
Interactive Media Industry Forum 3.0

Focus Group Report: Findings by Region

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1. TORONTO SESSION (MARCH 26, 2008)

1.1 Access to Financing

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • Financing is insufficient and essentially at the federal level. No federal tax credits, contrary to film and television sectors. • Support for interactive media is more qualitative and subjective; more neutral for the other sectors. • The other sectors have more money, and financing is easier to put together. Resources are required for products to have an impact. The projects are modest because the budgets are modest. Why shouldn't a game get the same amount that goes to a television program? The only way to stand up to foreign competition is through access to resources. • As audiences migrate, funding should be rebalanced accordingly. • Do we want the interactive media sector to become a service sector, as in the automotive industry? • The time it takes to access funding is important. The faster you get it, the faster you're on the market. If you have to wait for approval before going forward, you miss opportunities. • Is the funding aimed at cultural (Intellectual property – IP or Canadian content) or industrial (create companies, jobs, revenue) objectives? The Canada New Media Fund (CNMF) should be reviewed accordingly. • How is success measured? By number of jobs, revenue or audience size? You can earn popular success without achieving revenue success. • The challenge of Canadian ownership: there is no reason to encourage the interactive media industry to adopt the same model as other industries. • There is only one financing model in the game industry. Publishers control everything. We dislike this model because publishers make their money through deals that are unfavourable to developers. • Publishers invest in projects; venture capitalists (VCs) invest in companies. • Requirements are more stringent for interactive media. New media (NM) projects are scrutinized more closely than others. People in interactive media work harder for less money than people in television. • Project-based operations make it challenging to hire and retain talent. • People in Canada are risk-averse. There is a need for investors prepared to invest in projects and wait 3 to 5 years before seeing a profit. • Raising private-sector financing is very difficult. It is easier to find money in the U.S. than in Canada. VCs prefer to invest in technologies or companies. • Some companies prefer to borrow from banks because it entails less paperwork than securing public monies. • Investors are very demanding when they put money in projects. They want to take control. They want a return on investments (ROI) and control of the company. • Internet Service Providers (ISPs) and mobile operators should be obliged to contribute to a fund by regulation, just like the cable operators for TV. The operators deal with American content suppliers. What is our ROI in culture? • Support for project marketing is very important.
<p>Opportunities, Challenges and Wishes</p>	<p>Opportunities</p> <ul style="list-style-type: none"> • On-line distribution will make it possible to get around publishers. <p>Challenges</p> <ul style="list-style-type: none"> • Secure audiences for Canadian content in a context of proliferating content, especially if Canadian content is to succeed internationally. • Obtain necessary financing; projects are increasingly large and costly.

	<ul style="list-style-type: none"> • Find the right mix in multiplatform production. <p>Wishes</p> <ul style="list-style-type: none"> • More resources and tax shelters to attract investments. • Resources for salaries in order to be able to retain employees. • Increased % for overhead in calculating costs. • Telefilm Canada share in project financing increased from 50% to 75%. • Resources and support for community projects. • More broadcasters' resources in projects. • Canadian Television Fund recognition of the importance of interactive content. • Fewer restrictions, to allow companies to be more creative. • A media fund allocated on the basis of project quality, not according to sector. • Coordinated management of the Ontario Media Development Corporation's Fund and the CNMF. • Better balance between media and new media funds.
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1.2 Access to Qualified Resources

