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Chair

Mr. Gary Schellenberger

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•(1110)

[English]

The Chair (Mr. Gary Schellenberger (Perth—Wellington, CPC)): Go ahead, Madame Lavallée.

[Translation]

Mrs. Carole Lavallée (Saint-Bruno—Saint-Hubert, BQ): This week, we received documents from witnesses intending to come and make a presentation before us. I understood nothing of the document in French. I was unable to understand the presentation because, as you can see, there is just text, and the text really makes no sense whatsoever.

I finally got an idea. I consulted the English version and I realized that the text was accompanied by images. You know how strict I am and to what extent I hold to the principle that the clerk's office must ensure that the documents are distributed in both French and English. If they are not available in both official languages, then they are not distributed. You know, last week, I talked to you about the audiovisual presentation, and there was consensus. If the presentation is in English only, it will not be shown to us. It needs to be translated and available in both official languages for us to be able to present it here.

In the same way, I am truly disappointed that these documents, that are absolutely incomprehensible in French, Mr. Chairman, have been distributed. I am on the very verge of believing that this is a case of disregard for the French language, and that it is a second class version. Mr. Chairman, I am asking that this type of translation no longer be distributed, but since it is a done deal, could an attempt be made to correct the French version? It could perhaps be redone, in order for it to be comprehensible. I am asking that you take to heart the need to distribute here documents in both official languages. I am expressly requesting this. I am asking you to ensure that all documents, be they in written form, electronic or in any other format, be provided in both official languages.

Thank you, Mr. Chairman.

[English]

The Chair: Mr. Rodriguez.

[Translation]

Mr. Pablo Rodriguez (Honoré-Mercier, Lib.): I would like to ensure that this never happens again in the future. Is there a mechanism for the approval of translated documents? For example, does the clerk, an analyst or someone else in your shop look at the documents to ensure that the committee... We would not have to redo this every time. These documents should be approved by someone

who is charged with doing so before they are sent to us in both languages.

[English]

The Chair: I'm going to go to Mr. Galipeau and Mr. Del Mastro.

Just in case people haven't realized it, the clerk has said it is his job to do that. He will ensure that those things are done.

Go ahead, Mr. Galipeau.

[Translation]

Mr. Royal Galipeau (Ottawa—Orléans, CPC): Mr. Chairman, I believe enough has been said. I take note of everything the opposition members have said. I have nothing to add, but this is not the first time this has happened, and I hope that this problem will not reoccur.

Thank you.

[English]

The Chair: Go ahead, Mr. Del Mastro.

Mr. Dean Del Mastro (Peterborough, CPC): Thank you.

The first thing I'd say is that I appreciate the clerk's diligence on this matter. I have had a moment to review the document that I believe the member is speaking of, which is for the presentation at 12 o'clock for this group.

Is this the one you're speaking of? Okay.

The content appears to be the same; the presentation of the content is somewhat different. I think that this witness has tried to accommodate the committee and I think we should acknowledge that. We should endeavour to make things exactly the same whenever we can. This is an instance in which the presenter has tried and made a good attempt.

I give you my word, Madame Lavallée, that if someone comes forward with a similar document in French, I will do my best to work with it. But I appreciate your concerns on the matter, and I appreciate the clerk's diligence in this matter.

•(1115)

The Chair: Next is Mr. Pomerleau, and then Mr. Martin. Can we keep them close? We have witnesses here and we have to deal with them.

[Translation]

Mr. Roger Pomerleau (Drummond, BQ): Mr. Chairman, we must remember that, as we move forward, a greater and greater number of presentations will be made using new media, like what we have before us. I believe that the rule we have thus far enforced with regard to paper documents should fully apply in order that French and English be treated on an equal footing in all presentations made other than verbally. I believe we should take this into account.

[English]

The Chair: Mr. Martin.

Mr. Pat Martin (Winnipeg Centre, NDP): I just want to add briefly on behalf of the NDP that we've had this debate in other committees, where documents like this that have visuals as well as printing are reproduced, and I have seen translators only translate the text and not make an effort to reproduce the visuals. We didn't tolerate it. We wouldn't tolerate it at other committees.

The argument that came up was an old United States debate, in civil rights, about separate and equal, Brown versus the school division in the old civil rights movement. Just having separate and equal schools for them wasn't the same as having the same education and the same school and integration.

The same applies here. Those two documents are not of equal weight, and they should be equal in terms of the graphics and the language so that the reader can enjoy the full impact of the document and not just get the text.

The Chair: Thank you for everyone's intervention. I'm sure the clerk has heard you clearly. I've heard you clearly. We will endeavour to make sure that all documentation is done correctly.

With that, I'm going to open the meeting and welcome everyone to meeting eleven of the Standing Committee on Canadian Heritage. Our orders of the day, pursuant to Standing Order 108(2), are for a study on emerging and digital media, the opportunities and challenges.

Our first set of witnesses, from the National Film Board of Canada, are Tom Perlmutter, Deborah Drisdell, and Claude Joli-Coeur; and from the Canadian Interactive Alliance, Ian Kelso.

If I've butchered up some of those names, I apologize. People have trouble with my name too sometimes.

If we can keep our presentations to around 10 minutes or less, we would be very appreciative. Thank you.

Mr. Perlmutter, please.

Mr. Tom Perlmutter (Government Film Commissioner and Chair, National Film Board): Thank you.

Good morning, Mr. Chairman, and members of the committee.

You'll notice how neatly I got around avoiding saying your surname there.

I am very pleased to appear before you again on behalf of the National Film Board. I'm Tom Perlmutter. I'm the government film commissioner and chair of the NFB. With me today are Claude Joli-Coeur, the assistant film commissioner, and Deborah Drisdell, who's the director general of accessibility and digital enterprises.

[Translation]

The NFB is a federal cultural agency, established in 1939, to produce and distribute original audiovisual works that are creatively innovative and can contribute to Canadians' understanding of the issues facing our country and raise awareness of Canadian viewpoints around the world.

Over a 70-year period the NFB has become Canada's best known cinematic brand. Last year, on the occasion of our 70th anniversary we were fêted in China, Brazil, Japan, France, England and Ireland among many other countries. In the past week alone, I have received requests for partnerships from Malaysia, Korea, Singapore and Colombia. The value of the NFB brand for Canada is immeasurable.

• (1120)

[English]

Today, in a rich and diverse audiovisual world, the NFB remains distinct as a creative laboratory, a leader in exploring terrain that cannot be undertaken by the private sector, a voice for under-represented Canadians, a prime means to assure the vitality of a francophone culture, and not least, one of Canada's leading pioneers in the digital realm. The latter is playing a crucial role in many of the international requests for partnerships that I mentioned above.

The digital revolution is seismic. Today we're focusing on its impact on the cultural industries, but it's important to bear in mind that the reach of this revolution is much broader. It touches everything, how we organize our lives personally, socially, economically, politically, and culturally. It's a revolution, which in its impact and consequences is as profound, if not more so, than the Industrial Revolution of the late 18th and 19th centuries.

Consider that worldwide, over 1 billion users are now connected to the Internet, close to 20% of the planet, 20% of all human beings connected across borders, across languages, across cultures. And that number grows daily. The impact of mobile will be even more profound because of its ability to penetrate where land lines and electricity are not widely available. I travelled through some remote parts of Africa last summer, and was astonished by the extent to which cell towers proliferated where there was little else in the way of infrastructure.

[Translation]

In Canada, we are among the most avid users of digital technology. According to the ComScore 2009 report, the digital media universe in Canada has grown 11% over the past three years. On average, there are more than 24.5 million Canadians online each month. Canada is the country with the highest Internet penetration rate. In March of this year, Ipsos reported that for the first time ever in their tracking research — we have made a fundamental step in this area — the weekly Internet usage of online Canadians has moved ahead of the number of hours spent watching television.

Crucially, Canadians are also the greatest consumers of video on line. Total videos streamed grew 123% in 2009 versus a year earlier — a monthly average of 263 videos per viewer.

[*English*]

Time spent watching online videos surged even more dramatically, with a 169% increase. By the end of 2009, the average unique viewer was spending 20.6 hours per month watching video. While YouTube accounted for the largest share, at 30%, significant growth also occurred among long tail sites—such as our own NFB.ca—which held a 55% share.

The impact has been disruptive on Canadian cultural industries, which have been structured on the basis of a protected universe with high barriers to entry, enforceable regulation for areas such as content quotas, and clear ways to monetize content. All of that is increasingly subject to the corrosive effects of digital technology, and the freedom it allows users to disregard national frontiers or established ways of delivering and consuming content.

We are only in the early days of this revolution. Google is just over 10 years old. YouTube celebrated its fifth anniversary last week. Twitter was launched in March 2006. Facebook extended beyond its original college circuit only four years ago. Today, one in two Canadians has a Facebook page. That's in four years.

