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**EVIDENCE**

**Monday, March 3, 2014**

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**Chair**

**Mr. David Sweet**



## Standing Committee on Industry, Science and Technology

Monday, March 3, 2014

• (1530)

[English]

**The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)):** Good afternoon, ladies and gentlemen. *Bonjour à tous.* Welcome to the 13th meeting of the Standing Committee on Industry, Science and Technology.

Colleagues, as I've mentioned before in other rooms, you will see we have slight deviations of the clocks so the time on our BlackBerrys will be the time we synchronize with.

Before us today we have five witnesses. We have two witnesses from ACTRA - National. One is Marit Stiles, director of public policy and communications, and the other is Simon Peacock. From the Canadian Interactive Alliance, we have Serge Landry, president and chief executive officer, and Deirdre Ayre, member of the Other Ocean Group Canada. By video conference we have Jocelyn Benoit. He's a professor at École des arts numériques, de l'animation et du design.

I will follow the schedule as it is before us, and so I will begin with ACTRA. Marit Stiles, I understand you are going to be sharing your time. Please begin.

**Ms. Marit Stiles (Director, Public Policy and Communications, ACTRA - National):** Good afternoon. My name is Marit Stiles. I'm the director of public policy and communications for ACTRA, which is the Alliance of Canadian Cinema, Television and Radio Artists. Also with me today is Simon Peacock, a noted performance director and video game actor from Montreal.

Thank you for inviting us. It's an honour to be here as the voice of 22,000 professional performers, members of ACTRA, whose work entertains, educates, and informs audiences in Canada and around the world.

Today we're here to talk with you about the role our members play in the video game industry, its growing significance, and how we think government could support and nurture this sector here in Canada.

ACTRA is proud to have jurisdiction over this work. Our members provide the voices for characters in a large variety of games, from simple apps you carry around with you on your phone to award-winning international best-selling console games like *Assassins Creed* and the *Prince of Persia*, produced in Montreal by Ubisoft, or *Deus Ex* by Eidos.

Not only are our members delivering voice performances and background work for these multi-million dollar ventures, they are

increasingly producing full-body performances through the use of performance or motion capture technology and cyberscanning.

You might have some idea of what performance capture technology looks like, actors dressed in full-body stockings with small sensors built into their clothing to help sophisticated computers track their movements around a sound stage, and you wouldn't be far off. This is the same technology and skills that are used in movies like Oscar winner *Gravity*.

More and more our members are finding they can make a living from this category of work. As I said, it actually expands into other kinds of performances, such as in television and on movie screens as well.

We have strong relationships with many of these game companies, most notably Ubisoft, the multi-national industry giant with a strong commitment and investment toward developing game production expertise here in Canada.

Our partnership with Ubisoft is a long one, dating back to 1997. We've worked hard to guarantee the safe and fair working conditions of our members while ensuring stability in the sector and trying to develop this important and flourishing industry.

In fact, our latest agreement with Ubisoft features an innovative pilot project to help Ubisoft utilize professional performers in the development of hand-held mobile games, which is a quickly expanding area.

This is a good example of industry cooperation that will help Canada shine on the international scene and create good jobs. Close to 400 members of ACTRA currently earned more than \$2 million in total in 2013 by working on video games. That's up 10% from 2012, just a year prior.

I would now like to turn this over to Simon Peacock to speak about the reality of working in games and the work opportunities presented.

• (1535)

**Mr. Simon Peacock (Member, ACTRA - National):** Thank you, Marit.

Thank you all for the opportunity to speak to you today.

Over the past few years, work opportunities for Canadian performers in video games have seen tremendous growth. As Marit mentioned, we've been lending our voices to video game characters ever since Ubisoft opened its offices in Montreal in 1997. More recently, we've also been providing our performances through motion capture technology and our likenesses through 3-D facial scans.

As more and more companies come to Canada to set up shop, the number of work opportunities available to actors has exploded, as has the type of performances we are required to provide. New opportunities bring new challenges, and with this industry's unparalleled growth, we foresee some potential bumps in the road that we think the government can help us with.

I've worked with all the big game companies in Montreal. They all want to work with professional performers, because they realize that we save them money, we deliver high-calibre performances, and we understand how this business works. But these companies need more from us. They need a larger pool of professional talent who are skilled at the specialized requirements of video game production. It's a different set of skills, often in complete contradiction to what we were taught at theatre schools.

For example, when working on a motion capture studio, you have no sets, no makeup, no costumes. Your performance is being captured in 360 degrees by up to 200 sensors, all whilst you're wearing a helmet-mounted camera and a tight suit with dozens more sensors mounted to it. You have pages and pages of dialogue to deliver playing multiple characters, all done at a speed film sets couldn't even comprehend. I've been on film sets where they have been pretty happy to get three or four shots done in a day. I've been in motion capture studios where we've recorded over 100 in a day. The speed is completely different. Add to that the complexities of constantly changing technologies, and many actors find themselves suddenly in over their heads.

These kinds of working conditions require a very specialized skill set from actors, one that takes training that is just as specialized to acquire. To respond to this need, ACTRA has begun to offer video game-specific training and workshops for members so they can provide the very skills these companies are searching for.

In Montreal, in a cooperative venture with ACTRA, Eidos, Game On Audio, and the provincial government, we have just trained 32 performers in the art of acting for video games, but more needs to be done.

Theatre programs at our colleges and universities must start offering relevant training to their students, training that provides the kind of sturdy foundation that will be instantly applicable in the real world. They must step up to the plate. Likewise, governments should be providing access to mid-career training for performers in order to teach them the skills they are clamouring for. This would provide the gaming industry with the depth and variety they are searching for in their drive to develop, flourish, and compete globally.

