

**Written Submission for the 2019 Pre-Budget
Consultations in Advance of the 2019 Budget**

By: Interactive Ontario

List of Recommendations:

Recommendation 1: Continue to expand the skilled talent pool through developing both hard skills and soft skills which will provide Canadian IDM companies with the necessary skilled talent to ensure continued competitiveness.

Recommendation 2: Implement policy tools to assist small and medium sized enterprises to find and hire talent from underserved communities.

Recommendation 3: A marketing fund that would encourage Canadian content creators to use digital strategies such as online and mobile ad buys, social media campaigns, analytics tracking and search engine optimization for promoting content and finding audiences.

Recommendation 4: Create an IDM Tax Credit and/or an Activity Tax Credit, that provides a credit for labour-based activity aimed at creating Canadian owned and created IDM. The IDM Tax Credit would support projects with a distinct production phase and launch and would also support the marketing and promotion of those projects. The Activity Tax Credit would be based on qualified labour expenditures of the past fiscal year to encourage employment in IDM that may not be linked to a completed project but to ongoing content creation. This would operate like the Ontario Interactive Digital Media Tax Credit available for Specialized Digital Game Companies based upon annual Ontario labour expenditures aimed at developing video games, but with a lower threshold to make it more attainable for small to medium sized IDM enterprises.

Recommendation 5: Export assistance that would help creative enterprises reach consumer as well as trade shows and festivals and fund market research and trade missions conducted by trade associations.

Recommendation 6: Create a localization fund that would support translating and adapting Canadian IDM into other languages and cultures for export around the world.

Body of Submission

Introduction

1. On behalf of the Board Interactive Ontario (“IO”) and Ontario’s Interactive Digital Media (“IDM”) sector, we are pleased to have this opportunity to share with you the thoughts of our members on how the federal government can ensure Canada’s competitiveness through supporting a strong Canadian IDM sector.

2. IO is a not-for-profit trade association committed to the growth of the Ontario interactive digital & emerging media (IDM) industry. IO represents over 330 interactive digital & emerging media companies, with a diverse group of members ranging from SMEs (small & medium enterprises) to large international corporations. They produce innovative experiences in a variety of subsectors including video games, eLearning, multiplatform storytelling, mobile apps, augmented and virtual reality, web series and more.

3. The IDM sector is a new content form and relatively new business sector. Its rapidly evolving nature has spurred a culture of innovation that is now renowned worldwide. Each IDM company is continuously experimenting, seeking out new audiences with new forms of content, exploring new business models to increase revenues, searching for cost efficiencies, all in an effort to grow their companies to be able to take on bigger and more complex projects. The result has been a growing sector, employing more and more skilled Canadians that deliver high quality content to Canadians and to markets around the world.

IDM Sector in Ontario

4. For context, the growing IDM sector now generates in excess of \$2 billion in revenue and includes 877 businesses in Ontario¹. The entire sector supports and creates an estimated over 17,000 high value full time equivalent jobs². The industry is internationally-focused, with 57% of the revenue of IDM companies derived from exports.

5. IDM companies have projected 10% to 25% growth, a rate significantly higher than even the average GDP growth rate in Canada. Canada’s IDM sector is growing because it is innovative and globally competitive.

Competitiveness

¹ “Measuring Success: The Impact of the Interactive Digital Media Industry in Ontario”, 2017, Interactive Ontario, pg. 2

² ibid

6. As the IDM sector grows, there is increased demand for skilled labour, which is necessary to ensure the Canadian IDM sector's competitiveness. IO encourages the government to continue to support strategies to expand the workforce by targeting current underemployed categories such as youth, indigenous, newcomers, women and disabled, as well as strategies to upgrade the skills of those in unskilled or disappearing job categories. Developing enhanced hard skills such as coding and soft skills such as collaboration, creativity, empathy and entrepreneurship will help expand the skilled talent pool. We welcome the federal government's investment in K-12 education in coding and other digital skills, but in the short term, mid-career training that will allow employees to stay in their jobs while they modernize their skills and prepare for long lasting future-proof careers is essential to meet current demand.

7. A diverse workforce is a more creative and ultimately more successful workforce. However, most IDM companies are small to medium sized enterprises that cannot easily take the risk on new hires. IO encourages the government to increase incentives to small and medium sized enterprises to hire from underserved communities such as youth, indigenous, newcomers, women and disabled workers. Incentives to hire, train and mentor members of these groups would reduce the risk inherent in providing opportunities to those who have a great deal of potential but little proven experience.