[*Translation*]

The point is that the digital world is in constant transformation and we have no way of predicting what the world will look like in five years and who the new conquerors of the digital space will be. It may be players who do not exist, they could be Canadian. Who knows? They could be some of the extraordinary companies that are members of the Canadian Interactive Alliance of creative talent represented by your next witness — a former colleague and friend. Given the range of talent and smarts in Canada, one of the questions we need to ask is why have not any of the big players emerged from Canada and what can we do to ameliorate the picture for the future.

•(1125)

[*English*]

We hear a lot about technology driving change. It is not technology in a vacuum. There are scores of examples of technologies that had the potential to create change and fell flat. Telidon was a pre-Internet Canadian innovation of the eighties. It went nowhere.

The current wave of digital technology is so potent because it strikes at two core needs in audiences, in consumers, and in citizens: firstly, the need to exert greater control over our own lives; and secondly, the irrepressible urge to express ourselves and to be players, not just observers.

This, I think, is one of the great engines of the ongoing growth and strength of social networks, which today account for over 40% of Canadian Internet usage.

Here's the thing: social networking now also includes significant cultural marketing, consumption, and creation, another opportunity for Canada's cultural industries. For example, the whole of NFB's national screening room is embedded within Facebook, allowing

users to engage with our videos and continue with their social networking activities.

But as much as the consumers want to seize control, the purveyors of that technology want to seize it back. The recent controversy over Facebook and privacy is exactly about the issue. Who owns controls and has the right to exploit the information that I, as an individual, put on the net? It's critical to note that the information I, or any other Canadian, uploads is not on some neutral, transparent system. I insert it within a pre-existing framework. It may be Facebook, or Twitter, or Google's YouTube, or Murdoch's MySpace. As Canadians, we may in fact log in to YouTube.ca or Facebook.ca, but the fundamental fact is that the information is always potentially controlled by authors, and often is.

We are unique in the world that our engagement as Canadians is almost overwhelmingly with non-Canadian sites—that is, with American sites. There is no Canadian-owned and -operated company in the top 10 web destinations. That may have changed recently with CTV's online catch-up television, but that would be for American television offerings.

This is in contrast to the case in the U.K., Australia, France, Italy, and many other countries. One of our leading digital executives operating in the private sector notes that Canadians are “drawers of electricity and hewers of bandwidth”. We are in danger of replicating the situation that currently exists in broadcasting, where great sums of money flow south to buy programming and Canadian content is the poor stepchild.

[*Translation*]

Let me be clear: none of this is leading to an argument for walled gardens or restricting choices for consumers. It is about looking level-headedly and with clear eyes at the problem and finding the innovative solutions that will leverage Canadian creativity and output into the digital sphere.

[*English*]

Even as we recognize that change is upon us, I fear that many of the discussions I am hearing are still anchored within the terminology of a traditional media universe. The justification has been that television remains dominant in the marketplace in terms of viewers and revenue generation. There is the concession that we need to take account of digital media, but only to the extent that we can deliver the old wine in the new bottles and collect on both the wine and the bottles.

On the first issue, even as television holds steady—or may even show some small increase in audiences—Internet use has grown even more, and most spectacularly in the under-18 category, our audience of the future.

On the second issue, it is true that television retains the lion's share of dollars, but we are seeing the shift of ad dollars into the online world. There's no equivalent there to broadcast's simultaneous substitution, so 60% of online ad revenue currently goes south. That means that none of that 60% is available to develop a Canadian content industry, and over the next few years that loss of revenue will be a major hit to the ways in which we finance cultural production.

On the third issue of what kind of content will dominate, there's certainly a lot of traditional media viewing on the net, but there is no assurance that it will continue to be the dominant form in five or ten years.

• (1130)

[*Translation*]

PricewaterhouseCoopers, in their most recent global media survey, concedes that television remains dominant but adds that all the momentum is with online and mobile. Much of our industry's response to the shifting sands has been essentially to tuck our heads into those sands.

[*English*]

We are working on an assumption of incremental, manageable change, and yet something very different may be happening. Instead of incremental change, we may be pushing to a tipping point when—bang—everything becomes undone with enormous rapidity.

Now, I cannot say with certainty that this will be the case, but whether it is a longer or shorter transition, we need to figure out how to prepare for that eventuality. Yet our discourse tends to be how to protect the horse and buggy trade while the gas piston engines are being knocked up in the woodsheds.

What are some of the things that might push us to that tipping point? Let me point to a couple of examples. There is a centre of competitive gravity that is shifting east. I returned from MIP, the world's largest television marketplace, last week. The dominating presence of Asia, with large delegations from China, Korea, and Singapore, was inescapable. They weren't just talking about traditional media. They were focusing on digital.

Singapore, for example, is throwing an incredible amount of resources into the media sector, and into digital specifically. They're offering a reach of three billion people within a five-hour radius of Singapore. There are 5,600 media companies there—1,000 of them foreign, including many of the Asian headquarters for global brands such as Discovery and National Geographic. It's a test bed centre for digital innovation and stereoscopic production. They are phasing in an optic fibre network to every home, offering speeds of one gigabit per second. Singapore is out to conquer the world.

You may say that it is a different audience and a different kind of population, but consider this. Last month Statistics Canada released their projections of the diversity of the Canadian population. Our country is in the process of major transformation. The large urban centres will be composed of what, today, we call visible minorities—Toronto and Vancouver at 60%; Calgary and Ottawa at 35%; Montreal, Edmonton, and Winnipeg pushing towards 30%. It is not uniform and it is not across the country, but these urban centres tend to be the drivers of our cultural and media industries. Very little of

that diversity is reflected in our traditional media. If I'm a Chinese Canadian, I may want to connect with the world in a different way because I want to see a world that reflects more of who I am. Digital provides me with options that currently traditional does not.

Secondly, as we move to higher-end digital infrastructure, change becomes qualitative. Connection speeds of one gigabyte per second alter the universe. It is a tipping point. That's the kind of technological change that happened between Web 1.0 and Web 2.0, and that triggered the current wave of disruption. The changes to come are potentially more dramatic.

Coming from the point of view of content creation, and given the NFB's drive to innovate, I can tell you that we're on the threshold of something quite radical. This isn't simply about platforms. We are witnessing the birth of a new art form that will be immensely transformational—more powerful than the movement to television was in the 1950s.

Incidentally, our intention at the NFB is to be at the forefront in these new forms of creation, not simply for Canada, but for the world. I'm happy to note, for example, that today we're currently up for five Webby nominations. The Webbys are the Oscars of the digital world.

[*Translation*]

I think the example of the NFB and how we have embraced the digital challenge could serve as an inspiration for Canadians and provide a sense that there are remarkable opportunities for Canadians to innovate in this area. I will touch on this briefly, but it is more developed in an annex which we have submitted with this presentation and provided to the Clerk.

• (1135)

[*English*]

Since the launch of NFB's national screening room at the beginning of last year, we've had over five million views of NFB films. In October we launched our iPhone application, which quickly became both a critical and popular success. iTunes called it one of the ten best applications of the year. In less than half a year, we've had 700,000 views of films on the iPhone. We are ready to launch on the iPad when it comes to Canada.

ONF.ca was the first platform in North America for viewing works in French by francophone creators. The stakes here are high because the net is so dominated by English, at 80%. We need to ensure

[*Translation*]

... and we will do so, that the vitality of the francophone culture will allow the full expression of this francophone creativity.

[English]

We've made the films available for free by streaming. We'll continue to do that. It is a public policy decision, and, paradoxically, a sound commercial decision.

We are reconnecting and reinvigorating our relationship with Canadians, but we are about to move into a second phase, which will see us testing various models for generating revenues: commercial deals with partners such as YouTube and other syndicated sites, online transactions, micropayments, and a range of other possibilities.

I have no doubt that as the models evolve, economic solutions will be found. In the interim, however, for Canada and the cultural industries, there are a number of critical issues. It's clear we need to ramp up our infrastructure both in online and mobile. We need massive investment in training. Our own experience has shown that it is not simply possible to transfer linear production models to digital productions. It involves radically different ways of organizing budgeting, work processes, and workflows, and it requires additional and different technical skills, the artisanal basis that is fundamental to any art form based on technology.

We need to look at copyright legislation and balance the interests of creators of intellectual property and consumers and citizens.

We need to understand what the barriers to investment are and why Canadian success stories often do not evolve into the global success of a Facebook or Twitter—because we had that potential. Look at the example of Flickr, developed in Canada in 2004. A year later it was bought by Yahoo, and all the content was migrated from Canadian servers to U.S. ones. We need to look at how to ensure that the great wealth of existing content generated by the public and private sectors, often with public subsidies, can be digitized and made available to Canadians.

We shouldn't be taking a piecemeal approach to this. We need to do two things.

One is that we need to devise a national digital strategy that is more long term in its thinking. Many jurisdictions have done exactly that, such as Britain with Digital Britain, and France with *France numérique*, as well as New Zealand and Australia, to name a few. The process would bring together many diverse sectors: technological innovation, finance, cultural industries, communications industries, and so on.