**Ms. Marit Stiles:** Thanks, Simon.

This committee asked how the industry continues to be a model for growth and technological innovation, commercial success, and the creation of highly skilled jobs.

According to the Nordicity report commissioned by the Entertainment Software Association of Canada, there were 329 small, medium, and large studios in operation across Canada in 2013. In 2012 the video game industry directly employed 16,500 full-time equivalent jobs and indirectly a total of 27,000. In total, the video game industry generated over \$2.3 billion in gross domestic product for the Canadian economy. In 2013, Canada's video game sector became the world's third largest in terms of employment.

How do we continue to ensure the success and growth of this industry? Simon has outlined some ways the government can provide support through training and education. Of course, we are working at the local level in other provinces as well—in Toronto, through partnerships with Sheridan's Screen Industries Research and Training Centre, SIRT—to develop training programs for students and working performers.

Since the inception of this innovative collaboration which includes government, post-secondary institutions, video game production companies, unions, and guilds, SIRT has put over 120 performers through a three-level training course. Tomorrow, another 40 performers will take part in the latest course being offered at Sheridan.

As the government has developed Canada's film and television industry through its support of the Canada Media Fund, Telefilm, and tax credits, we think similar measures could also stimulate this country's video game industry. This view is supported by the House of Commons Standing Committee on Canadian Heritage in its April 2013 report on the entertainment software industry, after hearing from many of the same participants here today. The report makes recommendations including that the Government of Canada continue to support and promote the success of the industry through labour training and possible federal tax credits.

A labour-based tax credit has been extremely effective in helping build the gaming industry across Canada, including centres of excellence in British Columbia, Ontario, and Quebec. The tax credit is based on the producers' labour expenses for a qualifying interactive product. It encourages companies to hire and develop local talent rather than bring in temporary workers from outside the country. We strongly support measures that would not only allow video game companies to flourish in Canada, but also would work to create a robust and accomplished domestic talent pool.

It's key that any support the government is looking to offer the Canadian video game industry should prioritize the hiring of Canadian talent. It's not enough to support the companies and the production of video games. These initiatives need to be paired with development of performers who can do the specialized work that needs doing, and most importantly, keep that work here in Canada.

•(1540)

**Mr. Simon Peacock:** As I talked about earlier in terms of how we can grow and develop that talent pool and the very unique skills that are required, we would welcome the opportunity to work with the government to create any training program that would develop these abilities among Canadian performers. If we don't, these jobs and this work will go elsewhere. We cannot afford to let it slip away.

Our members, Canada's professional performers, can do this work, and we are looking forward to doing more of it. We are building up our expertise and becoming a workforce that the game companies rely on, but we need to keep up with the demand as it continues to grow.

Let me finish by saying that we are very excited about the opportunities that exist for our members in video game production. It's good work. It's hard work. It's rewarding work. This is a sector that would benefit from federal support in education and training, provided that we work to keep the jobs, from the developer, to the writer, to the performer, here in Canada.

**The Chair:** Thank you, Mr. Peacock.

Now we'll move to Mr. Landry.

**Mr. Serge Landry (President and Chief Executive Officer, Canadian Interactive Alliance):** Mr. Chair, I'm thankful to the committee for inviting us to express our opinion on this subject of the entertainment software industry and video games.

I'm the chairman and CEO of the Canadian Interactive Alliance, which is a trans-Canada association for all the interactive media associations in nine provinces. I'm also a co-founder of my own video game studio.

In the presentation we have distributed to you, we have provided some data about the Canadian interactive industry profile that was published early in December. I'm not going to go through each of these statistics, but I find it very important to share these numbers, and you can see all the details of our study on our website at [ciaic.ca](http://ciaic.ca). All of the slides until page 12 are the broad data for and the definition of our industry, which I will not go into detail about.

The video game industry represents a big chunk of our members across Canada. Our member, Deirdre Ayre, representing Newfoundland, will introduce herself and cover some of the issues you'll find starting at slide 13.

Go ahead, Deirdre.

**Ms. Deirdre Ayre (Member, Other Ocean Group Canada, Canadian Interactive Alliance):** Hello. I'm delighted to support Serge today as a member of the board of the Canadian Interactive Alliance representing Newfoundland and Labrador. I'm studio head and part owner of Other Ocean Group Canada Limited, which operates a video game development studio in Newfoundland and Labrador, and a video game quality assurance company in P.E.I.

We employ about 100 talented people. Last year we sold the assets of our other Atlantic studio, which employed about 45 people, to Electronic Arts. Our company also has a business development office in California, near the hub of the industry.

Video game development is an increasingly competitive, multi-billion dollar global industry. In pursuit of market share, there's tremendous competition among the platform manufacturers, publishing companies, and independently owned development studios. This translates to fierce competition for investment capital to spawn enterprise and intellectual property, as well as national and global competition for human resource talent.

In our country, the Canada Media Fund experimental stream is one of the only viable funding programs for small and medium-size innovative creators of original IP. Of the around \$365 million handed out by the CMF each year, funding for this particular stream is limited to about \$38 million. An interesting note, and although all streams are important for different reasons, is that we are told that projects supported under the experimental stream provide a higher payback ratio than other genres funded by the CMF.

In essence, many projects funded under the experimental stream allow for a return that should enable even more projects to be funded. However, there is concern that given the main revenue stream is from the cable and satellite operators, this fund might decrease. This would be very damaging and would hinder the growth of many small and medium-size developers, who are quite often the most innovative and creative contributors to our industry.