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • Colleges and universities are doing their job, but companies expect too much from young graduates. You have to be prepared to train them, and this is time-consuming for senior employees. • Video games are not yet recognized at the university level. There are no specific training programs. Development at this level is still in its infancy. • Hiring mid-level or more experienced employees is problematic. Young people are relatively mobile, and the game industry is global. • Marketing and management skills are lacking in the industry. • Small and Medium Size Enterprises (SMEs) are under considerable pressure from multinationals in terms of salaries (e.g. Ubisoft takes advantage of tax credits to offer better wages). The large companies even recruit most of the graduates straight out of school. • The labour and immigration laws are outmoded; very difficult to recruit skilled foreign workers, because they don't correspond to the established categories. • Outsourcing is an option, but not for all SMEs. Some prefer to contract with other Canadian companies because they offer high-level skills. The government should introduce incentives for SMEs that outsource in Canada. • We lack a vital tool to encourage outsourcing in Canada: a national database on Canadian companies. • Some SMEs work a healthy male/female and multicultural balance to their advantage. They develop a wider variety of products. • Jobs in the Canadian industry are not yet properly classified and defined. The existing classification (North American Industry Classification System under NAFTA) is not designed for emerging industries and will not be reviewed until 2012. This has economic and administrative impacts. • The Internet is increasingly used (blogs, etc.) to recruit qualified personnel. Companies have abandoned newspaper ads because they cost more than they are worth. • There are disparities among the Canadian regions; some are eligible for grants from federal departments involved in economic development (Western Economic Development Canada - WEDC, Canada Economic Development for Quebec Regions - CEDQR and the Atlantic Canada Opportunity Agency - ACOA). This means that Ontario SMEs are competing with subsidized companies.
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Opportunities, Challenges and Wishes	<p>Challenges</p> <ul style="list-style-type: none"> • Get more women into the game sector, particularly in the creative end. • Retain personnel from one project to the next. • Support companies that outsource part of their operations in Canada, because they help create Canadian businesses and keep expertise at home. <p>Wishes</p> <ul style="list-style-type: none"> • A Canadian SME database. • University recognition for the game sector; training programs. • Recognition of company efforts to train employees and raise skill levels on the job.
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1.3 Innovation, R&D and Intellectual Property

Perception of current situation	<ul style="list-style-type: none"> • Much effort to retain IP. Controlling and exploiting IP requires substantial investment. • Publishers appropriate IP in the console game sector. The publishers in Canada's game sector belong to multinationals. • IP is worth nothing if it can't be exploited. • Provincial R&D credits are widely used. • Owning IP for game engines or middleware does not affect creative capacity. • Technological development: for internal use and to gain a competitive edge. • Creating strong brands = innovation. The National Film Board (NFB)and the Canadian Broadcasting Corporation have helped greatly in film and TV. • Choice: to be a multinational subsidiary or an industry in its own right with IP. • Good collaboration between companies and universities, even though recent. • A unique situation, with technological aspects (Scientific Research & Experimental Development Tax Incentive Program- SR&ED) and content (IP) cohabitating. • The SR&ED tax credit is one of the best ways to get funding. • The SR&ED credits are better than the credits for media. • It takes capital to develop technology. • Better government cooperation is needed (culture, economic development and finance). • Education is needed at government levels and in the financial sector. • Not everyone needs to own IP.
Opportunities, Challenges and Wishes	<p>Challenges</p> <ul style="list-style-type: none"> • Get universities and the industry to collaborate on various projects, this seems to be happening in Toronto. • Create intellectual property to make companies more attractive for acquisition. • Identify common interests and work to find solutions. • Create an artificial publisher for Canadian companies and to retain IP; substantial investment. • Educate financial sector. <p>Wishes</p> <ul style="list-style-type: none"> • Extend credits to creative area. • A multiplatform development project for multiple companies in order to achieve economies of scale.

2. MONTRÉAL SESSION (APRIL 9, 2008)

2.1 Access to Financing

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • Disproportion between interactive media funds and television and film funds. • No programs to support content company start-ups. The CNMF, Bell and Quebecor funds have played an important role in this regard. • Financing French-language content is problematic; insufficient economies of scale. • Publishers exercise heavy control in the console game industry; they have the money and the distribution networks. • Most SMEs derive revenue from service activities, which serve to finance development and original content production. • Accessing venture capital is very difficult. Banks do not invest in interactive media. • The interactive media sector depends on salaried workers, not freelancers. Working capital needed to keep companies going while awaiting product sales income, which can take 18 months from time of launch. • Operating on a project-by-project basis handicaps web content production companies. We'd like to eliminate this disadvantage. Most of the time the projects are ongoing. It's hard to retain talent in the per-project operating model. • The support programs are modelled on those for film and television. They do not reflect the characteristics and realities of new media. • Putting together financing for a convergence project takes too much time. Eventually, the project loses its appeal. • The financing structures do not favour reinvestment. The financing system is still largely conceived in terms of production, whereas the new media reality is exploitation-based. • Lack of financing obliges companies to avoid taking risks and focus on the projects most likely to succeed. • A number of web projects (<i>Têtes à claques</i>, 33mag, etc.) begun without institutional support do not fit the current funding programs. They need help in order to consolidate their structure, keep the intellectual property in Canada and exploit it internationally. • Review the definitions of "new media" and "interactivity" taking into account new multiplatform production and exploitation methods. Some new products have the characteristics of a new media product but are not wholly defined by interactivity. • ISPs collect subscription revenue without remitting a share to support content production. • There should be more emphasis on economic performance. The programs are still too focused on production and not enough on exploitation. You have to think "export" from the outset, because the web is fundamentally international. Attention should also be paid to the concerns of the regions and Francophone communities outside Quebec. • The interactive media ecosystem (policy, financing, lobby, etc.) is less well developed than the television or film ecosystem. National consensus is lacking. • Broadcasters have too much influence in triggering and financing new media projects. They invest little but want half the revenue. • The lack of involvement of the «Société de Développement des Entreprises Culturelles» (SODEC) in the interactive media sector makes Quebec less strategic. There is a vacuum. Serious reflection is needed.
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Opportunities, Challenges and Wishes	<p>Opportunities</p> <ul style="list-style-type: none"> • On-line distribution. <p>Challenges</p> <ul style="list-style-type: none"> • The industry needs to pay attention to potential advertising revenue. • Parity of Canadian and US dollars. <p>Wishes</p> <ul style="list-style-type: none"> • Start-up fund. • Better balance between media and new media funds. • Telefilm Canada should see projects as a process spread over 18 to 36 months. • Either create different funds for the interactive media industry, or group all media funds together and finance the best projects. • Review the current definitions and program parameters. • Simplified application process.
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2.2 Access to Qualified Resources