[Translation]

As government film commissioner, I have taken the initiative in this area of calling for a national digital strategy well over a year ago. Since then, I have assembled a broad-based group of people from the private and public sectors to brainstorm ideas. I am heartened to have read, in the very words spoken by our minister before the committee, that The Honourable Tony Clement will soon be leading a consultative process for such a strategy and we look forward to enriching it with the work of our group.

[English]

But we also need a transitional strategy. How do we ensure that we can capitalize on our traditional media industries and their strengths, not cannibalize their revenue base, and build rapidly the

new digital businesses of the future? What Minister Moore has done with the Canada Media Fund is a step in the right direction.

As one final point, we talk about the digital revolution mainly in terms of an economic strategy and global competitiveness, but there is a larger story. As much as it is said that digital democratizes media, it is also a solvent, dissolving social cohesiveness. It facilitates the formation of communities of interest as much as communities. The paradox of the virtual world is the isolation of connection. In moving forward, we need to understand that there is something large and crucial at stake here. It has to do with nation-building. If we park that at the door, we do ourselves and our country an enormous disservice.

Canadians have a yearning to connect beyond their individual interests. We saw that in the phenomenal outpouring of pride during the Vancouver Olympics. It tapped into a deeply felt need. I think we saw it a little bit also last night, and I certainly see it here, with Monsieur Galipeau's sweater, that kind of pride of victory. If we recognize this, then digital can also become a powerful tool to create social cohesiveness. This has to do with ensuring the public space in an online world.

One of the most interesting things for us at the NFB has been the comments of audiences, across all age groups, about NFB.ca. For the first time, they had in one place, easily accessible and at their convenience, a unique view of our country, crossing time, geography, and language and ethnic barriers. They came and saw something that we often forget: the immeasurable beauty and wonder of our country. Our audiences watched, understood, and took it to heart; and I'll tell you, their hearts swelled with pride. We know this because they haven't been shy about telling the world.

Thank you.

• (1140)

The Chair: Okay.

I have to say that in a one-hour presentation, that was almost half the time.

I apologize for our shortness—we were a little late getting started—but we do have to go forward.

When we ask for a ten-minute presentation, it would be nice if we could stay close to that. I can go a little over and whatever, but.... I didn't want to interject, because I knew what was going on.

I would ask our next presenter to keep it as close as possible to, or even less than, ten minutes. We're only going to have one round for questioning, and I think the people here have some questions that need to be answered.

Mr. Kelso, go ahead, please.

Mr. Ian Kelso (President and Chief Executive Officer, Interactive Ontario, Canadian Interactive Alliance): *Merci beaucoup pour l'opportunité de présenter aujourd'hui. Je regrette de ne pas le présenter en français aussi.*

I certainly agree with many of the things that my esteemed colleague has presented here and the grand vision, a very poetic one, for the future of Canadian media. I'd like to give you a little bit of an understanding of the interactive media industry, which is made up of the people who are creating the content and services on the new and emerging platforms.

I wear two hats. My volunteer job is president of the Canadian Interactive Alliance, or Alliance interactive canadienne, which represents the seven existing regional trade organizations that represent interactive digital media companies in Canada. My full-time job is president and CEO of Interactive Ontario, which is one of those member trade organizations. Together we represent over 1,000 companies across Canada in our membership. Our members span from very large multi-platform media companies to one- and two-person shops. The majority of our members are those small independent companies that are led by new visions for innovative approaches to content.

We've done a little bit of work in defining our industry. We think it's important to focus on what differentiates interactivity from maybe the traditional linear media. I'd like to give you a definition that we've come up with—namely, digital content and environments with which users can actively participate, or that facilitates collaborative participation among multiple users, for the purposes of entertainment, information, or education, and is commonly delivered via the Internet, global networks, game consoles, or media storage devices.

In terms of the composition of our industry, we do a research project, which is the only comprehensive measurement of the interactive media industry in Canada, called the Canadian interactive industry profile. Our industry is not yet covered comprehensively by Statistics Canada. The NAICS and NAPS codes have not yet been assigned. I know that the process is under way.

In our last study, in 2008, we determined that the industry comprises about 3,000 companies across Canada and employs over 50,000 Canadians. That is specifically directly to interactive media companies that identified as primarily that. There are, of course, many more Canadians working in interactive media as part of their employment in other industries such as broadcasting, advertising, and even financial services.

In terms of the industry itself, speaking regionally, Quebec is the most mature industry. It has the oldest companies, on average, followed by B.C. and then Ontario. Coming from Ontario, we're not used to being number three. It's kind of an interesting place to be. We're very aggressively trying to catch up.

Why focus on interactive media separately from traditional media? I think we need to do that. We need to focus on it because computers and networks for the first time enable users to participate in electronic cultural experiences in a unique and meaningful way. Interactivity is a new mode of creative expression, perhaps as important as the invention of montage was to the birth of cinema. It's

what established cinema as more than simply the combination of photography and theatre.

The production processes for interactive media synthesize creativity and technology, requiring an integrated approach to product, company, and sector development. Interactive media by the nature of distribution platforms is both national and international at the same time. The interactive media industry is now one of the largest cultural sectors in Canada, yet it receives the least government support at the federal level.

I think it's also important for us to look at interactive media as part of the greater cultural industry's ecosystem. Certainly the new and emergent forms of media draw heavily from traditional media skills, competencies, and formats. Interactive media producers are recognizing a lot these days the need to better deliver compelling narrative and emotional experiences. There are tremendous opportunities for content creators to work across platforms to deliver comprehensive, multi-dimensional end-user experiences.

We believe we need to build more opportunities and incentives for collaboration among industry, cultural, and technological sectors. We think the Canada Media Fund is an excellent first step.

● (1145)

Canada is an emerging global leader in the creation of interactive media content and services. According to the Entertainment Software Association of Canada, who I think will be presenting here next week, their recent study has shown that Canada is now the third-largest creator of video game content in the world, employing over 14,000 Canadians in high-paying knowledge-economy jobs.

Our games industry is also growing by about 30% per year. A lot of that is comprised of large multinational firms. I'm sure we'll get into a bit of a discussion about that later. But we have a very strong momentum, and we're gaining a very strong reputation internationally as a great creative place to create video game content.

We believe that with a strategy to secure access to capital and the ability to attract the best talent, Canada can cement its place as a world-leading centre for the production of interactive media content, services, and technologies.

You asked about successes. There are many, and the NFB is certainly one that we are very proud of.

Tom made mention of the fact that we don't have many big Canadian companies that have made a big splash, but there have been a few. Many of them have been acquired, but I'd like to run through a couple. Distinctive Software Inc., in Burnaby, B.C., in 1991 was bought by Electronic Arts and it now makes Canada the largest electronic arts game studio in the world.

Xenophile Media of Toronto has won an international and a prime-time Emmy Award for their work with alternate reality games in conjunction with television.

We mentioned Flickr earlier, which was founded by Stewart Butterfield and Caterina Fake, from Vancouver. It was actually an investment by Telefilm Canada's new media fund. Although it was not specifically in Flickr, it was in a game they were developing. As was mentioned, it was sold to Yahoo for over \$30 million.

Club Penguin, which was also created in Kelowna, B.C., was bought by Disney for \$700 million in 2007. When Disney bought it only two years after it was launched in Canada, it already had 12 million accounts and 700,000 paying users, generating \$40 million a year in revenue.

And in 2008, BioWare, a computer games company founded by two doctors in Edmonton, was bought by Electronic Arts for \$860 million.

I think there are lessons from all of this. In the creation of interactive media, it's sometimes impossible to determine, as with Flickr, whether the greater IP value is in the content or the enabling technologies, and the enabling technologies are crucial toward the delivery of the content and the cultural experience. Our biggest successes are usually right now acquired by foreign companies that have the capital to invest in stealing the product or the service. But those foreign acquisitions are not always necessarily bad things, because the increased capital does give us a lot more footprint in terms of jobs. We tend to retain the jobs here, and we tend to retain the creative talent in this country. The founders of those companies tend to go on and create more companies here in Canada as well. As in the case of Paul Lee of Electronic Arts venture funding, they understand the industry. What's happened in San Francisco, I believe, is that virtuous cycle of having founders who build companies and then exit and start new companies and fund new companies.

How am I doing for time?

• (1150)

The Chair: You have about two minutes.

Mr. Ian Kelso: What policies can be adopted to help Canadians and Canadian cultural industries benefit? I think we need to look at convergence in some of our legislation. It's time to look at the Broadcasting Act and the Telecommunications Act, and look at the realities on the ground.

We need to look at making sure that our immigration policy allows us to continue our history of attracting the best and the brightest and the most talented people from around the world.

We have to take a "think different" approach, just as Apple did in 1997, when they were kind of foundering and Steve Jobs came back to run the company. They adopted a brand strategy and an overall product strategy to think differently about how they would go from being a small player to being a dominant player. And they started creating very unique devices. They were very innovative, starting with the iMac, going to the iPod, to the iPhone, and the iPad. They've seen their market share grow and they're now vying with Microsoft in terms of size, so they've taken a very innovative growth strategy.