Another serious challenge is the skilled labour shortage, which means that companies are pitted against companies, and provinces and regions are pitted against other provinces and regions. The shortage can be particularly crippling for regions of the country such as Atlantic Canada, where we operate, but it's also true for provinces like Manitoba, where the industry is relatively new. These regions often have trouble attracting the talent, because the companies tend to be smaller or in start-up phase, so the move is seen as being riskier.

In addition, where foreign workers are sought to help alleviate the problem, often these regions are used as an entry point for immigration, but once individuals are successful at gaining permanent residency, many migrate to the larger centres that are more multicultural and where the larger video game companies operate. So the retention of foreign workers can be very difficult for smaller companies and certain regions.

Despite the fact that retention can be difficult, recruitment of foreign workers is absolutely essential for companies to fill skill gaps, and to have the human resources necessary to meet project needs and to ensure the quality of work and our ability to be competitive.

As well, and perhaps one of the most important benefits to hiring a globally recruited workforce, is the strength it brings to the development of the local workforce. Mid-level and senior-level employees hired from beyond our borders act as mentors to those hired locally. Spinoff in skills transfer and project growth from one senior hire can mean three or four juniors hired locally, juniors who would not have been hired otherwise. Some companies put spinoff numbers as high as five or six.

In the case of our company, and I'm sure this is the case with others as well, many of our global recruits have gone on to teach at universities and colleges, further transferring skills and valuable industry experience to up and coming Canadian developers. This is a benefit far too hard to measure.

Serge.

• (1545)

**Mr. Serge Landry:** I'd like to cover the last few minutes of our presentation with three other issues that are relevant to our industry.

On slide 13, issue number one which I highlighted is access to early funding. The problem right now is there is a new innovation fund that was put together to fund companies through VCs, but this does not respond to the needs of early stage companies that need seed funding from around \$100,000 to \$2 million in order to reach the next level.

We also should review and think about implementing an equity crowd-funding policy, like it already exists in the U.K. or in Australia, to democratize access to the equity funding here in Canada.

There are also some countries that do very well in the video game industry, especially Finland with their Tekes fund, that creates tremendous IPs and brands that are known across the world.

I'll briefly speak about the issue mentioned on page 16. It is important for us to develop original Canadian intellectual property, to create brands that people can recognize and that the company can build on for several years to come. It is an important source of creativity and potential growth for the industry here, and we believe there's room for a tax credit, a little bit like what's been done in some provinces to help create Canadian intellectual property.

Finally, we are also urging the government to seek new ways to better market the products. The content is something, but the marketing of the product is as important as the content itself. We believe that some initiatives could be done to help the trade commissioner service to market these products abroad. We also believe there are possibilities for the BDC and EDC to better understand this fast evolving market and be willing to take more risks.

More direct funding needs to be done in order to publish the titles that are done here. Unfortunately, in Canada we're developing great products, but we have almost no publisher to publish these titles abroad. We also think there is room for the Government of Canada to help support the local events of our industry, namely the Montreal International Game Summit, and the GameON: Finance conference in Toronto, and their supporting and presenting associations.

Thank you very much.

[Translation]

**The Chair:** Thank you, Mr. Landry.

Mr. Benoit, you have the floor.

• (1550)

**Mr. Jocelyn Benoit (Professor, École des arts numériques, de l'animation et du design, As an Individual):** Good afternoon. I would first like to thank the committee for allowing me to be part of

this study on the entertainment software industry in Canada. I believe that the study is necessary for the long-term viability of our industry.

I have been a professor in the École des arts numériques, de l'animation et du design at the Université du Québec à Chicoutimi for three years. I teach game engines and video game design methods.

Our training institute, formerly called the Centre NAD and based in Montreal, has been working in the area of 3D animation for more than 20 years, in visual effects, in cinema or in video games.

I would like to start by giving you my view of the reasons for the success of the industry in Canada. Then I will talk about future challenges and I will provide the committee with some recommendations.

First, in my view, the success of the entertainment software industry in Canada can be explained by a number of factors. As the previous speakers have indicated, the entertainment software industry is multidisciplinary. A number of different people have to be involved in bringing a product to fruition. One of the aspects of our success is the quality and diversity of the workforce. It is highly skilled, and that has certainly contributed to the success of our projects.

Take Montreal as an example. The city has both talented artists with a lot of creativity and imagination and highly skilled programmers and technical people. Additionally, the fact that companies have been able to take advantage of a favourable tax system has encouraged them to settle in Montreal and in other places in Canada. The number of jobs associated with the sector has grown dramatically since the beginning of the century. We are now talking about approximately 10,000 jobs in Montreal alone.

In the coming years, the industry will have to face a number of challenges. One of them is access to labour, from less experienced employees to experts. Demand will be strong in the coming years. To allow for the hiring of highly qualified people, it would be desirable to encourage companies to free up employees so that they can teach in a university setting. It can often be difficult for companies that focus on profits and income in the short term to free up their best employees so that they can teach. But we have to think in the long term.

Second, we have to come up with training programs that will allow the transfer of highly qualified staff from other areas to the entertainment software industry. Many developers and programmers in other areas have very specific skills, in fact. That said, the video game industry is unique. If there were training programs that allowed those skills to be transferred to the video game industry, it would allow experts to be hired in greater numbers.

Third, the development of employees' skills must be supported as an ongoing process. As well as its programs at bachelor's and master's levels, the Centre NAD also offers private programs intended for a range of companies.