Perception of current situation	<ul style="list-style-type: none"> • Most urgent problem and hardest to solve. • The shortage of qualified labour is hindering corporate growth. Companies are forced to turn down jobs. • The labour shortage is prompting SMEs to keep employees on, but operating on a project-by-project basis makes them do so cautiously. • Some SMEs take the risk of hiring in advance in order to have the right people on hand when projects are approved or signed. • SMEs cannot afford to lose resources. Departures mean losing industrial knowledge and investments made in employee training. • A number of SMEs outsource the production phase and focus their energies on product development and marketing. • Outsourcing often requires adjustments, especially when outsourcing abroad, where the work methods and quality do not meet Canadian standards. • There is also a shortage of middle managers. • Existing college and university training programs are too general and do not meet industry needs. The colleges and universities do not seem to understand SME needs. • Experienced staff spend much of their time mentoring and coaching other employees. • School and university training programs are mainly targeted to the game industry. • SMEs cannot compete with conditions in the game sector, which drains away talent. • SMEs are looking for versatile people able to work in a multidisciplinary team. • To encourage employment, the game sector has organized and created information and promotion tools (macarriereenjeu.com). Some companies are in contact with teaching institutions to help them develop suitable programs. • Few SMEs use the <i>Emploi-Québec Program</i> for hiring because it is cumbersome and slow. This Program is made for large companies. • Taking on interns is not very common due to too-short internships and a lack of qualified candidates. Worth noting: the Bell Fund initiative to develop a program to finance about a dozen internships. • Conventional employee prospecting does not produce good results; new approaches are needed, namely for Generation Y.
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Opportunities, Challenges and Wishes	<p>Challenge</p> <ul style="list-style-type: none"> • Retaining personnel. • Recruiting. • The industry wants to organize and promote its needs to government and teaching and training institutions. <p>Wish</p> <ul style="list-style-type: none"> • Adapted training programs.
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2.3 Innovation, R&D and Intellectual Property

Perception of current situation	<ul style="list-style-type: none"> • R&D credits; useful, generous and easy to obtain; have encouraged SME development. SMEs in content creation do not have access to R&D credits; no technology component. • R&D; long (18-36 months), risky and costly process, where mistakes are not allowed. Developing IP is important. Success can be very profitable. • Companies should not have to finance innovation alone. • More difficult to retain IP ownership in the console game sector than in the web sector. • Few independent console game producers control IP; publishers have the upper hand. • Situation can vary within a sector (e.g. casual gaming vs. massively multiplayer online game - MMOG vs. console game). • The notion of IP is hard to define in the web 2.0 and open source context. • SMEs do not have the financing needed to take risks. No one has the means to develop 5 or 10 IP concurrently in order to reap at least one success. • No support to move to the next phase (project rollout and exploitation). • No significant VCs in the industry. • Service-based revenue finances IP creation. • Filling out funding applications without knowing if they will be approved = loss of money and time. • It is easier to retain technology IP than content IP; technology offers little return. • Telefilm Canada can support only a limited number of ideas and projects. • Take regional cultural and community interests into account.
Opportunities, Challenges and Wishes	<p>Challenges</p> <ul style="list-style-type: none"> • Marketing: a must. • Becoming a publisher requires substantial investments. • Place and role of the publisher in console games. <p>Wishes</p> <ul style="list-style-type: none"> • Sector-based funds. • A single fund for all forms of content (film, TV, interactive media). • Support for experimentation and the creation of business plans. • An R&D equivalent for content or idea development. • Adapted criteria and tools for each sector. • Relaxed application rules, particularly for proven SMEs. • Larger envelope per project. • Support for emerging projects launched without public funding. • Recognition of project timeframe (2 to 3 years).