There are a number of things we would like the government to look at committing to in the coming years: recognizing interactive media as distinct and yet part of a greater whole, which I think is

very crucial; fostering the creation of new tools for financing; significantly enhancing the experimental stream of the Canada Media Fund on a year-over-year basis; providing incentives to more private sector capital investment in domestic interactive media industry; examining the introduction of a federal interactive digital media tax credit, along the lines of the film and television tax credit; supporting an ongoing effort to grow the quality and scope of research into interactive media and its impacts; supporting international marketing efforts in the development of a Canadian brand, since it's very crucial that our companies are able to get out to international markets; and supporting programs that incent the collaboration among all cultural industries and cross-platform with the interactive media industry.

I'll end there. Thank you.

The Chair: Thank you.

Questions and answers are going to be five minutes, and we'll have one round.

Mr. Rodriguez, you are our first questioner, please.

[*Translation*]

Mr. Pablo Rodriguez: Thank you very much, Mr. Chairman.

[*English*]

Thanks to all of you for being here.

[*Translation*]

Mr. Perlmutter, you talked a lot about the future and the challenges. What you said was extremely interesting. I am also anxious to read your document, because I know that it will be translated and redistributed. There was a lot of content in it.

Talk to me a little bit about the NFB. Over the years, this organization has suffered certain cuts. How is the NFB faring today? Are you in good shape?

Mr. Tom Perlmutter: Clearly, we are a little tight financially, because we were not granted an increase and our funding is not indexed. Consequently, we have been in a de-growth pattern since the major cutbacks of 1996. However, since my appointment to my position three years ago, my aim has not been to complain about what I did not have, but rather to determine what could be done. Ian mentioned the example of Apple. It is somewhat of an inspiration. We are asking ourselves what we might accomplish with the resources at our disposal and how we could really make the digital shift. It is not a technological shift, for me. The technology is there for creators to use in order to transform people's perception of the world. If the NFB was a strong organization in the past, for example, during the era of Michel Brault, Pierre Perrault and the others, it is thanks to technological change. It is thanks to light-weight cameras and synchronized sound that cinema vérité arrived on the scene, at a time when it was not part of established filmmaking.

This is what we are in the process of doing now. We are reviewing everything, and I am certain that we will then seek to obtain the necessary funding.

•(1155)

Mr. Pablo Rodriguez: If you had the necessary funding, what would your priorities be? What would you do?

Mr. Tom Perlmutter: Certain things are priorities. I made brief mention of the digitization of the collection. This is a major challenge, not just for the NFB, but for many countries. With the resources at our disposal, we have a strategic plan for automated digitizing. Three weeks ago, we attended a major conference on these issues, one organized by the National Association of Broadcasters in the United States. We are clearly seen as being leaders in this field. Unfortunately, with the resources presently available to us, with our operational funds, this is going to take 20 years if no technological changes are made. We must transfer what we do every five or ten years, so it is not simple.

Allow me to underscore the fact that it is not simply a matter of conservation, because as soon as a work is digitized, it becomes a financial asset.

Mr. Pablo Rodriguez: Very well.

As you mentioned, I believe, and as we all know, fewer and fewer people spend time sitting in front of a linear conventional television. More and more of us watch videos on demand, we go on the Internet. In this context, that changes so quickly, with new platforms, new distribution technologies, how can we go about ensuring a Canadian content presence?

Mr. Tom Perlmutter: We must finance Canadian content, but not simply the way we do it now. I believe that Ian, once again, spoke very appropriately about another way of looking at content. We are at the very beginnings of a new way of creating, and this will become more and more important. In a system where regulations will be more and more strict, what will we be able to do? How will we be able to deal with this emergence of new types of talent, of creators and of companies like those that Ian mentioned?

Mr. Pablo Rodriguez: Would you like to add...

[English]

Do you want to add something to that, Mr. Kelso?

Mr. Ian Kelso: I think it really comes down to looking at how we're able to capitalize our young people and their vision and the people who are working around it. Innovation in our industry happens at the edges, not in the centre. It generally doesn't come out of the big institutions, NFB perhaps excepted; they've done some very visionary things.

At the early stages of companies, I think it's giving access to the right capital for companies to take risks. I think it's creating the right kinds of tools. We have to look at not creating cycles of dependence. We don't have a walled garden anymore. We have to understand that the old system we had, where we could regulate and ensure there was a demand for—

[Translation]

Mr. Pablo Rodriguez: In conclusion, would you say that regulations have to be changed also? Is there for example a need to change framework acts such as the Telecommunications Act?

[English]

The Chair: Sir, we're over time here.

That you can answer later, either directly or through the clerk, if you could, please.

We're just short of time here. I'm sorry about that.

Madame Lavallée.

[Translation]

Mrs. Carole Lavallée: Thank you very much, Mr. Chairman.

First of all, thank you very much for your presentations. We see all of the thought that was put into this as well as the needs this thinking has brought to light.

Mr. Perlmutter, I think you put your finger on numerous immensely important challenges, including, among other things, the issue of isolation despite connectivity. I believe that this aspect should be looked at.

You also provided a lot of statistics, and there again, you are right. We are sensing that all of this digital technology is opening the door to activities that are not necessarily reflected in the statistics, but we also sense that new things are emerging and that at some point in time there will be a major and rapid breakthrough. Wireless, for example, comes to mind. You did not mention numbers, but in Quebec — you will understand that I am quite familiar with the statistics regarding Quebec —, only 13% of residents have a smart phone, despite all of the energy and creativity which is, rightly so, devoted to it. Among those who do have a smart phone, only 8% use it to surf the Net. So this reduces yet again the number of potential customers for that content.

We are presently experiencing a period that I would qualify as difficult and that other technologies have gone through in the past, among them television. We have reached a stage where we are asking ourselves if we should give priority to the container or the content. I believe that history has taught us that we must do both things at the same time — somewhat like a plough that removes snow; it must be removed from the sidewalk and from the road at the same time — in order that the entire population go along with the current.

Equally, there is a population challenge that you did not bring up either. We, seated around this table, get along well, understand each other well, all have a BlackBerry, all know what an application is, we have seen it, we have done it and we are asking for more. However, there is an entire population, namely 87% of Quebecers, that does not understand us. I believe that this is a challenge that we also have to reflect upon. We must include these people so as to ensure that our society is fair and equal.

I apologize for taking this time to share my views with you. I will now come to the content. Indeed, you have an extremely interesting application for smart phones.

•(1200)

M. Tom Perlmutter: It is the iPad; it is coming.

Mrs. Carole Lavallée: Indeed. You stated earlier that you wanted to have more funding in order to digitize your collection. Is that what you stated?

Mr. Tom Perlmutter: I said that if more funding is forthcoming, that would be one of the priorities.

Mrs. Carole Lavallée: Very well.

At present, what we sense on the part of this government is a will to participate in the transition towards digitization, but there are in fact no policies, no global strategies. Furthermore, resources are being removed from the creation side to be given to Web casting, and the best example of this is the Canada Media Fund that had \$280 million to which were added \$40 million. All of the producers are at present complaining of the fact that they have less money to create and produce, because a good portion must be devoted to digital media.

Mr. Tom Perlmutter: Is there a question?

Mrs. Carole Lavallée: No, but if you have a comment to make, go ahead.

Mr. Tom Perlmutter: I would like to make a comment on the first part. This information can be found in the annex to the document that we are going to provide to the clerk. We talk a lot about these challenges. For example, you just spoke about ensuring equality and fairness. That is really important. We somewhat did our share, with things such as e-cinema, and my colleague, Claude Jolicoeur, made a lot of efforts in order that there be an intervention in Acadia and to ensure the dissemination of a francophone culture. You are absolutely right.

As for the fund, we are in a transition process. We are caught up in a system that has been in place for 40 years. It is a regulations and protection system and we are working with the means at our disposal. I do not have the privilege of accessing all of the available funds, but our organization does have a considerable deficit. How can we go about making this transition? How can we go about doing what Ian has requested, most appropriately, while assuring the traditional companies and medias that we really can promote all of the new things, when they do not really get along that well amongst each other? It is a real challenge. The government must really take on this task, and all parliamentarians must also reflect on what has to be done for the good of our country.

• (1205)

[*English*]

The Chair: Thank you.

We've gone a little bit over—again.

Mr. Martin, you have the next question, please.

Mr. Pat Martin: Thank you, Mr. Chair.

Thank you, witnesses. I'm not a regular member of this committee, so I think I can safely say that I can give an ordinary Canadian's reaction to some of what you've told us today.

Tom especially, your presentation struck me like a...almost sounding the alarm, or serving notice at least, that we're in a situation where it could be either get on the bus or get run over by the bus. We're, at the very least, missing opportunities. It was a very sobering presentation for me. It strikes me that the smokestack industries and the resource-based industries and jobs are leaving us, but we're not jumping on the bandwagon of the next-century jobs. If we don't act quickly, we could be left in the dust.