Finally, there must also be support for internships in the industry. Currently, and for various reasons, it remains difficult for lower-level students to find an intern position in a company.

Another major challenge will be to establish Canadian intellectual property. Until now, most of the companies that have set up in Quebec or in Canada have been foreign. Certainly, we are seeing more and more local companies, but few Canadian intellectual properties have been created. Research and development partnerships between the industry and the Canadian university system must be developed, both technologically and artistically.

A lot of funding is available for so-called applied research in engineering and programming, but there is little funding in the artistic areas, in video game design and in level design. Research funding in the visual and narrative aspects of video game production must be made more accessible.

Thank you.

[English]

**The Chair:** *Merci*, Professor Benoit.

Now we'll move on to our rotation of questions from our members. Remember, colleagues, we just go straight through all members, eight minutes a piece.

Ms. Bateman, for eight minutes.

**Ms. Joyce Bateman (Winnipeg South Centre, CPC):** Thank you to all of our witnesses.

[Translation]

This is very interesting. This is a major industry.

• (1555)

[English]

I'm fascinated because there was a difference of opinion in terms of the funding necessary for the training component. Mr. Peacock and Mr. Landry had different points of view. Obviously your colleagues can join in with the response.

If I heard this correctly, one said that this is an industry where we have to hire Canadians. I think it was Ms. Ayre who said that we have to make sure that we recruit the right skill set for this growth industry, wherever that might be. This is something we're very cognizant of; we have a lot of jobs without people to fill them with the right skill set, and yet we have people without jobs.

Perhaps you could start, Ms. Ayre, and expand on the point you were making.

**Ms. Deirdre Ayre:** I think to some degree it depends on the region of the country where you're operating. It depends on the size of the company that you're working for. It sounds to me like a lot of the work that these people are doing is with the very large companies in Montreal, which is not the perspective I come from, because I'm operating in a different region.

Although we do third party development work for companies like Ubisoft and have a great relationship with them, our needs in Newfoundland and in Prince Edward Island would be different from what they would be for some of the larger companies in those regions. Also, they're talking to a very specific.... I don't want to speak for them, but I'm talking about the typical jobs that you would find in a development studio, which would be your programmers, artists, and designers, while they're talking about very specific voice-

over work and actors, which is not what the companies that I own would be involved with. It's quite different. I don't think that we would necessarily disagree so much. It's just—

**Mr. Serge Landry:** Different traits.

**Ms. Deirdre Ayre:** Different traits, yes.

**Ms. Joyce Bateman:** Thank you for that clarification. I appreciate that.

I want to go on to the intellectual property piece that you spoke to, Monsieur Landry. You were talking about how crucial a tax credit would be in terms of the creativity and the growth. If you could you expand just briefly on that point, I would appreciate it.

**Mr. Serge Landry:** Yes. We spoke about the CMF. They funded about 80 projects last year, but there were over 500 projects submitted, so there is a lot of need among the young start-ups that are putting forward innovative and creative content. These start-ups need early stage funding to create these IPs.

I would like to give you the example of a company out of Finland called Supercell. They've created two games since 2009. Supercell sold 51% of their company for \$1.5 billion last November to SoftBank of Japan. So you can imagine what kind of wealth you can create when you create a brand, an original IP.

[Translation]

I do not want to speak ill of the products made in Canada by foreign companies, but it is possible to make more profit, in the longer term, from the intellectual property developed in Canada than from the intellectual properties developed by foreign companies.

**Ms. Joyce Bateman:** How can we provide more protection for Canadian taxpayers, in your opinion?

**Mr. Serge Landry:** By creating wealth in Canadian-owned companies that will stay in Canada because their shareholders feel an attachment to their home and native land, so to speak. By so doing, I feel that it is possible to create a much more solid industry that is capable of producing and marketing a much greater number of products.

[English]

**Ms. Joyce Bateman:** Okay.

You made a third point that I may get to, but first of all, for all of you, I want to tap into your expertise. This is a growth industry. This is an opportunity. There has been incredible growth recently.

What can we do right to maintain that growth? What actions would end up killing the growth? That's so important for us. We're all about creating jobs, creating growth, and creating long-term prosperity for all Canadians. We don't want to get it wrong with government intervention. What would be the right kind and what would be the wrong kind in terms of making sure that jobs are created?

**Mr. Serge Landry:** As we said about the skills shortage, what we have to understand when we bring in a creative director, a senior creative director, let's say, is that this guy is going to be surrounded by juniors. There is a transfer of knowledge, and the juniors can become seniors themselves, to show to others.... We believe that's how we can create a sustainable industry for the longer run. We have to be careful not to be too inter—

• (1600)

**Ms. Joyce Bateman:** Interventionist. Hear, hear.

[*Translation*]

It is better not to get involved.

[*English*]

**Mr. Serge Landry:** Yes, thank you.

Leave room for the creators to get off the ground and, as I say, market some great content and brands.

**Ms. Joyce Bateman:** Could we have a perspective from ACTRA?

**Mr. Simon Peacock:** From the performers' perspective, it's very important that this work stay here. Many other forms of media have dropped off significantly, and the employment rates of Canadian performers in film and television have suffered greatly over the years. Video games to a large extent have picked up that slack for a lot of performers.

It's almost like a safety net for Canadian culture in many ways. If you value the arts, such as the theatre, video games now are largely subsidizing that. I can tell you that most of the actors who I work with also do theatre, but it doesn't pay the rent very well anymore, unfortunately. Video games do that in a fantastic way, and in a way that continues to grow, but for us, our jobs are very easily taken offshore by video game companies at the moment.

