



## **Telling Our Stories, Growing Our Economy: Developing a Culture Strategy for Ontario**

Submitted by: Interactive Ontario

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### **Introduction**

On behalf of the Board of Interactive Ontario (“IO”) and the over 300 companies that it represents in Ontario’s Interactive Digital Media (“IDM”) sector, we are pleased to have this opportunity to present to you our written recommendations as part of the Ontario Culture Strategy Consultation.

Since 2001, IO has been the non-profit industry association for the IDM sector in Ontario. We are the leading voice of Ontario digital media businesses, which create a wide variety of interactive digital media products and services including video games, cross-platform content, e-Learning, web series and mobile content. Only 4% of Ontario’s IDM firms are considered large (i.e. 100+ employees), and a full one-third have five or fewer employees. Ontario IDM clusters are located across the province, including in the Greater Toronto Area, Ottawa, London, Kitchener/Waterloo and Sudbury/Northern Ontario.

The growing IDM sector now generates in excess of \$2 billion in revenue and includes roughly 1,000 businesses in Ontario<sup>1</sup>. The videogame sector alone directly employs over 2,500 Ontario residents in over 100 companies<sup>2</sup> while the entire sector supports and creates an estimated over 17,000 full time equivalent jobs<sup>3</sup>. IDM is both a fast-developing medium and a growth path for traditional cultural industries, and one that is far more internationally-focused. Fully 57% of revenues from Canadian IDM firms are derived directly from export sales.

IO members have created projects like the “My Singing Monsters” mobile game by Big Blue Bubble, international hit “Mega Jump” by Get Set Games, international franchise “Tom Clancy’s Splinter Cell: Blacklist” by Ubisoft Toronto, web games like Game Pill’s “Fairly Odd Parents: Jingle Out Of My Way”, cross-platform content like Breakthrough Entertainment’s “The Adventures of Napkin Man”, webseries like the award-winning

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<sup>1</sup> Estimated number of businesses based on 898 IDM businesses in Ontario in 2014 according to MODE

<sup>2</sup> Essential Facts About the Video Game Industry 2015, Entertainment Software Association of Canada, page 13

<sup>3</sup> 2012 Canadian Interactive Industry Profile, October 2013 based on an estimated percentage of Canadian employment and increased to better reflect the recent increases in IDM employment

“Guidestones” from iThentic and apps like “Bitstrips”.

While IDM is part of the technology sector, it is also very much a part of the cultural industries. As the Culture Strategy Discussion Paper says “IDM is the fastest- growing entertainment sector in Ontario and is poised to be an important driver of new jobs.”<sup>4</sup> IDM engages designers, programmers, writers, illustrators, project managers and an ever evolving list of creative talent whose goal is to create high quality, popular, engaging interactive digital media content that will be enjoyed by users in Ontario, across Canada and around the world. They have experimented with new methods of interacting with audiences, new business models and new distribution platforms in order to grow their businesses and become globally competitive. Based on this experience, the Ontario IDM sector is well-placed to be both an economic driver and a significant tool for implementation of Ontario’s cultural strategy principles of Creativity and Innovation, Quality of Life and Economic Development, Diversity and Inclusiveness, Respect for First Nations, Métis and Inuit peoples and Public Value and Accountability.

The Government’s support for Ontario interactive digital media companies through vehicles such as the Ontario Interactive Digital Media Fund (“IDM Fund”) and the Ontario Interactive Digital Media Tax Credit (“OIDMTC”) has been very successful in stimulating job creation in our sector, ensuring that these companies remain innovative and globally competitive and continue to contribute to Ontario’s economic growth and prosperity. IO and its member companies are grateful for such support, but with additional measures, particularly focused on collaboration with other sectors in arts and culture, the Ontario IDM sector could be a cultural, as well as, an economic driver. The Ontario IDM sector can and should work with other Ontario arts and culture communities to reach audiences at home and around the world to deliver the content and the platform of their choosing.

Further, we suggest that IDM can be used to help other sectors outside the arts and culture sector to meet their strategic goals in ways that few have fully exploited. IDM’s ability to reach younger and diverse audiences on the platforms of their choosing can offer policymakers unprecedented access to consumers.

In this submission, IO will outline the strategies that it believes will help the Ontario IDM sector prosper, and in turn allow it to support both the government’s cultural strategy principles and the strategic policies of many of its other departments.