This tipping point that you talked about really worries me. I wonder if you would elaborate on what leads you to say that we could be hitting this tipping point to where it would be very difficult to get on board.

Mr. Tom Perlmutter: Part of it comes from looking at the history. We had Web 1.0, we had the dot-com bubble, and everybody thought that was it. Then everybody thought, "Oh, the plug's pulled. This isn't anything." Then look at what happened, at how rapidly that whole situation just turned around.

Again, I go back to what's fundamental in all of this. It isn't purely technological. It's about what people want and need and how they feel. It's about that urge to control.

I think it's sobering, but on the other hand, as I think Ian pointed out as well, the NFB is a terrific example: what a great opportunity, what a chance.

Look, the NFB was hidden away. There were always the questions of whether it existed, and where you could see their films. And suddenly we have a direct connection with this audience. We've had a 1,000% growth in our younger audiences. They're connecting, not only to the NFB but to our country.

[*Translation*]

In Quebec, for Quebecers, it is fundamental.

[*English*]

So the opportunities are there.

I think Ian was talking about the companies, the excitement, the talent, and the way that's going. Let's not lose the chance. That's what we're saying now.

Mr. Pat Martin: As a wealthy, developed nation, though, with an education system that's second to none, why aren't we at the leading edge? Why aren't we one of those top ten that you were talking about?

Mr. Tom Perlmutter: Ian will probably be able to answer this, but technologically, some of it has to do with the fact that we let our infrastructure slip.

Madame Lavallée, for example, talked about—

Mr. Pat Martin: Is it educational, sir?

Mr. Tom Perlmutter: No, it's.... Take the bandwidth, for example. I talked about Singapore at one gigabit. We are at a fraction of those kinds of speeds. And speed here is a game changer. It allows you to do things; it's that ability.

Secondly, on the mobile front, because of the lack of competition we had a very static system, which was very expensive compared to most other jurisdictions. It meant that people didn't want to acquire; it meant that it was harder. The rates were probably a little bit more expensive here, so you weren't going to want to use it.

That was part of the problem in terms of the structure of mobile. I think that potentially will change.

Ian, you probably have more things to say about that.

Mr. Pat Martin: Yes, on the same issue, perhaps you could expand a bit, Ian.

What's holding us back?

Mr. Ian Kelso: There are only two things that really matter in the industry. Really, at the end of the day, it always comes down to either talent or money. I think we've established ourselves as a leader in talent, and maybe despite ourselves; it really wasn't the plan to say, "Hey, we're going to be one of the world's best developers of video game content." There were a few things that happened. There were some very progressive policies in Quebec to attract video game companies internationally, with some investment strategies, that started all of that.

We seem to get it in our schools. Very early on, right across Canada, our colleges and universities figured out how to train the best and the brightest in that industry. When it comes down to economics or talent, companies will always move towards talent. It's really those unique visions. It's having the unique ability to combine the creativity and the technological acumen.

Right now, as Tom said, I think there's a huge opportunity. We have this core competency that we've developed. It's a momentum that's going for us right now.

Mr. Pat Martin: Do we have that core competency?

• (1210)

The Chair: We're at five minutes, so keep it very short, please.

Mr. Pat Martin: Can Canadians take comfort that we are established and that we have that core competency that just needs to be incubated or cultivated and so on? Or do we need to be doing work at the grassroots in terms of building that core competency?

Mr. Ian Kelso: There's always work to do at the grassroots, but I think we're firmly recognized internationally as leaders technologically, creatively, and business-wise. We have some great medium-sized companies, such as A2M in Montreal, under Rémi Racine, that came out of a flow of Internet companies that started with Megatunes, I believe, back in the nineties, and the Malofilm empire.

There are a number of companies at that stage, too, and there are a number of multinationals spinning out great business talent. You get to middle management and say, "I'm not going to work for the Man anymore. I have my own ideas about what makes a great game. I'm going to go and make my own." We just need to support that independent company, that independent vision.

Right now there is a very limited amount of money, especially if you're looking at making very high-production-value content. The new media fund had been limited to \$500,000 per project. The Canada Media Fund has now raised the bar to \$1 million per project. But the average console video game costs \$25 million to \$30 million to make.

Mr. Pat Martin: Thank you.

The Chair: Mr. Bruinooge, you have the floor.

Mr. Rod Bruinooge (Winnipeg South, CPC): Thank you, Mr. Chair. I'll attempt to be very brief to help you get back on schedule.

I really appreciate all the presentations today.

I'm going to try to open it a bit, but because of time, I'm going to maybe just stick to Mr. Perlmutter.

I really appreciated your presentation. As a student of film, I imagine Norman McLaren's collection and his influence on your organization continues to mould your philosophy for innovation. He's probably the filmmaker who's had the biggest impact, at least in the film circles that I hang in.

My question is primarily in relation to a few things you said. You mentioned that offering your content for free was paradoxically a prudent economic decision. That's a philosophy that I think some people share. However, others haven't come to that same conclusion. Perhaps you could expand on that a bit for everyone.

Mr. Tom Perlmutter: Just so there's no confusion about this, it is not about opening up intellectual property rights. This is a decision of the property rights holder to offer it for free, and there are two aspects to it. One is public policy. Canadian taxpayers have paid for this content; they've invested over 70 years, and they should have access.

The second thing is that it's available by streaming only. It's not to own. They can watch it, and watch it any time they want, but it's by streaming.

Third, it's industry-wide. That has been the case, for example, with Hulu and other aggregators. What they've done is they've started to build audience. What you want to do is build audience. If we had put up a pay wall right away, we would have gotten nowhere near the exposure, the connection, or the acclaim that we've had, or that ability to connect, particularly to younger audiences who don't know you. They're going to come and then they know you.

Now, what you can do is build on that. You can continue to offer a basic streaming service for free, but for those who want to buy to own, we can add that in. If we want to, we can add in a whole level of other kinds of forms of micropayment.

With YouTube we launched an interesting experiment. They were launching a rental system, a VOD service. They were trying to find their own economic footing and business plan, and one of the earliest things they did was to launch it with one of our films at South by Southwest. It was a revenue-sharing arrangement. We're doing that with other kinds of things.

What's key for the film world—and again, this is part of that—is that whatever the partnership arrangements that we're doing in this online world, what you really have to do is protect the brand.

Ian referred to brands. They are crucial, because in that wealth of content, the greater the recognition, protection, and awareness, the better. Given what the NFB represents—and I'm talking as a Canadian, as a Quebecker—it stands there, it means something, and it brings the world to Canada.

Mr. Rod Bruinooge: I have one last quick question. In the reference you made to Indonesia, I think you would probably—

• (1215)

Mr. Tom Perlmutter: Singapore, I think it was.

Mr. Rod Bruinooge: I'm sorry; it was Singapore.

I think you would likely agree that one of the benefits of that environment for the rollout of technology is the extreme density of population compared with Canada. Could you speak to that?

Mr. Tom Perlmutter: I mentioned Singapore because they were so out there, but they still made a decision to invest massively. Australia is investing millions and millions of Australian dollars in terms of broadband. In Britain there's Digital Britain, and they just passed their Digital Economy Bill. Again, it's infrastructure in terms of bandwidth and taking it out there. They're talking about 100 megabits per second getting across. They are all very aware of that digital divide.

In New Zealand it's the same thing. In France it's the same thing. Everyone is saying that's a starting point. That's the place we've got to start if we want to be in the game to ensure it's not just major urban centres. But how do we get that service? Canada has always had these difficulties. We had it with broadcasting. How do we get to the north? How do we reach out and across that? That's why we had Telesat and other satellite services.

We've got to keep pushing that, and there's going to be a cost to it. There's no way around it, but that's part of the cost of being Canadian.

The Chair: Thank you.

I apologize for the shortness of this session. As our day goes on, the next session will be even shorter.

Thank you for your presentations.

We will recess for two or three minutes while we get our next set of witnesses.

We do have some committee business that we will have to do, so this next one will go until 12:45.

• (1215)

(Pause)

• (1220)

The Chair: I call the meeting back to order, please....

If you'd like to hold extra meetings, please hold them out in the hallway.

A hon. member: Order, order! Order in the court.

The Chair: Right.

I apologize in advance for the shortness of this meeting. This part of the meeting will be over at quarter to one.

We have Trevor Doerksen from MoboVivo Incorporated, and Richard Paradis from Groupe CIC.

Mr. Doerksen, please, you're first.

Mr. Trevor Doerksen (Chief Executive Officer, MoboVivo Inc.): Thank you very much.

I believe my presentation materials were part of the problem this morning. I apologize for that. They were just a set of speaker notes.

Thank you, Mr. Chair, and thank you, committee. I am the CEO of MoboVivo. We are an Alberta-based company that enables producers and broadcasters to market and distribute TV shows on mobile phones, laptops, and Internet-connected TVs.