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| | <ul style="list-style-type: none">• A “Great Canadian Video Game Competition” for the web sector.• More support for children’s production (no advertising). |
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3. VANCOUVER SESSION (APRIL 22, 2008)

3.1 Access to Financing

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • Lack of financing for company start-ups. Less private money available than south of the border (Valley); Telefilm Canada could play a role in initial phases. • No VC for web 2.0. No money for web start-ups. A new group has been formed to help web 2.0 companies complete the first round of financing. • Vancouver is mainly a “work for hire” place. • Challenge: Not easy to get private investors. Few success stories to show them, and when they exist the companies have been bought by Americans (Flickr and Club Penguin). The Americans should come do business in Canada, instead. • The improvement of the branding and promotion of the industry and its successes should help SMEs educate potential investors. • If we want to build a sustainable industry, we have to find ways to keep our success stories in Canada and retain ownership. • Money is one thing; you also need objectives (e.g. building a sustainable economy). Can Export Development Canada or Business Development Bank of Canada play a role in this regard? Can an angel investment network be set up? • SMEs from different sectors should be encouraged to work together (e.g. an animation company allows a game company to develop a game from one of its IPs). • Most investors want to see a prototype. • Harmonize tax credits and other available financing sources. Bring the people responsible together in “boot camps” or think tanks. • Create a government body to guarantee loans. • For initial phases: government money (see BC Innovation Council). • Access to R&D credits is easy and the CNMF helps bring the product to market. A directory of the existing funds and credits would be useful for SMEs. SMEs should also work more with business associations to get good contacts and forge ties. • There should be less competition among Canadian companies; more Canadian company partnerships would be desirable. • Few Canadian publishers. Profits from developed IP flow to the U.S. 9 times out of 10. • The animation and mobility sectors are still looking for ways to make money with their business models. In mobility, the current licence fees are too low to develop anything profitable (dispute with suppliers that charge too much for data transportation). And yet the potential is there. • No distribution companies in Canada, which limits SME growth. • Hard to keep profits in Canada. There is a service company mentality. • Canadian Heritage is not as involved and proactive as Telefilm Canada. • The funds do not know how to deal with publishers. • Issue: Supplying IP and transferring it to various platforms. • Per-project financing makes IP ownership retention difficult in the animation sector.
<p>Opportunities, Challenges and Wishes</p>	<p>Challenges</p> <ul style="list-style-type: none"> • Marketing. • Brain drain.

	<ul style="list-style-type: none"> • Working capital. • No distribution in Canada. • Sustainable industry. <p>Wishes</p> <ul style="list-style-type: none"> • Faster cheque processing by funding agencies. • Have every dollar spent remain in Canada. • “Think big” – invest in projects with strong potential. • Harmonize programs and make them more effective. • More start-up money. • Inform VCs about the most effective models.
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3.2 Access to Qualified Resources

Perception of current situation	<ul style="list-style-type: none"> • Colleges and universities are turning out many graduates. • Several types of expertise and skills are lacking, especially in the video game and web sectors: middle and senior managers, experienced producers, designers, high-level programmers. • The industry also needs people with legal and financial training, and talent with a keen business sense. • The industry must work closely with the teaching community to raise enrolment standards and attract top-flight talent. • It is relatively easy to hire people from the US. • It takes financial resources to retain talent. • Provincial tax holidays draw people and companies. • The talent wants corporate shares or some other incentive. • Trend: Forming a pool of high-level talent that can work on one project after another. Less specialized jobs are outsourced, cutting costs since they are only paid until the project is completed.
Opportunities, Challenges and Wishes	<p>Challenge</p> <ul style="list-style-type: none"> • Knowledge transfer.