**Ms. Joyce Bateman:** How do you keep it growing? You're saying how crucial it is to grow. Specifically how?

**Mr. Simon Peacock:** For us, it's about educating our members, getting the skill set up so that we have a much larger talent pool that these companies can draw from. It is easier for them if they can work with a local talent pool. If they don't have to go offshore to do it, it's much easier. They're already in the same place. They can come to the studios, they can attend all the sessions, they're there all the time. They're right there in the presence of the actors. That's always preferable to them. Also, as far as pricing is concerned, we're very competitive. For example, I work in London and Los Angeles in the same industry. The prices there for talent are significantly higher.

I think it's just a matter of awareness within the industry of the fact that we are doing these programs within the industry, that we are creating more talent here, talent that has the experience to be able to go on to a set for a video game and deliver the goods straightaway and be the rival of any other nation on earth in that regard.

**Ms. Marit Stiles:** Like the film and television industry, it's an international industry. We have to be globally competitive, which is why I think we're all talking about tax credits, tax incentives.

**Ms. Joyce Bateman:** How does a tax incentive make you globally

**Ms. Marit Stiles:** Because other jurisdictions offer similar incentives. Like the film and television industry, which we're very familiar with because many of our members also are employed in the film and television industry largely, having those incentives in place makes us competitive with every other jurisdiction in the world that is competing with us in the same—

**The Chair:** Thank you very much. That's all the time we have.

Now on to Mr. Harris, for eight minutes.

**Mr. Dan Harris (Scarborough Southwest, NDP):** Thank you to everyone for being here.

That last remark actually provides a perfect segue into the start of my remarks. There were members of the American industry in not just video games but in animation who were picketing the Oscars last night because of the tax credits and assistance we provide to help foster our industry and maintain those competitive advantages that we have here at home.

If we want to continue to build and grow this industry, we can't take the foot off the gas. The minute you take the foot off the gas, somebody else will come up behind and overtake you. The rest of the world is looking at Canada's model and what we've done to create a successful video game industry. One of those big competitive advantages we've had has been that local talent pool, so continuing to foster that local talent pool is going to be important for years to come to continue to grow the industry.

I think what was being said from both sides was actually two parts of the same problem. We heard last week from Jason Della Rocca, who works with start-ups and small companies, and from Ubisoft about how the big and small companies actually have very different needs for what will help to make them successful. The large companies are facing a problem where there isn't enough of that upper-end talent that's local, so they need to bring people over. Then you're saying you need to have that talent come over, show the local people how to do it, and then they get to be trained so that they can then take over those jobs.

Of course, having all of these large foreign companies that have come to Canada and set up shop here, like EA and Ubisoft, helps to develop that talent pool so that we can keep growing. Then we'll have more entrepreneurs and more start-ups and more small companies. If we provide the right supports for them, they'll grow and employ more Canadians and employ more local talent. Then we will actually have the local talent pool so that the big companies have enough people to draw from as well, because we heard them say at the committee that they would much rather hire the local talent, because it costs a lot of money to bring somebody from overseas. You bring them over; you have to pay for their travel and you have to pay them a premium for uprooting them. It's actually much cheaper to hire the local Canadian talent.

We know that it's providing \$3.2 billion to Canada's GDP in an industry where there's lots of room to grow. When you're talking with small companies, a sound stage would be like the one that I worked on one time. It had a microphone with open sleeping bags surrounding it, and we had to use a flashlight to read our lines. Then there's the 3-D motion capture studio at Ubisoft that's being run by a former member from Industrial Light & Magic where the actors are in that room wearing all these sensors. They can't see anything. They have to imagine the scene in front of them. The director is sitting there with the camera on them and the director can actually see the scenery and everything behind them. It is a very specialized talent, and some assistance is going to be required to actually develop that talent pool. I'm happy to see that ACTRA and the industry are working together to further develop that talent pool.



There was \$2 million in salaries paid last year. That's a good amount. Those are good family-supporting jobs for the most part, but there's still a fair amount of contract work and you have to go from job to job.

What would be the single thing that would help the actors most to maintain and sustain themselves in these careers so that they can continue to work and to receive the training to get better at those jobs so that they can actually continue to grow and get pay raises and an improved standard of living?

•(1605)

**Mr. Simon Peacock:** The ultimate for that would be to have more games companies coming to Canada. The more games that are being produced here, the more work there will be for actors. The more of those small independent start-up companies that are doing well and succeeding and using unionized labour, the better it is for us.

At the moment, for most actors video games provide sort of a supplementary income. Very few actors in Canada, unfortunately, are able to make a living doing just one particular form of performance. We generally tend to wear a lot of different hats. We do film, television, radio, commercials, video games, theatre. We do whatever we need to do to pay the bills, but as I say, video games are becoming a far more significant part of that equation for many of our members.

**Mr. Dan Harris:** For the members in the performance art, because that's what this is, would being able to spread their income tax burden over multiple years help actors maintain and continue to apply their trade?

**Ms. Marit Stiles:** Yes, absolutely. Most of our members, as Simon was indicating, have a kind of lumpy income. There are good years and there are very poor years. I'm sure many of you have met performers, very big stars who will surprise you by telling you that they can have very lean years when they have virtually no income, and then one decent year. Maybe they'll bring in \$40,000 or something and have a good year, and then there may be another bad year. They're not taxed accordingly. They're taxed as if every year was that great year.

We are very much advocating for income averaging for self-employed artists. Again, as you were saying, these jobs that you were talking about, when you're working on a video game, these are not salaried jobs. These are independently self-employed contract jobs.

