mechanisms further, it is time to “take a fresh and more comprehensive look at the various support programs for the cultural sector” and “facilitate changes in these measures that will support sustainable companies rather than simply content creation for established distribution channels.”⁷ Government and businesses need to build on current successful programs in order to allow for innovation and collaboration. A coordinated effort between all levels of government in partnership with industry stakeholders and the financial community will be needed in order to ensure that new programs or rules don’t unintentionally circumvent the cultural or industrial goals of existing programs.

Investing in Early-Stage Development

One type of effective investment is slate-based, early-stage development funding that provides support for companies to direct to a range of activities in the early stages of content creation. For example, the federal government could consider building on the Intellectual Property Development Fund that was run as a pilot initiative by the Province of Ontario in 2009-10. This Fund was designed to encourage and assist corporations in the screen-based industries with the creation of proprietary intellectual property. It provides a refund to eligible corporations for a portion of costs incurred to bring a project closer to production or market-ready stage. The types of activities eligible for a refund include, for example, optioning or acquiring story rights, story research, prototype creation, market research and the creation of proposals for submissions to financiers. OMDC has also provided similar early-stage support in the screen-based sectors with pilot programs such as the Screen-Based Content Initiative in 2008-09, which provided funding for early-stage development activities, and the Video Game Prototype Initiative in 2007-08, which provided funding specifically to video game companies to create prototypes for their video game concepts. There are many positive lessons to be learned from these pilot initiatives but all three of them focused on directing funding to a riskier step in the value chain, giving companies the resources necessary to invest in a longer and more rigorous development process.

A federal program built on similar principles but expanded for all cultural media industries would be beneficial to content creators as they work to transform their businesses for the digital economy. All cultural media companies engage in research and development activities that involve acquiring intellectual property and making sure that property is suitable for a global market. In many cases, these costs are growing as producers need to take into account a wider variety of markets – both territorial and technological – than they have in the past. For example, it is becoming increasingly important for book publishers to acquire global rights to literary works in order to best exploit the borderless e-book market, and this can be very expensive.

A program based on the principle of supporting innovation and risk-taking that provides support for the types of activities noted above would allow content creators to engage in more broad-based and extensive development activities, enhance their ability to maintain and manage their IP rights, improve their

⁷ Nordicity Group Ltd., *Towards a National Digital Strategy*, September 2009, p. 15

marketing abilities and spread their content among a variety of platforms, thereby strengthening their companies' position on the international stage.

Marketing

The federal government should also consider providing support to Canadian producers for marketing their products, both at home and abroad. The audience for Canadian content is truly an international audience in the same way that Canadian audiences now have access to content from everywhere in the world. This crowded marketplace makes it a challenge for Canadian companies to make their products stand out. This means that providing marketing support to content creators is more crucial than ever before, to assist them in reaching audiences and forming partnerships all around the world. This support could take the form of enhanced funding for international sales market attendance or support that encourages collaboration and innovative marketing activities in the digital space.

Support for innovative marketing that enhances the discoverability of Canadian content can have tangible results. McClelland & Stewart, Canada's oldest independent book publisher, received OMDC Book Fund assistance to test a unique, branded "boutique" within the Amazon.ca website that featured 150 of their titles for a month. The boutique had face-page presence and a unique URL. M&S's sales on Amazon increased 43% during the promotion and once the promotion was over, sales plateaued at a higher level and stayed there.

Expanding Existing Support Mechanisms

The federal government should also consider expanding and revising current programs to suit the realities of the digital economy. For example, existing federal film and television tax credits rely on triggers from the more traditional marketplace, such as a television broadcast licence, for product eligibility. While this is still relevant in the traditional world of broadcast, it is less applicable for other kinds of content, some of which is now being produced for different platforms that would be eligible for other funding such as the convergent stream of the Canada Media Fund. Tax credits for the screen-based sectors could be updated to take into account the different platforms that are being used to deliver audio-visual content and the business models that are being developed around those models.

Another option would be to open up the tax credits to include all content produced for any kind of platform in order to inject more capital into the creative industries. This could include the introduction of a federal interactive digital media tax credit, working with provincial partners who already have such credits to ensure there is consistency across jurisdictions. But there is also an opportunity available for the government to lead the way in introducing tax incentives for all kinds of creative digital content, from the printed word to music to all kinds of audio-visual and interactive content. This could be modelled on the existing media tax credits, but we suggest that the federal government give serious consideration to using tax incentives to encourage private investment in cultural media companies. This could take the form of flow-through shares similar to what is done in the mining industry or it could be a more direct tax credit to individual or corporate investors who choose to invest in cultural media companies or projects. Encouraging private investment allows the government to stretch their investment further and reduce everyone's risk by bringing more investors to the funding table.