8. Other policy tools to expand the skilled workforce include a tax credit based on employing Canadians from the underserved categories, including a bonus in any federal granting program if the funds will generate employment from the underserved categories and funding for matching programs that will help employers meet potential talent from underserved communities. IO would be happy to meet with Employment and Social Development Canada, Innovation, Science and Economic Development Canada, Heritage Canada or other government departments to discuss effective policy tools to help small and medium sized businesses in IDM hire more talent from underserved communities.

Recommendation 1: Continue to expand the skilled talent pool through developing both hard skills and soft skills which will provide Canadian IDM companies with the necessary skilled talent to ensure continued competitiveness.

Recommendation 2: Implement policy tools to assist small and medium sized enterprises to find and hire talent from underserved communities.

9. With additional support, Canadian IDM can be competitive at home and around the world and increase its chances at success. Support from the federal government will ensure that Canadian IDM creators will be able to produce innovative and cutting-edge content that audiences at home and around the world will want to engage

with. With enhanced promotion and marketing support, that IDM content will not only be discoverable but will enhance the brand of Canada in IDM and all forms of content.

Recommendation 3: A marketing fund that would encourage Canadian content creators to use digital strategies such as online and mobile ad buys, social media campaigns, analytics tracking and search engine optimization for promoting content and finding audiences.

10. Additional federal funding would help Canadian IDM companies take risks and create larger projects with greater potential for return. An objective labour-based tax credit would ensure that a wide range of IDM projects were supported. However, the existing audio-visual tax credits were developed when IDM did not exist and therefore only support film and video productions. IO cautions against merely extending the existing Canadian Film or Video Production Tax Credit to IDM as they are produced and managed very differently. For example, many IDM projects are released over time with continuous work over the life of the project. Without a clear end of production or one specific release date, an annualized or 'Activity' tax credit would be more appropriate. Tax credits would support the industry, and would better foster risk and innovation if *not* tied to the completion of a project and would ensure an ongoing revenue stream that would support corporate development. IO would be happy to sit down with Heritage and the Department of Finance to review the specific needs of the IDM industry and how they could be supported by tax credits.

Recommendation 4: Create an IDM Tax Credit and/or an Activity Tax Credit, that provides a credit for labour-based activity aimed at creating Canadian owned and created IDM. The IDM Tax Credit would support projects with a distinct production phase and launch and would also support the marketing and promotion of those projects. The Activity Tax Credit would be based on qualified labour expenditures of the past fiscal year to encourage employment in IDM that may not be linked to a completed project but to ongoing content creation. This would operate like the Ontario Interactive Digital Media Tax Credit available for Specialized Digital Game Companies based upon annual Ontario labour expenditures aimed at developing video games, but with a lower threshold to make it more attainable for small to medium sized enterprises.

11. Canadian IDM is doing well in global markets and taking advantage of Canada's strengths to exploit long term opportunities and open new markets. Canadian digital media companies have long worked with markets in Europe and bridged their markets with the U.S. through a shared understanding of both. With support, Canadian IDM can do even more to reach new markets and attract foreign investment. IO welcomes the Creative Export Canada Fund, though it has yet to release guidelines at the time of writing. IO is hopeful that the fund will help small and medium-size enterprises undertake pre-export activities such as market research and attendance at international conferences and trade shows. There are supports, such as the OMDC Global Market Development Fund, which assist producers with these activities, but they are

oversubscribed and not every province has them. Companies are increasingly going directly to consumers and looking at consumer trade shows and festivals to find audiences rather than B2B trade shows, and these are not supported by traditional export funds. Export assistance with a wide definition of what would be supported would help companies make international sales at different points in the value chain.

13. The federal government conducts trade missions to target countries but as those organizing them are not always experts in the sector or the mission covers many sectors, the meetings set up are not always appropriate. A fund that supports trade associations to do targeted market research and lead export-focused trade missions would help to put their expertise to work on behalf of their members.

14. A localization fund would help Canadian IDM projects sell in international markets. It would work much like versioning funds at Telefilm and Canada Media Fund, but would be specific to IDM, where projects need to be adapted to local markets as well as translated. Localization can be expensive and challenging and is not always paid for by the buyer or licensee of a property.

Recommendation 5: Export assistance that would i) help creative enterprises reach consumers, as well as trade shows and festivals, and ii) fund market research and trade missions conducted by trade associations.

Recommendation 6: Create a localization fund that would support translating and adapting Canadian IDM into other languages and cultures for export around the world.

Conclusion

15. Government support spurs innovation, challenging IDM content creators to push boundaries to create higher quality content that attracts audiences in Canada and around the world, leading to more competitive companies. The IDM industry in Ontario follows that value chain and is an active participant in fostering economic growth in Canada. With targeted government support along the lines that IO has recommended, IDM can play a greater role in ensuring that there is a highly skilled talent pool and that Canadian businesses scale up and are competitive in global markets with an international reputation for excellence and innovation.