**Mr. Dan Harris:** Great.

Mr. Landry, you were talking earlier and I'm sorry I won't be able to ask you this question because I have other things I want to capture. Hopefully somebody else will let you talk more about it.

You spoke about the case of Finland and Supercell. We heard extensively from Jason Della Rocca last week about that and the success there.

You also mentioned equity crowd source funding. Crowd sourcing is something that small start-ups are increasingly making use of through, for instance, kick-starter campaigns, or in some cases where a campaign started that way and got much larger.

Chris Roberts, who helped to develop the Wing Commander games, started his own company with a kick-starter campaign and it grew beyond there, and now, as of this moment, Roberts Space Industries, is developing a new game. This is a brand new company without any previous development. They have crowd sourced \$39,652,743 from 401,594 distinct individuals.

I'm hoping perhaps someone else will be able to ask you to expand upon that, or you could provide more information for the committee down the road, because to help start-ups to grow, that's one of those important sources of revenue, beyond tax credits, beyond direct grants and funding from government, because unfortunately we have a limited pool.

Mr. Peacock, you were talking about some of the potential bumps in the road. These are things that could upset Canada's current competitive advantage because there are other countries that are waiting to take the business, to take the talent, away from us. Could you go more extensively into what we need to do to smooth those bumps in the road?

•(1610)

**Mr. Simon Peacock:** It is primarily, as we said, education of our own members, of getting them all up to the level where they can all walk into a sound studio tomorrow and deliver the goods straight-away in a very quick and efficient way. Other countries have programs where they are training their own actors. We also have to fight against the celebrity status that other nations have with their performers that we haven't yet attained in Canada, but I can say that is changing thanks to video games.

A couple of examples would be someone like Elias Toufexis, who was in Deus Ex, or Michael Mando from Far Cry 3. Anyone in the gaming world anywhere on the planet knows who those two actors are. So it's finally Canada getting a star system without those actors having to leave the country, unlike the Jim Carreys or the Mike Myers who have to go south of the border to make their names.

**Mr. Dan Harris:** Thank you very much.

**The Chair:** Thank you very much, Mr. Peacock.

Colleagues, I just want to make sure we remember Professor Benoit. I know that the folks with us here are always easier to spot, but we do have somebody here by teleconference so just—

**Mr. Dan Harris:** If you had given me two more minutes, I would have gotten to him.

**The Chair:** I'm certain that you would have, Mr. Harris.

**Mr. Dan Harris:** I'm willing to sit down there if we take an extra meeting.

**The Chair:** On to another unique questioner, Mr. Holder, for eight minutes....

**Mr. Ed Holder (London West, CPC):** I'd like to thank our guests, both on video and in live production here, in representing the various aspects of your industry.

I find it really fascinating. I heard Ms. Stiles and Mr. Peacock mention that Canadian actors have some \$2 million in earnings in video-related acting. Ms. Stiles, you mentioned *Gravity*. I think Sandra Bullock made \$20 million herself for that movie. I just find it kind of a bizarre connect.

Mr. Benoit, perhaps I could start with you. You seem lonely over there, so if you don't mind, I'd like to ask you a couple of questions.

By the way, I think you were the only one of all our guests who actually paid some compliments to the Government of Canada in some meaningful way. I only say it from the standpoint that it's always easy, I find, in these kinds of representations to say, "Here's what we want. Here's what we need". Ears get bigger and more open if you first say, "Well done." It's just a thought. If I went to an actor and said, "Bravo", they'd probably be a little more receptive when I asked them for a coffee or something. I'm just saying something like that.

Mr. Benoit, you talked about 3-D animation. That was one of the first comments you made. I was struck when ACTRA was here in terms of their role, and I found that very interesting.

Where does 3-D fit into all of this? I'm trying to get a sense from you. Is that the big lead in digital gaming? Could you help me understand the role of 3-D in the industry?

[Translation]

**Mr. Jocelyn Benoit:** Yes. As has already been mentioned, video games are very multidisciplinary. There are four main aspects: the concept, the programming, the design, which includes the look of the game and the design of the levels, and the visuals. Let's not forget the sound and the music either.

3D animation provides a particular gaming environment that stirs up emotions. For some, it is secondary. So we design video games that are interesting to play. Increasingly, however, the players, the users, want an interesting visual experience, meaning that animation has a more and more significant place in different video games.

[English]

**Mr. Ed Holder:** You also made some reference to the importance of training programs to transfer those skills into other areas. You mentioned the importance of graduate and masters programs, which quite frankly I hadn't thought a lot about until I realized....

First, you need to understand I come from London, Ontario, Canada, the 10th largest city in Canada, if you didn't know. I share that with you because we have a very strong digital gaming focus as one of our areas of attention in London. Just next door in Waterloo and tied into Stratford, I understand there's some really strong emphasis on digital gaming, and it's tying into what we're doing at Western University.

Is that the focus of R and D, and the focus on programs at the university, and perhaps I would say at the college level, that you were referring to?

How can we do that better, if that's not the right example?

•(1615)

[Translation]

**Mr. Jocelyn Benoit:** I mentioned two kinds of training. First, there is university education in the classic sense. These are mostly young students who want to learn a new occupation, and we should encourage that. Almost half the courses are taught by professors and the other half by instructors. At our school, we feel lucky that we have access to the pool of resources in Montreal, which is bursting at

the seams with talent and with people who are ready to teach. Then there is the contribution from the industry. That is very important, because it rounds out the students' education both in skills and knowledge, as well as in networking and contacts.