What we do is we allow them to monetize, syndicate, and distribute through multiple sales channels and devices. This background on the company is a brief section of my presentation. I wanted to focus more on what the committee is considering.

Really, this includes social media, or the Web, as the two of those converge, and Internet television, something that we haven't seen a lot of yet but will surely see soon. If you walk into a Best Buy, you'll see one on display. There are mobile apps, of course, and computers.

What our company does is allow people to do what we call "screenshift" to all of those devices, whether they're computers, mobile phones, mobile media players, television media devices, or Internet-connected TVs. This is a particular challenge. There's technology behind it, a nice algorithm that we developed, a patent that we filed, and some things that investors like. So we've focused on that, and we've presented the result of that in various ways that lead to this monetization, syndication, marketing, and distribution of content.

Of course, one of those areas is around mobile apps. It's a very interesting space these days; I can't get enough of them on my new iPad. This is what you start to see with mobile apps: you start to see a very potential future, one that may come very quickly.

That was a little bit about the company. Just for context, we do have offices in Toronto and Halifax as well.

The next section of the presentation is a little bit more dense. I'll go through it quickly. I hope you have both the French and English versions. It's not something that I present to investors; I avoid that kind of density with them. Hopefully you'll be able to parse through this.

The thing that is going on here is that there are lots of devices. Consumers are changing, they're showing a willingness to pay for content, and ad-supported models are weakening every year. The recession that we just went through has really accelerated that point perhaps.

There are a number of data points. Apple is selling a lot of TV shows—I'm sure it's both Canadian and American content—Canadian and of course worldwide.

Surveys are showing that more and more people are willing to pay to avoid ads. We see that when we go into a video rental store. We see a ton of TV shows on those shelves. It's 49%, up from 30% a few years ago. There are a lot of reasons for this. A lot of people are watching them on more than one device.

I'll skip a couple of data points; you have them in your notes.

I will focus on one data point—unfortunately, it's U.S.—that 73% of Americans watch shows on more than one device. One of the fastest-growing activities on the Internet.... This was a 2008 data point from the Pew Internet usage survey, again a U.S. number. It may even be faster in Canada, I don't know, as we don't have the same kind of coverage on this issue.

At any rate, more than social networks, more than any other thing in 2008, the fastest-growing thing was downloading television—not streaming television, not apps, not social networks, but downloading television. In 2008 there weren't really many apps going on. Downloading television is a very significant activity.

So why is that? I think one of the reasons is that the current broadcast delivery system is being attacked by over-the-top delivery models, meaning not your cable systems coming over the Internet. These are driven by apps. One of the things that is quite possible is that the app that carries a channel with TV shows.... The app that carries CBC or CTV or NFB will replace a TV channel. You won't have to flip the channel very soon. If you go into Best Buy today, and if you have an Internet connection behind your TV, you don't have to flip channels. You just have to launch apps.

Now, not all of those apps exist, and there's not a lot of content there, but this is something very easy to respond to. This is something that within a few years—maybe even 18 months—could be a very popular activity and a way of consuming content.

The timing is, of course, the ultimate question. It's the one my investors ask constantly, and potential investors. Unfortunately, I don't know the answer for them either. It's very unfortunate I don't know the answer for them. I think my job would be a lot easier.

• (1225)

As we look at bundled content, our current cable subscriber model, there is resentment and changing attitudes towards that. We have more of the same shows on multiple channels, things you've probably heard before. We have other pressures like free over-the-air HD. And free over-the-air HD will be higher quality than cable. In fact it's already higher quality. It's delivered at something like a 1080p resolution. Our leading cable providers deliver this same content, with a cost, at 720p. "You just bought a brand new TV and you want it decked out? If you want high quality, you get more for free." It's that kind of thing.

There's lots of fragmentation going on there, and bundling of content. Again, I think some resentment is about to build as we make our switch to HD.

The ad-dollar drain to the U.S. was mentioned.

I've been listening to some of the proceedings. Something that wasn't mentioned yet, that I'm aware of, is unused rights. The rights to content are not being exploited fully to monetize them fully. This

of course affects our company. It affects Canadian consumers, but what it really does is it drives illegal consumption. If you can't get it from a legal source and you want to consume it on your phone or your computer, there's a ready-made illegal source of that content, and it's pretty easy to use and it leaves money on the table.

The lack of clarity around copyright drives that. If the Canadian consumer doesn't know that this activity should be frowned upon.... I don't want to make them feel like criminals, but I would like to make them appreciate the content enough to pay for it.

How do we stifle innovation? It's been mentioned already. If we fall any further behind on broadband speed or penetration or affordability, there are great risks, I believe, to companies like ours and others. They will surely head south, where those situations are easier, and of course the consumer impact will be obvious as well. I made the point about HD content not being supported, and the high wireless costs.

Maybe I'll finish off on this point. It really isn't being possible, for two primary reasons, for a YouTube to emerge in Canada under the current situation. There is not enough venture capital. There is not enough inexpensive broadband.

No matter what we wanted to do, what I wanted to do as an entrepreneur, or what anybody else wanted to do, we couldn't have created YouTube with the venture capital situation and the broadband situation in the country.

I'll leave it there. You have the notes on other things. I hope that's all right.

Thank you.

The Chair: Thank you.

Mr. Paradis, please.

Mr. Richard Paradis (President, Groupe CIC (Communication, Information, Culture)): Thank you, Mr. Chairman, members of the committee, and staff.

My name is Richard Paradis, and I am president and CEO of Le Groupe CIC, a communications and telecommunications consulting firm based in Montreal, with clients in broadcasting, telecommunications, and the cultural sector. At both the University of Montreal and HEC Montréal, I also teach courses on communications policy, social research methodology, and the history of media. During my career, I also worked at Bell Canada, the CRTC, the department of communications in Quebec City, and Heritage Canada here in Ottawa.

I'm going to cut out a bit of my text on the historical perspective just to save time.

Much has changed since the early days of Bell Canada in Canada, and we all have to recognize that the speed with which communications technology is evolving is quite amazing. Nonetheless, I am sure you will agree this speed of change in communications is more and more difficult to understand, both in terms of its impact on each of us, as individuals, and, more broadly, on our socio-economic and cultural well-being. The challenge for all of us is to determine as quickly as possible how we can harness all of these technological innovations in the interest of Canadian business, Canadian cultural industries, and Canadian consumers from coast to coast.

As the committee knows, communications is now at the core of just about everything we do, from waking up and checking the e-mail and cellphone calls in the morning, to listening to music on mobile phones and iPods, or watching the news and our favourite television show on our iPhone or iPad.

How fast is it moving? Well, as you've heard from many who have appeared before you, it's moving at high speed, and not just in the fibre network that is getting closer and closer every day to your home.

But let's get down to what your committee is trying to grapple with through your current consultations. I will speak briefly on each of the questions raised in your terms of reference.

First, how are developments in emerging and digital media affecting Canadian cultural industries?

Well, I think a number of the groups that have preceded me, including the National Film Board earlier, recognize that emerging digital media offer great opportunities for the Canadian cultural sector; however, the most critical points to be considered in this context are how we are going to be able to ensure sufficient Canadian content and shelf space in this new electronic environment that seems to have no limits in terms of reach and depth.

Cultural industries have to scramble to adjust to technology, even more so today, when everyone is overwhelmed by the onslaught of different communication technologies, technologies that are front and centre in our economy and our way of life. The good news is the multiplication of windows or platforms available for cultural products to be distributed, but what is less evident is the capacity to maintain revenue streams for the cultural sector from each of the new distribution options.

Yes, technology is increasing opportunities to consume cultural products, but it is also fragmenting audiences, which can seriously

affect the value of a cultural product from one platform to another and its overall economic value in the marketplace.

What can Canadian cultural industries do to benefit from developments in emerging and digital media? The short answer is that we have to ensure that we can continue to develop Canadian content, and, more critically, access the different platforms.

Is there a way of ensuring that creators of artistic and cultural content are compensated for their work? Yes, through long-awaited changes to the copyright regime in Canada to reflect what has been happening in Europe for a number of years.

As I often mention to my students at university, the important consideration to always keep in mind is to respect the rights of authors and creators. I explain to them how many individuals actually benefit from a cultural creation of a book author, a filmmaker, an author-composer of music, a choreographer. When a creator develops his or her work, a multiplier effect sets in, creating numerous jobs in the economy.

The bottom line is that we have to ensure that our copyright legislation provides for appropriate compensation to authors for their works that are available on multiple platforms, be it mobile, web, or conventional broadcasting.

What could be done to ensure that Canadians, including those working in the cultural industries, have the right skills? Well, I think we have a number of good academic programs across the country to develop creative talent and especially technically savvy individuals who can interpret creative ideas into productions.