Other support mechanisms that have been successful in traditional markets could be extended to the digital realm. For example, as stated by ACTRA at the Standing Committee on Canadian Heritage, "[t]he federal government could also offer incentives to encourage Canadian advertisers to support websites featuring Canadian content. You can expand section 19.1 of the *Income Tax Act* to give Canadian advertisers tax deductions for advertising on Canadian-owned websites that give prominence to Canadian

digital media content.”⁸ Building on existing programs and policies would allow the government to implement support mechanisms that are flexible enough for the digital age but are also able to take advantage of existing administrative infrastructure.

With these investments, innovative content creation companies will be able to leverage additional sources of funding, making public dollars go further. For example, the leading television and interactive digital media company marblemedia (www.marblemedia.com), producers of such award-winning television and online properties as *This is Daniel Cook* and *This is Emily Yeung*, *deafplanet.com*, and the upcoming *Splatalot*, has had access to the OMDC Interactive Digital Media Fund, and have therefore been able to use that money to leverage additional sources of funding. In so doing, they are in the unique position of being able to keep their Ontario Interactive Digital Media Tax Credit (OIDMTC) out of their financing plans for interactive projects. This in turn has allowed them to work with their bank to pioneer a model for financing interactive projects. Knowing that the Tax Credit money will be flowing back to the company, the bank allows them to borrow against their entire slate of interactive projects for a line of credit. Marblemedia has been fortunate in being able to use their Tax Credits this way but this is not yet the standard for the industry. With broader-based corporate support, many more companies will be able to follow this example and develop their own unique financing arrangements.

Content is a Good Investment

OMDC is aware that the government is facing fiscal restraints and may have a difficult time in implementing new support mechanisms. In response we would say, based on our own activities, that the creative industries are a good investment for any government. In the 2008-09 fiscal year, OMDC certified over 1,500 projects for provincial tax credits worth just over \$200 million. Companies then used these funds to leverage additional investments so that the total budgets for these projects was almost \$2 billion. OMDC also offers an Export Fund which, since its inception in 2006-07, has supported 357 companies to attend 280 international markets. Export Fund participants have reported actual and anticipated sales of over \$330 million through the end of 2009, representing a return on OMDC’s investment of over \$100 for every dollar invested by the Agency.

The creative media industries have proven themselves adept at turning modest investments into significant accomplishments in sales, audience, international acclaim and job creation.

Infrastructure

The detail of how investments in “hard” infrastructure should be made are outside OMDC’s specific area of expertise. However, access to fast and affordable broadband is essential to ensuring that there is a Canadian audience for content. While our concern is primarily cultural content, this principle applies equally to all types of digital information including all areas and levels of government, educational material and health material. The CRTC has observed that affordable access to broadband for lower-income Canadians has not yet been achieved through market forces and that some sort of government intervention may be required.⁹ Similar measures might also be needed for other underserved Canadians such as those in rural or remote areas of the country or those with learning, visual, auditory or other disabilities. It is our basic belief that if government is going to invest in the creation of content, then

⁸ Cited in *Emerging and Digital Media: Opportunities and Challenges*, Interim Report of the Standing Committee on Canadian Heritage, June 2010, p. 35-6.

⁹ Canadian Radio-television and Telecommunications Commission, Policy Development and Research, *Navigating Convergence: Charting Canadian Communications Change and Regulatory Implications*, February 2010, p. 83.

government also has an interest in ensuring Canadians have access to that content. We suggest that the national digital strategy should set out targets for broadband and wireless access and speed, as well as adoption rates, that will put and keep Canada at or near the front of the pack of comparable nations.

In terms of “soft” infrastructure such as the legislative and regulatory environment in which our stakeholders operate, there are a few key issues that we would like to address.

(i) Copyright

With the introduction of Bill C-32 we note that the government has attempted to update the copyright framework in a way that is “forward-looking, principles based, flexible enough to accommodate technological development and effectively balances the interests of the various economic actors”¹⁰ and that will support innovation and economic growth. OMDC appreciates that the government has attempted to balance the interests of various stakeholders, many of whom have conflicting goals, in the development of this bill.