Companies have to be encouraged to lend out their human resources. I know that it may seem complicated to free up a top animator or game designer to go and teach one afternoon a week for 15 weeks. But, at the end of the day, the industry wins when our students are better trained. Experts from other countries have been brought in to teach our apprentices. We could ask local experts to come and teach them in the same way. That is the first aspect.

There is something else that needs to be done. A number of really good software engineers are working in different areas like aeronautics, aerospace and medicine. In some cases, employment is dropping and the resources remain local. However, the skills those engineers have are not quite the same as those needed in the video game industry. So we need to provide professional training in order to redirect their knowledge of the field, like transferring skills gained in aeronautics to video games, for example.

[English]

**Mr. Ed Holder:** Thank you.

Ms. Ayre, I heard you say that one of the challenges we have with foreign workers in Canada is the ability to retain them, particularly, I think I heard, because they get lost to some of the larger centres. Then I heard the nice folks from ACTRA say that what we need is a larger pool of talent with focus on Canadians.

How do we square that circle? Ms. Stiles, do you have a thought on that? Am I confused on this?

**Ms. Marit Stiles:** I think there is a difference in terms of what we're referring to.

**Mr. Ed Holder:** Please explain.

**Ms. Marit Stiles:** They are speaking very specifically, if I may, as you mentioned earlier, about the development side, design. We are talking very specifically about performance.

We know that in our world of performers, we have a lot of performers who have—

**Mr. Ed Holder:** We have enough Canadians then to do the job.

**Ms. Marit Stiles:** I think we do, and to Simon's point—

**Ms. Deirdre Ayre:** Performance.

**Mr. Ed Holder:** I got that part.

**Ms. Marit Stiles:** —to do the performance, which is very different.

We have a large pool of talent, and they're becoming more trained and more familiar with work in this area with this particular expertise. But we do need more emphasis, more funding for training programs that will train them to do this kind of work specifically. It's quite different from what my friends here have been describing.

**Ms. Deirdre Ayre:** May I?

**Mr. Ed Holder:** Yes, please, but before you do....

Mr. Peacock, you mentioned that Mike Myers and Jim Carrey went down to the States. We've always known of Canadian performers who have done that.

Then there is the great Victor Garber and the great Sandra Oh, people like that who have made a very good living doing that here in Canada. We can mention dozens who have made that success.

I'm not sure I want to go back to the Sandra Bullock reference to \$20 million versus \$2 million for the whole industry, at least in that one aspect of the industry, but it strikes me that we have some great Canadian talent that does a very good job here.

Ms. Ayre, you wanted to respond to that earlier question.

**Ms. Deirdre Ayre:** Yes, I just want to make it clear.

Our company, for example, has made in the last five or six years probably 50 games. We have never needed to hire an actor, ever—

**Mr. Ed Holder:** But now is your chance.

**Ms. Deirdre Ayre:** —because we operate in different spaces. These are AAA titles. This is one aspect of the video game industry. There are dozens and dozens and hundreds of companies that would never use this particular type of talent. Although it is very important for companies like Ubisoft and Electronic Arts, it's just not something we would need.

**The Chair:** Thank you, Ms. Ayre.

Thank you, Mr. Holder.

Now on to Ms. Sgro, for eight minutes.

**Hon. Judy Sgro (York West, Lib.):** Welcome, and thank you for helping us to understand how important this industry is and what opportunities lie there.

Mr. Landry, in your presentation you talked about there being an independent, non-exclusive Canadian publishing agency. Would you elaborate a bit more on why you think that is the avenue that needs to be pursued at the moment?

• (1620)

**Mr. Serge Landry:** It's a potential avenue. It's a suggestion that could be embraced, because the problem we see right now is that the companies have to put as much money into the marketing and distribution of the products as they do into the development of the product itself.

Even though the barrier to entry has been lowered with the new mobile platforms, there is a lot of competition in the market to get that product known and seen by the wealthy users who pay for the content. That's where the real war is. It is a content war, but it's also about getting the product in more hands.

Right now, as I said, the Canadian developers have to rely on European, U.S., or Asian publishers to get their product out in the market and get revenues from those products. If we had a structured Canadian agency fostering those start-ups, those small companies, to help them push the product in the worldwide market, that could be very beneficial in the long run.

**Hon. Judy Sgro:** Have you had an opportunity to make that pitch to the government with that suggestion as part of the answer to a future industry that has the capacity to grow?

**Mr. Serge Landry:** Not yet. I'm doing it today.

**Voices:** Oh, oh!

**Hon. Judy Sgro:** Good, I wish you lots of success.

Tell me why it is that the other countries, whether we're talking about countries in Asia or Europe, seem to be so much further ahead than we are in this industry.

**Mr. Serge Landry:** I think it's based on the origin of the industry where AAAs were funded elsewhere. Our industry is still young. It's been since 1997 that we have really been embracing this industry.

There was a culture of development here, but not publishing, that was in place for a long time. I think that's what we need to do. We need to change that culture. Especially with the new platforms, we can publish Canadian titles from Canadian companies.

**Hon. Judy Sgro:** You also talked about Sheridan College and about college programs offering more opportunity to our young people when it comes to maximizing opportunities for their future.

Have you approached other colleges on this specifically? You happened to mention Sheridan in particular, but are others offering programs more specifically getting into the area that you're referring to?

**Mr. Simon Peacock:** At the moment, speaking of my experience in Montreal, there are no colleges that are doing so. At ACTRA at the local union branch we've started an outreach program. We've approached such schools as the National Theatre School and Dawson College's theatre program.