• (1230)

However, we cannot expect to be able to do this by cutting funding to our film schools, the way the federal government did recently, seriously affecting the operations of L'INIS in Montreal and shutting down the Canadian Screen Training Centre in Ottawa, just to name two.

This is an example of what not to do in relation to technology change and the need to ensure that we can develop attractive programming choices for Canadians and, ultimately, a world audience.

What could be done to ensure that all Canadians, no matter where they live or what their socio-economic status is, have access to emerging technology? Well, we have to develop, as many have been asking for a number of months now, including the NFB this morning, a national digital strategy. One of the most important things we have to do is ensure that all Canadians have access to high-speed Internet. This has to become a national priority. Other countries—Britain, for instance, and the European Community—have recently developed a clear digital strategy. High-speed Internet has to be considered much like a public utility, a must-have for all Canadian households, no matter where they live and work.

High-speed Internet can be a key component to an effective economic and cultural development strategy in all regions in Canada, both in the cities and in rural areas. High-speed Internet will be, in many ways, more important to our regional and national socio-economic and cultural development than the train was in the early years of our great country. With high-speed Internet, local creative talent can be developed and have ready access to far away markets quickly via a multitude of digital platforms.

What policies could the federal government adopt? At some point in the near future, the government and Parliament will have to consider what is being looked at right now by the European Commission, and that is some financial contribution from Internet users toward supporting local cultural sectors to develop content for all of the digital media applications. Other than the United States, where the audiovisual sector is the country's biggest exporter, most economically developed countries of the world are struggling with how to finance the creation and distribution of local creative cultural content in a new digital universe.

What would be the impact of foreign ownership? Pretty disastrous. Our historic approach to Canadian ownership in this area is directly linked to the social, cultural, and economic development of the country, and in my view should not be handed over to foreign interests without some serious thinking about how we got to where we are, and, more importantly, where we want to go in the future.

Why are we thinking of opening the door to more foreign ownership? Are our telecommunication companies suffering from lack of investment funding? Are they seeing dwindling revenues and profits? The Canadian telecommunications industry revenues for 2008 were \$40.3 billion, with a reported \$6.3 billion EBITDA and a margin of 29.1% EBITDA. For the cable sector, which also comes up on occasion talking about foreign ownership, the latest industry data released by the CRTC saw revenue growth of 11.9% in 2009 with revenues of \$11.4 billion, a PBIT of \$2.3 billion and a PBIT margin of 25.1%. These aren't companies that are suffering from the difficulty of finding financing.

So why, after we have invested as a country for decades in developing one of the most impressive telecommunications and broadcasting sectors of the world, do we want to hand them over to others? More importantly, how will we ensure that we are getting the best out of our communications sector if its business decisions are taken in Dubai, Chicago, or Beijing? The ultimate decision factor is where is the most return on investment? Certainly not the priorities or social and cultural preoccupations of the host country.

But let's move on from there and look at the need for reviewing existing legislation, which was brought up earlier. I am one of those who strongly believe that in today's world of convergence, government should be taking seriously the numerous calls we are hearing to review the existing broadcasting and telecommunications legislation, in order to reflect the convergence we now have with large corporations, which not only have concentrated ownership but are also highly integrated both vertically and horizontally.

•(1235)

Whether we speak of Rogers, Shaw, Quebecor, Bell, or Telus, all of these companies deliver a variety of communications services to

Canadian consumers. They are at times radio or television broadcasters, newspaper publishers, local telephone IP providers, offering mobile phone service and audiovisual content.

More importantly, these companies have become important gatekeepers between content providers and consumers. In some instances, they are also competitors at the content level. This ultimately places them in a conflict of interest with the power of life or death over new Canadian programming services.

Why should we be concerned? Because it represents a shift in the regulatory function, and even though the CRTC licenses services, the BDUs can ultimately decide the fate of a newly licensed service, and even decide to favour their own programming services, with little effective regulatory intervention under present rules. The chairman of the commission has been before this committee twice to ask for changes to the Broadcasting Act, and he recently repeated this plea before the industry committee.

This completes my presentation, Mr. Chair.

The Chair: Thank you.

We don't have enough time to have reasonable questions around the table. My suggestion is that if anyone has a question of our witnesses in this session, they should send the question to the clerk. The clerk can contact our presenters. The response can come back through the clerk.

I'm sorry; we got off to a slow start, and that's the way it goes.

We have some committee business that we have to do.

Thank you for your presentations.

[Proceedings continue in camera]

•(1240)

The Chair: We're back.

Carry on.

•(1245)

[Translation]

Mrs. Carole Lavallée: As an introduction to the motion, I would simply like to tell you that last year the members of this committee agreed on three issues relating to community television. We agreed that community television should be entitled to all of the grant programs of the department of Canadian Heritage, that they should be included in cable companies' basic programming and that the CRTC should relax the restrictions on local advertisements on community television. That is laid out in our report entitled "Issues and challenges related to local television", that we adopted in June 2009.

I am coming back to it as a follow-up to the motion passed unanimously at the National Assembly. As I stated earlier, in the part that says "played by independent community television", I would add the word "Quebec's" after the words "independent community television", to make it more precise.

[English]

The Chair: We've heard the motion.

All those in favour of the motion, please signify.

Ms. Ruby Dhalla (Brampton—Springdale, Lib.): Is that an amendment to the motion? We need to vote on the amendment first.

The Chair: Do we have the amendment?

[Translation]

Mr. Pablo Rodriguez: All that is involved is the addition of the words “Quebec’s” after “independent community television”.

[English]

Ms. Ruby Dhalla: Madame Lavallée wants “Quebec” inserted. We just need to know where, so that we can vote on that particular amendment.

The Chair: Okay.

Mr. Del Mastro.

Mr. Dean Del Mastro: Perhaps Madame Lavallée would entertain an amendment that indicates that this motion pertains to the system in Quebec and is not to be confused with the CACTUS presentation presently before the CRTC.

The Chair: Ms. Dhalla.

Ms. Ruby Dhalla: I would like to echo what Dean is saying. In my particular area as well, people such as Rogers are doing a great job of producing community programming. We have a great station manager, Jake Dheer, and I want to make sure that there is no conflict in that respect.

[Translation]

Mrs. Carole Lavallée: It must be understood that the motion flows from a motion unanimously adopted at the National Assembly of Quebec. As far as I am concerned, I am referring only to community television in Quebec. If you wish to make an amendment to say that this not include CACTUS, however, that suits me fine; it does not bother me. But if you want to table another one in support of CACTUS, you could do that later, as Ms. Ruby Dhalla seems to wish. Instead of excluding CACTUS, it might be preferable to present another motion in that regard later.

[English]

The Chair: Mr. Del Mastro.

Mr. Dean Del Mastro: Perhaps I could provide some wording to the amendment, that “this motion applies to the community television networks in Quebec and is not intended to be seen as supportive of the CACTUS presentation or anything presently before the CRTC”.

Mr. Pablo Rodriguez: Maybe I would not point to CACTUS but would say “supportive of any”—

Mr. Dean Del Mastro: Okay, “any”; that’s fine—“any other”.

The Chair: We're just finishing off the motion here to make sure that we have the right thing.

Michael, could you read the amendment, please?

Mr. Michael Dewing (Committee Researcher): As I understand it, the first part of the motion is that the word “*du Québec*” be inserted after “*les télévisions communautaires autonomes*”.

Is this part of the same motion?

An hon. member: Yes.

Mr. Michael Dewing: Okay.

In English, it would be “Quebec’s independent community television”; that’s in the third line.

Then there would be another sentence added, that “this motion applies to independent community television in Quebec and is not intended to be seen to be supportive of any other positions before the CRTC”.

Ms. Ruby Dhalla: “Models”, I think, is better.

Mr. Michael Dewing: Models?

Ms. Ruby Dhalla: Yes, or I would suggest “models/stakeholders before the CRTC”.

The Chair: Are we clear enough on the amendment?

[Translation]

Mrs. Carole Lavallée: Read the last sentence again.

• (1250)

[English]

Mr. Michael Dewing: It is: “This motion applies to independent community television in Quebec and is not intended to be seen to be supportive of other models before the CRTC.”

Ms. Ruby Dhalla: Let’s say “models/stakeholders”.

Mr. Michael Dewing: Okay: “models/stakeholders”.

The Chair: All those in favour, please signify.

(Amendment agreed to [See *Minutes of Proceedings*])

The Chair: Now, if we could read the motion with the amendment—

A voice: You could call a vote. I think we're okay with it now.

The Chair: Okay.

Does everyone understand, then, the motion as amended?

(Motion as amended agreed to [See *Minutes of Proceedings*])

The Chair: Our second motion, by Madame Lavallée, is support for Claude Robinson.

Would you like to...?

[Translation]

Mrs. Carole Lavallée: I will now take a few moments to tell you a little bit about Claude Robinson, who is very well known in Quebec. He is an artist, a creator, who, some 20 years ago now, created a character named Robinson Curiosité. His idea was stolen by a large company, Cinar, a multinational based in Quebec and that produces animation films. You have probably heard of Cinar because of the pseudonym man scandal that exploded here, in Ottawa. And this pseudonym man scandal, it is precisely Claude Robinson who brought it to light because he was himself investigating into Cinar in order to prove that his idea had been stolen.