## **Digital Transformation**

The Culture Strategy Discussion Paper correctly states that “Digital technologies have radically and rapidly changed the way we consume, create, innovate, collaborate, communicate, and educate.”<sup>5</sup> This revolution goes beyond the more commonly thought of creation of interactive digital media or using digital technologies to deliver broadcast content. The ubiquity of digital platforms means that there are opportunities for forms of

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<sup>4</sup> Culture Strategy Discussion Paper, page 13

<sup>5</sup> *ibid* page 6

art and culture not traditionally thought of as digital or media to access larger audiences and therefore potentially greater revenues. The traditional IDM sector can bring their skills in digital platforms, distribution and business models to collaborations with more traditional arts and culture sectors to make that happen.

Digital platforms can introduce creators to new audiences and with them new revenue opportunities and can also provide new forms of interaction and consumption of art and culture. Think of the potential new audiences if ballet and opera could be accessed on digital platforms and interacted with as well.<sup>6</sup> Museums and other cultural institutions could deepen the experience through live installations<sup>7</sup> or across multiple platforms including digital and broadcast as well as live at museums.<sup>8</sup> These kinds of collaborations have started to occur. The collaborations are also valuable to IDM companies as they help to stimulate innovation, grow IDM companies and drive the Ontario knowledge economy.

IDM collaboration can also support other arts and culture sectors as they work to specifically address some of the Principles outlined in the Discussion Paper. For example, Mark Media’s development of cross cultural and cross platform properties such as “Miao Miao” and “Shuyan the Kungfu Princess” demonstrate new ways of reaching diverse audiences and introducing different cultures to each other through IDM. Programs like Indigicade<sup>9</sup> help support indigenous culture through training girls and young women in game development so that they can tell their own stories in ways that will reach a broad audience. These products can then be exported around the world, showcasing Ontario’s diverse workforce to the global marketplace.

IO encourages the Ontario Government to think broadly in terms of IDM collaboration. The same skill set that enables IDM companies to create games for fun and entertainment can be put to use to reach and engage audiences for a range of other purposes, and to support a range of other government strategies. For example, in addition to collaboration within the arts and culture sector, IDM has started to collaborate with companies in health, science and education. The Holland Bloorview Kids Rehabilitation Hospital hired a children’s media expert to work with their scientists to ensure that a rehabilitation-focused videogame for children with cerebral palsy was engaging enough that children would play it enough for the game to be a therapeutic

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<sup>6</sup> For example, “Songs of Freedom” virtual reality app featuring Measha Brueggergosman  
[http://www.songsoffreedom.ca/episodes/our\\_songs/](http://www.songsoffreedom.ca/episodes/our_songs/)

<sup>7</sup> For example, Explore Historic Fort York through Virtual Reality at the fort  
<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=9f0463b83e88e410VgnVCM1000071d60f89RCRD&vgnextchannel=b59c2271635af310VgnVCM10000071d60f89RCRD>

<sup>8</sup> “Time Tremors” has a CBC program, an app, Alternate Reality websites and an Augmented Reality treasure hunt through museums

<sup>9</sup> A partnership between Indigenous Routes Collective and Dames Making Games

tool<sup>10</sup>. iBardBooks is a collaboration between education and IDM to make Shakespeare more accessible to students in the classroom through iPad e-books.

With government support more could be accomplished through collaboration. Traditional government support through the OMDC has been silo'd between the various cultural forms, i.e. digital, film, television, music, books and magazines, and has of course been limited to cultural expression. To address this, the OMDC recently created a pilot project, the Collaboration and Innovation Fund, to support producers to “respond to new business opportunities which cross sectors, platforms and/or involve non-traditional partnerships.” Recently funded projects through this fund include a study to apply ‘deep-learning’ techniques used in healthcare to design enhanced interactive entertainment experiences<sup>11</sup>. Another project works with education to develop better production and design methodologies for virtual reality games<sup>12</sup>.

### **Recommendations 1 to 3:**

- (1) IO members welcome the development of this pilot project, and encourage the government to make the OMDC **Collaboration and Innovation Fund** a permanent program at the OMDC, with sufficient funds to make an impact on the arts and culture sector.
- (2) We ask that the government remove the requirement within the OMDC **Collaboration and Innovation Fund** that applicants have been previously successful at receiving funding from the OMDC Export Fund, Book Fund, Film Fund, IDM Fund or Magazine Fund, in order to allow a wider pool of applicants to access the fund.
- (3) IO proposes eliminating the requirement within the OMDC **Collaboration and Innovation Fund** that the applicant must be a cultural industries company who own the majority of the project to allow IDM companies to work with non-culture companies that are the driver of the project.