3.3 Innovation, R&D and Intellectual Property

Perception of current situation	<ul style="list-style-type: none"> • No problem accessing financing for R&D. • Cooperative ventures with universities could work better. • Working with universities is a challenge: their agenda is different from that of SMEs when it comes to marketing and making money from projects. • SMEs have a weak point in terms of protecting their patents or IP; a patent costs \$100K for the Canadian market alone and an additional \$25K for the U.S. • Lack of knowledge of foreign markets and their particularities. Need for an entity to help SMEs negotiate more favourable agreements. • Canadian SMEs need to revisit their business models and find better ways to share IP with other SMEs over the various platforms. • How do you keep IP in Canada when the Canadian industry is mainly service-oriented? • Trend: casual gaming may be a trend. • Creating IP is fine, but you need mechanisms in order to protect it.
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	<ul style="list-style-type: none"> • IP lawsuits could become more common. • No companies marketing the content created through Mobile MUSE.
Opportunities, Challenges and Wishes	<p>Challenges</p> <ul style="list-style-type: none"> • Large companies can crush SMEs in patent lawsuits. • Developing IP abroad and being able to service the markets. <p>Wish</p> <ul style="list-style-type: none"> • Incentives to keep IP in Canada. • Make IP available.

4. SASKATOON SESSION (MAY 13, 2008)

4.1 Access to Financing

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • Lack of general knowledge about specific industry funds and support programs in Saskatchewan (SK) and Alberta (AB). Situation is different in Manitoba (MB), where there are more programs and an upcoming 40% tax credit. • The funds used (e.g. Industrial Research Assistance Program -IRAP from the National research Council - NRC) are not well suited to the sector and its needs. • Strong, growing entrepreneurial mentality: tapping other financing sources (service revenue, private monies, seed money, etc.). The industry is developing more corporate than cultural business niches (e.g. serious gaming). • Public funding should not be guided solely by cultural objectives but by commercial success objectives as well. This should be part of policy. • Few private investors in SK. AB has more, and an annual business plan competition. • Financiers do not have a good grasp of the sector and do not take risks. We need to show them success stories and demonstrate project viability. We should promote the industry and tell them how it works, but we lack the necessary information and tools. • SMEs are trapped in a chicken-and-egg situation. To get money, you have to show investors that you have working capital, but you don't. • SMEs tend not to access the funds, because they find the decision-making process too long. They claim the funds do not have the knowledge needed to assess interactive projects (NRC and serious gaming). • Some funds do not allow profit making; you cannot keep a business running if you only cover the salaries. • The support programs should be managed more efficiently and better coordinated. • Serious gaming is a new niche. Telefilm Canada does not support it yet. • SMEs appreciate support for taking part in trade missions or events; networking opportunities (MB). • Governments should invest to create an ecosystem that favours industry development: infrastructure, incubators, support for conferences, industry-university forums, etc.
<p>Opportunities, Challenges and Wishes</p>	<p>Wishes</p> <ul style="list-style-type: none"> • Incubators to stimulate creation of original content (e.g. Fortune Cat Games). • Closer ties between the industry and the university community. • Support for taking part in missions. • Suitable tools for informing potential investors. • Centralized information on the available financing tools, their characteristics and the way they work. • Greater cooperation among SMEs at the local level and among provinces. • Simplified application process.

4.2 Access to Qualified Resources

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • SK is facing a shortage of skilled, specialized workers. There are few high-quality graduates, and often they are hired by the provincial government or else leave the province to work in British Columbia (BC) or AB. The shortage is preventing a number of projects from getting off the ground. One program (Job Start) offers companies a little help to hire and train young graduates. • It is also difficult to attract talent from other areas, because people tend to avoid companies not in large centres. There is no real infrastructure to accommodate them. • People have the impression that you can't succeed in Saskatchewan, and that you have to go to the major Canadian centres to get good training or a job. Bioware has shown that it is possible to stay on the Prairies. • The art and technical programs are not as suitable as those available in Vancouver, Toronto or Montréal. The teachers come from the education sector, not the industry. • Relations between companies and the teaching community are limited; partnerships are hard to establish. • Companies are looking for senior people who have handled complex projects and know best industry practices. • AB has enough talent, but a shortage is expected in the coming years. Need for specialized personnel (e.g. Action Script developers, high-end designers). • Many graduates lack basic skills, and there is no incentive to provide mentoring, given our production imperatives. Work is underway with the Northern Alberta Institute of Technology to improve the situation. • There are no internships or internal training sessions. The internships are too short and budgets are too tight to allow for them. This is one place government should step in. • In MB. The lack of specialized talent is leading companies to outsource part of their operations. People are feeling the need to work together. • The content creators are good but lack business skills and expertise. • There is a shortage of middle managers, and a need to develop other areas of expertise, namely in mobility.
<p>Opportunities, Challenges and Wishes</p>	<p>Opportunities</p> <ul style="list-style-type: none"> • Serious gaming. <p>Challenges</p> <ul style="list-style-type: none"> • Marketing the industry. • Staying abreast of the industry and niches, and what's being done elsewhere. • Companies are looking at outsourcing part of their operations, at home or abroad. Lack of information about companies they could deal with. <p>Wishes</p> <ul style="list-style-type: none"> • Better cooperation within and among provinces. Very few partnerships between Western SMEs. • Career choice assistance from Human Resources Development Canada (HRDC).

