



canadian interactive alliance  
alliance interactive canadienne

## **CIAIC – Federal Pre-Budget Submission**

Standing Committee on Finance  
Sixth Floor, 131 Queen Street  
House of Commons  
Ottawa ON K1A 0A6  
Canada

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Filed via online portal

Re: Pre-Budget Consultations in Advance of the 2018 Budget

### **Executive Summary**

#### **Introduction**

1. On behalf of the Board of the Canadian Interactive Alliance/Alliance Interactive Canadienne (“CIAIC”) and Canada’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 improve the productivity and competitiveness of Canadians who work in the Canadian IDM sector and the sector itself.
2. The CIAIC is a bilingual not-for-profit trade association formed in 2005 to serve as the voice of Canada’s IDM industry. This submission has been endorsed by CIAIC member organizations: Alliance Numérique, Digital Nova Scotia, Interactive Ontario, New Media Manitoba and SaskInteractive.
3. Canada’s digital media companies create a wide variety of interactive digital media products and services including video games, Augmented Reality (AR), Virtual Reality (VR) and Mixed Reality (MR) products, cross-platform content, e-Learning, web series and mobile content.
4. 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 experiments continuously as they try to reach new audiences with new forms of content and find new ways to make money, drive down costs and 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 as they deliver high quality content to Canadians and to markets around the world.

## **IDM Sector in Canada**

5. For context, it is important to know that the growing IDM sector now generates more than \$3.8 billion in gross annual revenue and includes over 3,000 businesses in Canada. The entire sector supports and creates an estimated over 26,700 high value full time equivalent jobs. The industry is internationally-focused with 57% of the revenue of IDM companies derived from exports.

6. The video game industry alone adds over \$3 billion to Canada's GDP each year and in 2015 that represented a 31% growth over the previous year.

7. 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.

## **Canadian Productivity**

What federal measures would help **Canadians** to be more productive?

8. As the IDM sector grows it has a growing demand for skilled labour, which will greatly benefit Canadians. CIAIC 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 more Canadians land highly skilled and well paid jobs. These skills should be introduced in elementary education but can also be introduced in later grades and in 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.

9. Most of the existing jobs in IDM are filled by recent to mid-career professionals. For example, the average age of Canadian video game workers is 31 and the average age of Ontario's IDM workers is 32, while the average age of Canadian workers is 41 and climbing. CIAIC welcomes the recent changes to the Global Skills Strategy to allow IDM producers to quickly engage Temporary Foreign Workers in various IDM industry job classifications as they will allow employers to not only quickly ramp up employment in mid to senior level jobs but also to leverage those jobs to train existing Canadian staff.

10. 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. CIAIC 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.

11. Other policy tools to expand the workforce and provide more Canadians with highly skilled and well paid jobs 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. CIAIC 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 prepare Canadians for in demand IDM jobs for years to come. Continue to support the Global Skills Strategy.**

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

## Canadian Business Productivity

What federal measures would help **Canadian businesses** to be more productive and competitive?

12. With additional support, Canadian IDM can stand out within the crowded market 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.**

13. 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. CIAIC cautions against just 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 as both a content creation sector but also a job creation sector, and would foster risk and innovation if not tied to the completion of a project. CIAIC 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.**

14. 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. The cultural diversity of the ownership of digital media companies like Mark Media and Minority Media has provided those companies with access to contacts and shared cultural understanding in China (Mark Media) and Latin America (Minority Media). With support, Canadian IDM can do even more to reach new markets and attract foreign investment.

15. As many of the Canadian IDM companies in the sector are small and medium sized enterprises it can be difficult for them to afford to undertake several 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. More export assistance with a wider definition of what would be supported would help companies make international sales.

16. 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 support 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.

17. 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: Expanded 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.**

### **Conclusion**

18. 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 growing companies and greater employment opportunities. The IDM industry in Canada follows that value chain and is an active participant in fostering economic growth in Canada. With targeted government support along the lines that CIAIC has recommended, IDM can play a greater role in ensuring that more Canadians have well paid highly skilled jobs and that Canadian businesses are competitive in global markets with an international reputation for excellence and innovation.

Sincerely,



Christa Dickenson  
Chair, Canadian Interactive Alliance / Alliance Interactive Canadienne (CIAIC)