The question then is how to encourage and support IDM producers to meet with potential partners from other sectors and develop the relationships that can then apply to the OMDC Collaboration and Innovation Fund for support. There are very few opportunities for creators to learn about the potential opportunities in other sectors, who are the appropriate companies to meet with, network across the various silos and meet and get to know potential partners. The OMDC has an annual conference and breakfast series called “Digital Dialogue” which is definitely helpful in bringing participants in all six sectors, supported by the OMDC, into one room to hear discussions applicable to them all, but more needs to be done to help the many

<sup>10</sup> Presentation by Dr. Elaine Biddiss of the PEARL Lab, Holland Bloorview Kids Rehabilitation Hospital, Youth Media Alliance Conference, November 18, 2015

<sup>11</sup> little guy games inc., per Tom Frenel, CEO

<sup>12</sup> Phantom Compass, per Tony Walsh, Company Director

companies looking for partnership. More sectoral research, more facilitated matchmaking and networking, more panels and conferences would lead to more partnerships between IDM and non-IDM companies and encourage more companies to pursue these kinds of relationships.

**Recommendation 4:** Additional funds allocated to **Industry Development** at the OMDC, specifically to support collaboration activities by non-profit trade associations such as IO, would increase the chances of success for the Collaboration and Innovation Fund partnerships.

### Export and non-Ontario Financing

As mentioned above, 57% of sales for Ontario IDM companies are attributed to export. IDM is often less-culturally specific than other forms of Ontario cultural content and is thus more easily exported around the world. However, it can be prohibitively expensive to reach those foreign markets, particularly in search of financing or markets before the product has been produced. The OMDC Export Fund has been extremely helpful to Ontario companies by providing assistance through matching funds for sales trips and attendance at international markets. Assistance through the Export Fund is capped at \$12,000 per company per year, but can generate \$300,000 to \$700,000 or even more in sales for that company. However, the OMDC Export Fund is over-subscribed and could be supporting more companies *and* more activities, if it had more funding.

Currently, even with Export Fund assistance, Ontario IDM companies are on their own to undertake export activities, unless there is an option to join an Ontario or Federal government trade mission to a country that coincides with the IDM company's goals and targets the company's sector. Larger, more experienced companies are equipped to take advantage of the Export Fund assistance independently, but smaller companies are reluctant to even apply. Non-profit trade organizations such as IO are well-positioned to assist government and smaller producers by leading sector-specific trade missions, providing market specific research, setting up networking activities and working with foreign trade organizations to build relationships.

IO has been working with the Korea Trade-Investment Promotion Agency (KOTRA), UK Trade and Investment, the French Consulate in Toronto, Pro-Colombia, Wallimages (Walloon, Belgium) with the assistance of the Department of Foreign Affairs, Trade and Development, to promote partnerships between Ontario IDM companies and media companies from the respective countries. IO has been successful in setting up trade missions, educating producers on opportunities, and in some cases, even matchmaking with producers from other countries. These are activities that are too costly and too time-consuming for smaller producers to undertake on their own. The OMDC does not have the personnel to undertake this kind of work, and it would be a conflict of interest for them to favour one company over others by encouraging specific partnerships. With

IO's knowledge and resources, additional funding would allow IO to do more to help producers reach markets, find financing and develop partnerships. IO could invest in market-oriented training to ensure that Ontario IDM companies have the necessary skills to take advantage of international markets when they reach them.

The government could support an IDM Market in Ontario that would attract buyers and sellers from around the world and increase the ability of Ontario IDM producers to both export and partner with international companies. In the spirit of increased collaboration, non-profit trade organizations like IO could partner with a range of other organizations within and outside Ontario to work together to increase exports, develop markets and grow the arts and culture sectors in Ontario.

#### **Recommendations 5 to 7:**

**(5)** IO proposes that the Ontario government increase the allocation to the OMDC **Export Fund** by \$1 million. From that increased budget, allocate \$100,000 for a pilot project to bring ten small IDM companies to a range of trade missions over the year with additional support, with the goal of generating \$200,000 in sales per company. IO would work in partnership with the OMDC to support these producers. This pilot may also be increased to cover other cultural sectors, if other applicable trade associations are interested.

**(6)** The balance of additional funding would fund existing Export Fund activities, but trade associations would be eligible to apply for export activities that promote Ontario companies, aid in networking, or showcase Ontario companies' products.