4.3 Innovation, R&D and Intellectual Property

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • R&D activities are a necessity; they enable companies to stay on the cutting edge. • A number of companies are working with universities. • R&D credits are the only source; no sponsorship, no grants or fellowships, as in the U.S. • Protecting IP is difficult and costly. • Need to bring industries and academic institutions together: partnerships with universities (AB) or other sectors. • The NRC favours partnerships. • SK SMEs are less obsessed with controlling IP (especially in the web sector). • Difficult to own IP in the Web 2.0 sector or when using open source tools. • IP ownership increases a company's value; appeal factor for investors. • Service-based revenue mitigates the risks of IP development. • MB SMEs finance R&D from part (15%) of budgets for government or private clients. • Innovation by universities works well, because they are not obsessed with the business model. In the private sector, innovation must produce results. • SMEs are less familiar with the opportunities, challenges and risks that come with not having licences or protecting the rights to their products. • The government must ensure that R&D and innovation are in robust health if Canada is to maintain a competitive edge on the international scene.
<p>Opportunities, Challenges and Wishes</p>	<p>Challenges</p> <ul style="list-style-type: none"> • Close the gap between the university community and the industry. NRC does it, and so does the Alberta Innovation Council. • Get universities to work with the industry. SMEs could pay \$2,000 a year for the right to suggest ideas, but they wouldn't have to finance them. <p>Wishes</p> <ul style="list-style-type: none"> • Encourage development of a business ecosystem: financial tools, business incubators, industry/universities/government relations, mentoring, etc. • Finance infrastructure. • A financing database. • Present case studies of successes funded by Telefilm Canada. • Bring the industry together more often, annually. • Business workshops led by people from New Media BC or Alliance Numérique. • Bring in people from outside to raise awareness of Saskatchewan government. • Business skill mentoring. • Funding for internships.

5. CHARLOTTETOWN SESSION (MAY 22, 2008)

5.1 Access to Financing

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • The provincial government of Prince Edward Island (PEI) is very involved. Nova Scotia (NS) has a tax credit similar to the one for film and TV (40%). New Brunswick (NB) has no tax credits, just innovation support. Other financing sources used: SR&ED, IRAP (suitable in R&D context). ACOA's aid is neither very useful nor accessible. • Need for trigger financing and patient capital (long-term development cycle). • Easier to earn service revenue and reinvest in projects. Financial support from friends or family. • Operational financing would help smooth the transition between projects. • No financial support for convergent projects. • Need for financing to develop ideas for export. • Venture capitalists (VCs) are beginning to look for innovation and content, but the Atlantic province market is small. Private financiers are averse to risk. If you deal with VCs, your content is bound to be market driven. • Financiers don't have a good grasp of the industry yet. The film and television legacy is linear content, not interactive content. • The other financing sources won't come on board until you have a signed agreement. • It's hard to get recognition in the convergence field, because the financial support goes mainly to the technology and programming, with little for the content. • The NFB is a good model for co-productions; usefully involved and takes 25% of equity. • Simplify CNMF application process and update the terminology. Make sure the questions are necessary. Make the process more efficient. • Timing and timeframes are critical in getting financial support. It takes a great deal of time to settle everything. • Per-project financing is hard to manage, because you receive it when the project is 75% completed. Exasperating. "We don't have working capital". That's the way it is in the game industry. • The film industry operates on a per-project basis and does not need to maintain a workforce. In new media, you have to retain your staff; otherwise they're gone for good. And you lose all your capital in training and experience. • Need to put the accent on teams and people; the project-by-project approach is not viable for companies and the industry.
<p>Opportunities, Challenges and Wishes</p>	<p>Opportunities</p> <ul style="list-style-type: none"> • When mobility is considered a serious business sector, it will be easier to get financing. • There is no real convergence financing model, but that is going to change. • The VCs' grasp will become more mature, as will the institutions. <p>Challenges</p> <ul style="list-style-type: none"> • Earning recognition as a developer. For now, the publisher takes the credit. • Becoming financially independent in 3 to 5 years. • Doing more product and corporate marketing. • Retaining intellectual property. • Developing a Web presence. • In 5 years we will be distributing on broadband. We will be broadcasters, not content producers. Two models: commercial and subscription. Our business