Claude Robinson no longer creates; he wears the title of artist, but he has not done anything for the last 14 years. He evolved into a lawyer, an investigator to defend his copyright. He has devoted himself full time to defending his copyright and he won before the Court of First Instance in September 2009 when a judge ordered Cinar and other large international corporations to pay him more than \$5 million. These large corporations, that have a lot of money, appealed and Claude Robinson, 14 years later, once again finds himself defending the same cause, with the same duty to prepare, to investigate and to defend his rights, but without any money. In Quebec, a spontaneous fundraising effort gathered \$260,000. Each member of the Bloc québécois donated \$2,000.

There you have it. That is the story of Claude Robinson, who is the symbol of copyright and copyright royalties in Quebec, and I believe that he could become so for all of Canada, because these are Canadian rules that he defends day after day. I believe that the Standing Committee on Canadian Heritage could salute his courage and his determination.

[*English*]

The Chair: Mr. Rodriguez.

[*Translation*]

Mr. Pablo Rodriguez: Mr. Robinson has fought and is continuing to fight for the respect of his rights. He has shown great courage and continues to show great courage. I am in perfect agreement with my colleague. The Liberal party is absolutely in favour of this motion.

[*English*]

The Chair: We'll call the question on the motion.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Now we move to motion three.

I will ask Mr. Del Mastro to please read his motion.

Mr. Dean Del Mastro: Thank you, Mr. Chair.

My motion is quite simple: that the committee hold hearings with officials from the CBC regarding the relationship with Mr. Frank Graves and EKOS Research Associates, and Mr. Graves' relationship with the Liberal Party of Canada.

Obviously, I want to make a distinction here. To begin with, this is not in any way an attack on the CBC. I think the CBC has acted impartially; I think they've contracted an individual to provide services and in no way has the CBC made any of these documents available to a given party, to the exclusion of other parties. They have not asked somebody to do research and then turned it over in a preferential fashion to a given political party.

I do, however, think this is a reflection on Mr. Graves and his judgment. His comments were extremely hurtful to rural Canadians and western Canadians. Frankly, I think they caused significant concern in metropolitan areas too. I know they were a big issue on major metro radio stations in Toronto and in places like Ottawa as well, and throughout the west. I find it extremely troubling that he saw fit to make these comments based on research he had done and been paid for by the public broadcaster. I think his actions are deplorable in this case. I think they were hurtful and harmful. I also think that members of the opposition should also find it concerning

that he is utilizing public funds to provide private counsel with respect to the polling he's doing.

I think it's entirely reasonable that Mr. Graves be brought before the committee to talk about his actions, to find a way, as far as I'm concerned, to explain himself.

I think in the CBC's case, I'd like to understand a little bit of the process they go through in contracting individuals. Obviously, the CBC has many people go on air as commentators. The people invited onto their programs are not paid as commentators for the most part. They are free to provide whatever views they wish. I believe in free speech, but I think you cross a significant line when an individual uses public funds from a contract to provide services to the public broadcaster to then provide private counsel to a given political party. I would think that the Liberal Party would want to distance itself from this very quickly.

It could be interpreted, from Mr. Graves' suggestion to invoke a culture war, that Mr. Ignatieff has in fact undertaken that, both with his position to whip his members on the private member's bill on the long gun registry and his comments during an interview on a Saskatchewan radio station just last week, when he suggested that any Saskatchewan lawyers who ever hoped to be on the Supreme Court had better learn French. I think that's insensitive. I think it is invoking a culture war. I would think the Liberal Party would want to distance itself from that.

Thank you.

• (1255)

The Chair: Mr. Rodriguez.

[*Translation*]

Mr. Pablo Rodriguez: Mr. Chairman, I do not agree with Mr. Graves, and the Liberal party has distanced himself from his remarks. Furthermore, I see no link with the work of the committee. This is simply a partisan manoeuvre that will derail the committee's work. The committee has all kinds of other things to do at the present time.

That is all.

[*English*]

The Chair: Okay.

Would anyone else like to speak to the motion?

Madame Lavallée, and then Mr. Uppal.

[*Translation*]

Mrs. Carole Lavallée: I do not wish to intervene in a war between the Conservative party and the Liberal party, but I am trying to see in what way such a matter might fall under the mandate of the Standing Committee on Canadian Heritage. I do not see how Mr. Del Mastro's motion could fit into our committee's mandate, nor that of any other committee, as a matter of fact.

Let us talk only of our committee. The CBC is a Crown corporation and let us not interfere in its affairs, especially with regard to content. We see that it is particularly useful in a case such as this one. Commentators are entitled to make whatever comments they wish, even if they are paid. The Bloc québécois is sometimes attacked on CBC television, but we respect the commentators. We are often in disagreement, we find that they go too far, but we keep these criticisms to ourselves because overall the Crown corporation does a good job. In any event, we are not supposed to interfere in this type of issue. As a matter of fact, if we did, Don Cherry would have lost his job a long time ago.

[English]

The Chair: Mr. Uppal...

Sorry, Madame.

[Translation]

Mrs. Carole Lavallée: The statements that you are criticizing Mr. Graves for were not made on the CBC, but rather to the *Globe and Mail*. I feel very uncomfortable, and it is clear that the Bloc québécois will vote against this motion.

[English]

The Chair: Okay.

Mr. Uppal.

Mr. Tim Uppal (Edmonton—Sherwood Park, CPC): Thank you.

As a member from Alberta, I want to confirm what Dean was saying. We did hear from people, not only in my riding but also from other parts of Alberta, about how upset they were with the nature of those comments. Because of that, I really do think we need to examine this situation.

• (1300)

The Chair: Mr. Galipeau, and then Mr. Martin.

[Translation]

Mr. Royal Galipeau: For the purpose at hand, this is not the first time that we have heard a commentator, who is supposed to be impartial, speak out via the public broadcaster. I remember when we used to hear an experienced commentator named Michel Drapeau, who was put forward as a retired colonel. He would make comments with regard to the administration of the Department of National Defence, and he had a lot of fun sticking it to the government in power, which at the time was a liberal government. Never when this experienced commentator was being introduced did anyone say that he himself was a defeated conservative candidate. I found that the whole thing lacked transparency. People talked about Mr. Drapeau as being a retired colonel criticizing the government, but no mention was ever made of the fact that he was a defeated conservative candidate.

In this case, a supposedly impartial commentator is presented on the air, but he makes mind boggling contributions to a political party. He is, it would seem, in favour of that party, but he is put forward as being an impartial fellow. It does not wash.

In other committees, the majority, under the present minority government, belongs to the opposition, and some would say to the

coalition of the opposition. Every time someone wants to bring forward witnesses to launch partisan attacks against the government, the coalition majority that gets its way. In the case at hand, we are asking a witness to come and explain himself; but we are unable to move forward in these circumstances, because we know for a fact that the government does not have enough votes on committees to impose its will.

I believe we are not being consistent when we defend these arguments in such circumstances.

Thank you.

[English]

The Chair: Okay, Mr. Martin.

Mr. Pat Martin: I'd only point out briefly that this guy, Kory Teneycke, who was just hired by CBC—and who was the director of communications for the PMO up until a couple of months ago—was on the CBC saying that the leaders of the Liberals and the NDP are a couple of “spineless wets”.

I mean, if you are going to get angry about commentary you hear that's not in favour of your party....

First of all, he should never have been hired, because he didn't have the two-year cooling-off period. But he's also out there knocking political parties with extremely partisan views, and that's what they do on TV.

So I'm going to be voting against Mr. Del Mastro's motion.

The Chair: Monsieur Galipeau.

[Translation]

Mr. Royal Galipeau: Mr. Chairman,

[English]

Mr. Martin has just reinforced the argument I've just made—

Mr. Pat Martin: Not deliberately.

Mr. Royal Galipeau: —because the individual he just named is, in effect, known as a partisan person, and so is never presented as an impartial commentator.

So I appreciate the comments that Mr. Martin has made, but they reinforce the point I made.

The Chair: Okay.

We have Mr. Del Mastro, and then I will call a vote.

Mr. Dean Del Mastro: Thank you.

To Mr. Martin's comments, I was going to echo what Mr. Galipeau said. Mr. Teneycke has never made any qualms about the fact he is a Conservative. His views are made available to Canadians from that perspective, as a Conservative.

The CBC's decision to hire him as a commentator is their decision. The difference here is that the CBC is paying for research, and that research is being provided to a given political party in a fashion that's not being provided to others. That's what's indicated here.

• (1305)

The Chair: Okay.

As our meeting is coming to a close and time is running out, I am going to call the vote on Mr. Del Mastro's motion.

(Motion negatived)

The Chair: With that, the meeting is adjourned.

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