**(7)** In addition, the Ontario government would help fund an IDM Market in Ontario to facilitate exports and showcase Ontario as a global business hub.

### **Government Support for IDM**

Key government support for IDM in Ontario is provided by the OMDC through the IDM Fund, ODMTC tax credit and industry development programs such as those mentioned above (i.e. Collaboration and Innovation Fund, Export Fund, Research Grants and assistance to non-profit trade associations such as IO for industry development). IO thanks the Ontario government for its recent increase to the IDM Fund, which is anticipated to increase the production of high quality, innovative interactive digital media. However, adjustments to the ODMTC tax credit would greatly assist Ontario IDM companies to grow and prosper.

The labour expenditure rules<sup>13</sup> of the OIDMTC prevent Ontario companies from collaborating with other companies in other provinces or other countries. While the threshold has been lowered from 90% of development costs in Ontario to a minimum of 80% of Ontario labour expenditures, this is still a higher threshold than film and television must abide by for the Ontario Film and Television Tax Credit (“OFTTC”), which requires a minimum of 75% of total expenditures be spent in Ontario. Further the OFTTC allows producers to sub-contract work to other companies and their labour costs are still eligible expenditures, whereas the OIDMTC does not. As a result of these rules, Ontario IDM producers are forced to choose between the tax credit and working with other companies to meet gaps in their staff, increase capacity, or reach new markets or sources of financing. IO can conceive of no policy reason for not treating Ontario IDM companies the same as Ontario film and television companies in regards to opportunities for collaboration with other companies.

**Recommendation 8:** Harmonize the OIDMTC with the OFTTC in regards to labour expenditure rules to allow for equal opportunities for collaboration.

The web series community has been growing in Ontario. According to the Independent Webseries Creators of Canada (“IWCC”) Industry Profile<sup>14</sup> in 2014, Ontario web series creators generated approximately \$3.14 million in revenue, though 41% of survey respondents earned no revenues from their web series. 55% of respondents had increased their volume of production by more than 25% since 2012. These statistics reflect a young but growing industry that is responding both to audience demand and the ability of creators to take advantage of digital technologies to create engaging content at a lower cost than traditional film and television<sup>15</sup>. Web series are great opportunities for young creators to make a name for themselves, but also for more experienced creators to take creative risks without a gatekeeper, such as a broadcaster, intervening between them and the audience. Often web series creators come from other creative backgrounds such as standup comedy or acting, and are looking to take a greater role in content creation. Fostering the development of the web series production sector therefore supports both emerging and experienced creators.

There are few sources of financing for web series in Ontario. The Independent Production Fund is one of the few funding programs for web series in Canada and is heavily oversubscribed. If the OFTTC was technology neutral by expanding the distribution platforms that are required for eligibility to allow for distribution through digital platforms, as well as theatrical distribution and broadcast, it would allow web series to qualify for the OFTTC tax credit. Such a change would also allow the OFTTC

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<sup>13</sup> 80% of total labour costs must be spent on Ontario residents directly or through personal service corporations

<sup>14</sup> Industry Profile of the Independent Webseries Creators of Ontario, May 30, 2014, page 4, presented to IWCC by Nordicity

<sup>15</sup> *ibid*, pg. 21. The average cost per minute of web series was \$63.33 while the average cost per minute for television ranged from \$6,771 for lifestyle to \$29,313 for adult drama.

to adapt to the ongoing evolution of the distribution of audio-visual content to consumers.

**Recommendation 9:** Amend the theatrical distribution or broadcast trigger of the OFTTC to be technology neutral.

### Venture Capital for IDM

Traditionally, it has been difficult for IDM companies to find venture capital funds as most fund managers find the IDM sector too risky. Venture capital is an essential tool when a company wants to grow, innovate, access new markets and retain highly trained employees. The Ontario government's recent investment in the Northleaf Venture Catalyst Fund, which targets innovative and high growth firms such as Wattpad (platform and community for story writing and reading) and Freshbooks (cloud-based accounting software), demonstrates that the government has seen the opportunities in the tech sector in Ontario. A similar investment in venture capital funds for the IDM sector would show leadership within the venture capital community and encourage the community to be more open to the opportunities within IDM.

**Recommendation 10:** The Ontario government should invest in venture capital funds for the IDM sector to encourage the venture capital community to invest in IDM.