	model will migrate to the Internet.
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5.2 Access to Qualified Resources

Perception of current situation	<ul style="list-style-type: none"> • The labour shortage is slowing industry development and growth. SMEs are not inclined to raid the competition. • The education system in the Atlantic provinces does not meet the industry's needs or expectations. • PEI is doing better than NS and NB. There is no problem recruiting talent, even from abroad. However, the per-project financing model does not help SMEs retain employees. PEI companies are working with the provincial government to improve the situation and get higher-quality graduates. • NS has trouble recruiting locally, and the graduates are insufficiently trained. A new program is under way at Dalhousie. • In NB, McKenzie College recently added a game art component to its Art and Design program. Fifty students are enrolled. A partnership with Gagetown gives them hands-on experience, and this means superior graduates. • It is easier to find talent for the convergence sector. • There is a need for business and animation skills. • Companies work very hard to find talent. They need to establish contact with schools to raise their profile. • There should be more mentoring by in-house employees. • There is not much enthusiasm for outsourcing. Companies prefer to keep their projects and have in-house staff. They also prefer to work with Canadian, rather than foreign, companies. • Some SMEs outsource part of their operations in order to meet delivery deadlines and to avoid losing time searching for the right people. • SMEs do not have the financial resources needed to attract and retain key talent, which finds work elsewhere in Canada or in the U.S. • Recruiting is a costly activity. New approaches are being tried: bringing in key talent for a fixed time (3 months) to get a project off the ground, corporate promotion to attract applicants, etc. • Companies look to Gamasutra and Game Developers Conference (GDC) to recruit talent. They also scout on the international market (UK). • There are more and more experienced, mature freelancers who like to work with different companies. This gives them flexibility and allows them to choose their projects.
Opportunities, Challenges and Wishes	<p>Wishes</p> <ul style="list-style-type: none"> • All SMEs should have a human resources specialist. • Create a central hub for the game industry in PEI.

5. 3 Innovation, R&D and Intellectual Property

<p>Perception of current situation</p>	<ul style="list-style-type: none"> • R&D activities are perceived as highly risky. • It's easier to access R&D credits than other sources; not everyone is eligible (broadcasters). • Obtaining government funding makes it easier to retain IP ownership. • SMEs that lack the means to invest in R&D get creative; they develop game engines, partner with hardware owners to test their products. • Three-year development cycle in R&D (prototype). • R&D essential to staying on the cutting edge in terms of both content and technology. • Mobility and game sectors; to stay competitive, SMEs should invest 35% (5-7% currently) of their revenue in R&D. • A matter of timing: original ideas are often too far ahead of their time and cannot be exploited with existing technology. • Need for partnerships like Mobile MUSE (BC), which offers university researchers and SMEs an environment conducive to innovation. • Heavy costs involved in developing IP; expertise needed to develop branding. • Disproportion between what SMEs give up in terms of IP control and the investments they receive to finance development. • IRAP and other such programs are clearly designed for scientific research. But no programs for content.
<p>Opportunities, Challenges and Wishes</p>	<p>Opportunities</p> <ul style="list-style-type: none"> • Independent producers are counting on online distribution to set them free from publishers. <p>Challenges</p> <ul style="list-style-type: none"> • Games: role of the publisher. • Developing a new IP hinges on SME ability to identify market trends 3 to 5 years ahead. • Branding. <p>Wish</p> <ul style="list-style-type: none"> • Timing: Stay alert to avoid being out of step (too late or too early) with trends. The technological environment changes rapidly. • Have operating costs taken into account in project financing. • Have government insist that SMEs hire human resources specialists. • Encourage entrepreneurial skill development. • Create a site (portal) where companies could showcase their content.