We would also like to reiterate our position, as stated in our copyright consultation submission, that the ability of content creators to develop business models that allow them to create and exploit intellectual property in the manner that they deem most appropriate for their businesses is essential to the success of these content creation companies. The ability of companies to control their IP was a key issue identified consistently by participants in OMDC’s Digital Dialogue. Successful content creation companies are the key to ensuring that Canadian content is available to consumers. We are therefore monitoring the progress of Bill C-32 with great interest and encourage the Government to continue to be open and responsive to dialogue with cultural media representatives as the legislative process unfolds.

(ii) Access to Distribution Networks

Earlier in this submission, we made the point that the government should be investing in Canadian intellectual property in order to ensure that Canada is successful in a global digital economy. Without easy access to that content for consumers or access to the delivery systems for creators, that investment will go to waste. In Canada, those delivery systems are often owned by companies that control content production, broadcasting, broadcasting distribution, Internet and wireless access. According to the CRTC, “[i]n 2008, 80% of communications revenues were generated collectively by eight communications companies that provided both broadcasting and telecommunications services.”¹¹ The potential for these companies to engage in practices that could restrict or prevent access to Canadian content is of concern to many stakeholders.

A national digital strategy that sets targets for broadband and wireless infrastructure and adoption, as noted above, will improve access to content for consumers. The private companies whose businesses benefit from providing that access – the Internet and wireless service providers – should not be allowed to impede government policy by making those services unaffordable to consumers or by interfering with access to legitimate content through unwarranted traffic shaping practices. Affordable and fast access to content is essential to maintaining Canadian audiences for digital content. Government has a role to play in ensuring that service providers do not use their dominant positions in the marketplace to interfere with the audience’s ability to access and use legitimate content.

¹⁰ *Improving Canada’s Digital Advantage: Strategies for Sustainable Prosperity: Consultation Paper on a Digital Economy Strategy for Canada*, May 2010, p. 14.

¹¹ Canadian Radio-television and Telecommunications Commission, Policy Development and Research, *Navigating Convergence: Charting Canadian Communications Change and Regulatory Implications*, February 2010, p. 38, para. 179.

The dominant market position of these service providers, who also have a vested interest in content that they have paid to produce or acquire for use in one or more of their traditional broadcasting businesses, could potentially have an impact on the ability of content creators to distribute their content. This was raised before the Standing Committee on Canadian Heritage many times, including by Score Media Inc., who stated:

We are very concerned about the ability of Internet and wireless service providers to act as gatekeepers, either because they are vertically integrated and have an incentive to prioritize their own content, or because they are partnering with major media players and providing preferred access. If we seek diversity of Canadian voices in new media, the Internet cannot become a pay-to-play zone.¹²

There is no evidence yet that this is happening in the Canadian market and it is important that it stays that way. The undue preference rules that are already in place need to be maintained in order to allow equitable access to the market for content creators. In addition, an ongoing dialogue between government, content creators, consumers and Internet and wireless service providers will be an essential component of any national digital strategy to ensure that investments made in creative media companies does not go to waste if companies are restricted from distributing their content or if consumers are restricted from accessing it.

(iii) Foreign Investment

Canada's history of limiting foreign investment in cultural media industry companies has been successful in ensuring that there are Canadian companies producing and selling Canadian content to Canadian consumers. While we acknowledge that in a global digital economy it will be necessary to implement progressive policies that will allow cultural media companies to have access to increased pools of investment capital, this needs to be balanced with a continued emphasis on encouraging the health of Canadian-owned content creation companies and ensuring that they have a space within which they can operate and flourish. We are therefore pleased to see the government state, in its Foreign Investment Consultation Paper, that "[w]ith respect to broadcasting content and culture, the government will not consider any action that could impair its ability to pursue Canadian culture and content policy objectives."¹³ OMDC supports this position as an appropriate one for the cultural media industries.

That being said, we do feel that there is room for movement in the area of foreign investment. In some areas existing rules could be updated to reflect the ways in which cultural media production processes are changing. In film and television, for example, international co-production treaties have been a successful tool for encouraging international partnerships for domestic content creators. But the reality is, as stated by Ontario producer Mark Bishop at the Standing Committee on Canadian Heritage, these treaties are now "dated and they need to be revised. Our co-production treaties need to embrace interactive content and interactive platforms. As Canadian licence fees decrease from the broadcasters – and we see that more and more – we need partnerships and foreign investment into our content."¹⁴ Updating international co-production treaties is one way the government could encourage greater investment in the screen-based content creation industries without having to increase current levels of funding to these industries.