### Youth and IDM

Based on its content and its innovation, IDM attracts youth both as consumers and as creators. IDM can be a significant tool in combatting youth unemployment by employing them in high quality, skilled jobs that will be able to adapt through evolving markets. The Ontario Youth Jobs Strategy supports a number of programs to help young people get jobs and start businesses. Currently there are allocations to the technology sector to support youth to start technology businesses and innovate new technologies. Expanding these supports to the IDM sector would maintain the Ontario government's strategy of supporting innovation and youth employment, while also supporting the cultural industries. Enabling youth to innovate IDM content, as well as its underlying technologies, will support the jobs and businesses of the future. Continued funding for youth internships and mentorships within IDM will help bridge the gap between school and work or entrepreneurship. More Ontario youth employed in IDM will ensure that content created addresses the interests and needs of Ontario youth and will ensure their continued engagement in both Ontario IDM and, through the collaboration strategies suggested above, in Ontario arts and culture.

**Recommendation 11:** Allocate funding from the Ontario Youth Jobs Strategy for 2016 to starting IDM business under the Youth Business Acceleration Program and innovating in IDM under the Youth Investment Accelerator Fund.

## Education

The focus for education for IDM has been on the college and university system and the new generation of knowledge workers. However, training for IDM should not stop at graduation from college or university. The knowledge-based industries are constantly evolving and require regular updating. As well, these young industries are finding a mid-career gap in staff skills as more recent graduates have not yet entered into their mid-careers. IO has conducted numerous town halls around the province where the number one issue was the mid-career education gap. Creative talent from other cultural industries are filling the gap with on the job and ad hoc training. Some IDM companies have turned to the federal temporary worker program, but have found it less than satisfactory as it is cumbersome and slow, preventing employers from quickly hiring the talent that they could not find in Canada, often then losing the contract. This program is not the solution to the skills shortage. Funding for the development of mid-career training<sup>16</sup> by either, or both, non-profit trade organizations and existing educational institutions would assist the other cultural industries trying to maintain and develop IDM skills and help IDM companies to manage this skills shortage.

**Recommendation 12:** The Ontario government should fund the development of mid-career training by either, or both, non-profit trade organizations and existing educational institutions.

## Conclusion

The IDM sector can do a lot to help the Ontario government achieve its goals both through the cultural strategy and in other sectors. The key in this rapidly evolving world is collaboration so that parties can learn from each other, adapt, benefit from each other's networks, and thrive through change. Then those successful companies can look beyond the Ontario and Canadian borders and be competitive in the global marketplace. With the support of the Ontario Ministry of Tourism, Culture and Sport, Ontario's IDM sector can generate many well-paying knowledge economy jobs while entertaining audiences at home and around the world.

Arts and culture in Ontario comes in many forms. In fact, there are many forms which were not included in the Discussion Paper including design, architecture, fashion and cuisine to name just a few. We encourage the Ontario government to take a broad view of what constitutes art and culture and how the various forms can collaborate for a stronger, happier and more prosperous Ontario.

**Note:** A summary of Interactive Ontario's recommendations follows on page 10.

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<sup>16</sup> An example of the kind of mid-career training envisioned is the Games Mentoring Institute International ("GAMEII") program in Napanee, which received funding from Ontario's Rural Economic Development Program for its mentoring and entrepreneurship program for mid-career gaming professionals

**Interactive Ontario Recommendations Summary:**

1. Make the OMDC Collaboration and Innovation Fund pilot project a permanent program with increased financing.
2. Remove the requirement from the OMDC Collaboration and Innovation Fund that applicants have previously been successful in receiving funding from the OMDC Export Fund, Book Fund, Film Fund, Interactive Digital Media Fund or Magazine Fund.
3. Remove the requirement from the OMDC Collaboration and Innovation Fund that the applicant be the majority owner of the project where the collaboration partner is not a part of the cultural industries.
4. Increase funds to OMDC Industry Development specifically allocated to support collaboration activities by non-profit trade associations.
5. Increase funds to OMDC's Export Fund by \$1 million to fund a \$100,000 pilot project for small IDM companies and additional funding for export activities.
6. Open access to the OMDC Export Fund to non-profit trade associations to support the export activities of Ontario producers.
7. Fund an IDM Market in Ontario to attract international buyers and sellers and showcase Ontario IDM companies.
8. Lower expenditure thresholds for the ODMTC to be consistent with the OFTTC.
9. Make the OFTTC technology neutral by removing the restrictions on the delivery mechanisms that are required for eligibility.
10. Invest in venture capital funds for the IDM sector
11. Allocate Ontario Youth Jobs Strategy funding specifically to the IDM sector
12. Fund mid-career training to respond to mid-career skills shortages.