¹² Cited in *Emerging and Digital Media: Opportunities and Challenges*, Interim Report of the Standing Committee on Canadian Heritage, June 2010, p. 26.

¹³ Industry Canada, *Opening Canada's Doors to Foreign Investment in Telecommunications: Options for Reform*, Consultation Paper, June 2010, p. 10.

¹⁴ Cited in *Emerging and Digital Media: Opportunities and Challenges*, Interim Report of the Standing Committee on Canadian Heritage, June 2010, p. 33.

Skills for the Digital Economy

“Our world is one where you can borrow capital, you can copy technology and you can buy natural resources. But to build a high wage and a high standard of living you need talent.”

- *The Honourable Dalton McGuinty, Premier of Ontario, “It’s Game Time”, July 6, 2009*

For Canadian content creation companies, most of whom are small- and medium-sized companies (SMEs), it is especially challenging to keep on top of the skills necessary for digital transformation. It is also difficult to set pre-determined standards for the types of skills that should be required, because the types of skills needed are always evolving. And because the companies are small, the necessary technical skills are often something that are added to individuals’ daily job requirements as there are often not enough resources to bring in specialists whose sole responsibility is devoted to technological expertise.

The Cultural Human Resources Council (CHRC) in its *Digital Media Content Creation Technological Roadmap*, has set out a general description of the types of skills that will be needed for digital content creation and provides some recommendations for how to ensure that content creators acquire those skills. The skills identified are grouped as “soft” skills that are likely to be acquired in the workplace; “hard” skills applicable to a variety of projects, likely to be acquired through formal education in the arts, humanities or business; and technical skills for particular projects and job types that are likely to be acquired through specialized technical education.¹⁵ While the report seems to focus primarily on the traditional screen-based sectors as digital media content creators, OMDC feels that this description fits what we have heard from all our stakeholders, including those in music and book and magazine publishing, and supports the implementation of the recommendations in the CHRC report.

Current federal programs that are already in place, such as the Temporary Foreign Worker Program facilitated processing provisions for I.T. specialists, have been an essential component in ensuring the continued availability of qualified technological specialists. Provisions to ensure that these workers continue to be available, along with those who have senior management level knowledge and expertise, are an important part of a national digital strategy.

Digital Literacy

Finally, OMDC is aware that many commentators with more expertise in this area than we have will be making an argument for including digital literacy skills in education from the very earliest grades. In general we support this principle as the education system will produce not only the content creators but also the audiences of tomorrow. We submit that such education should also include basic principles about ethical digital behaviour, and in particular a respect for content creators and their right to establish and profit from ownership of their creative works.

¹⁵ Cultural Human Resources Council, *Digital Media Content Creation Technology Roadmap*, January 2009, pp. 20-1.

Conclusion

Ontario's content creators are innovative and are already participating in the digital economy. Their cultural and technological contributions are supplemented by contributions to the economy and job creation. At the same time as they are moving forward, content creators are also continuing to serve audiences by operating in their traditional markets.

Delegates to OMDC's Digital Dialogue Conference identified that access to capital, government support for risk-taking and innovation, and the ability of content creators to control their IP, are key elements of a national digital strategy. To gain a content advantage in the global economy, content creators need flexible financial support to capitalize their companies and market their products internationally. The regulatory environment will also need to be shifted to adjust to the new production and consumer environments. Cultural workers will need to continually upgrade their skills to keep pace with technology and citizens will need digital literacy skills that include a respect for the rights of content creators in the digital marketplace.

We have outlined here some of the successes that have already been achieved by Ontario content creators in the book and magazine publishing, music, interactive digital media and film and television production industries. With a strong national digital economy strategy that includes the support mechanisms outlined above that will assist content creators through this period of transitional markets, there are likely to be many more such successes ahead.

“Digital media and content are essential to Canada's economy and culture”

- *The Honourable James Moore, Minister of
Canadian Heritage and Official Languages,
“Improving Canada's Digital Advantage”, May 2010*

Submitted by Ontario Media Development Corporation, July 13, 2010.

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