We're trying to get ourselves more involved in that part of the community and start changing some of the syllabus from the outside, basically, so that when those kids graduate, they come into a workforce where they have the necessary skills. At the moment, they come out of theatre school to an industry that is largely dormant for them.

**Ms. Deirdre Ayre:** Perhaps I could speak to the other disciplines.

With regard to art design and programming, in Prince Edward Island, both Holland College and the University of Prince Edward Island have developed a curriculum for video game development. Many of the modules are taught by industry people, whether they be from our company or from other companies that are operating in Charlottetown.

In Newfoundland, the College of the North Atlantic has also hired an industry specialist who is heading up their video game design curriculum there. Certainly our company regularly will participate in co-op programs with Memorial, hiring engineering and computer science students.

A lot of these things are going on. I think it's a matter of needing....

In your particular area, it sounds like you need more of that. For us in the Atlantic region, the colleges and universities have been really great at working with us.

There needs to be more of it. It's very demanding on a small company like ours to have to do these things pretty much on our own. There needs to be support to help us work directly with the educational institutions.

It's also important to remember that juniors can't provide the quality of product we need to remain competitive. At the end of the day, we can still only hire so many juniors. Within our company we still need to have senior people, who right now still need to come from outside our regions, often from outside the country.

**Hon. Judy Sgro:** I continue to be surprised that we don't have more of those top-level people. Whether they leave Canada, go abroad and come back, or go back and forth, I would think there'd be a fair number of Canadians with those kinds of skill sets as well.

• (1625)

**Ms. Deirdre Ayre:** We have a very difficult time recruiting from west of our region. Obviously, under the policies, we have to do that before we can hire from outside, and we do that. It's our preference to hire Canadians. As was said, it's obviously less expensive, and it's the right thing to do, but we just don't get the interest. There's a negative bias towards Atlantic Canada from the rest of the country, in my mind, and from what I've experienced, we have much better success when we go abroad.

**Hon. Judy Sgro:** On the weekend I was speaking about this industry with someone who had worked in it for a short time, thought of pursuing a career, but quickly realized that you work 80 to 100 hours a week, and for a very long time, to develop the product. Usually at the time of completion you're dismissed; you're let go. There's a huge number of young people who get into it but don't stay in it because there's little pay and absolutely no benefits.

As well, our whole acting industry is continually under a lot of pressure to produce and struggle with trying to earn a decent income and some sort of recognition, which is where income averaging comes out...but that was specifically to that industry.

**Ms. Deirdre Ayre:** There certainly was a time before I was involved in the industry when there were stories of people working those types of hours. Certainly that's not the case with our company. We would not want to burn out our employees. We operate under the labour standards acts in the provinces in which we operate, so obviously, we wouldn't and couldn't do that.

As well, we do offer full health benefits. We do those things. Your friend obviously had a different experience, but I don't think you'd find that any of our employees would feel that way.

**The Chair:** Thank you very much, Ms. Sgro.

Madam Gallant, you have eight minutes.

**Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC):** Mr. Chairman, I'll be sharing my time with Mr. Holder.

Mr. Benoit, you mentioned training programs and how important it was to have training programs at different levels. That's the purview of the provinces. You also mentioned internships. There are a number of federal internships available, partnering with business, colleges, and universities.

Have you looked into these, and if you have, what are the obstacles in being able to apply those internships to this industry?

[Translation]

**Mr. Jocelyn Benoit:** As I mentioned, the students coming out of those institutions are not skilled employees, in the sense that they do not have all the skills they need. A company like Ubisoft, for example, with 3,000 employees, can recruit some interns and take care of them. But companies that are a little smaller do not have the time or the inclination to look after a group of interns. That is one of the factors that make it difficult for graduates to get internship positions, unlike other areas like engineering. My comments here apply only to 3D animation.

[English]

**Mrs. Cheryl Gallant:** We have a proposed Canada job grant that is in its final stages of perfection, I guess. With that, do you think any of these smaller organizations would be willing to provide help financially, either with cash or through donations of in-kind services, towards having one of these students finish this extra technical training?

[Translation]

**Mr. Jocelyn Benoit:** I must admit that it is difficult for me to tell which incentives companies would like in order to be able to take in more interns. Personally, I just know that it is quite difficult to find positions in companies, even for unpaid internships. I am not sure that it is just a question of salary. It is more a question of the time needed to train them.

[English]

**Mrs. Cheryl Gallant:** Have you thought about a model for an internship, either a financial or a training model that could be looked at for implementation?

• (1630)

[Translation]

**Mr. Jocelyn Benoit:** Actually, in the last few years, Ubisoft has started a useful initiative. They started an interuniversity competition in which a number of universities in Quebec, and elsewhere in Canada, can take part. Each university submits a prototype of a game, or an original concept. One concept is chosen and a team of 40 or 50 people is formed. Then a game is produced on that university campus. The mentorship comes first from professors and then from Ubisoft staff.

I believe that Ubisoft has created a wonderful formula that creates 40 or 50 internship opportunities per year. I see it as a new form of internship that can work well.

[English]

**Mrs. Cheryl Gallant:** Out of that project, was the company able to find employees?

[Translation]

**Mr. Jocelyn Benoit:** Yes. Having those interns right under their eyes and being able to watch them work for three or four months, in a summer school situation, allows the employer to take a better look at various aspects. They can look, not only at the interns' technical skills and artistic sides, but also at their collaboration skills, their people skills, the way in which they work as part of a team and communicate with others. Those are important attributes for employees to have.

Just take a quick look at the statistics. From the 40 people at the most recent summer school, I think that Ubisoft kept between 20 and 30. I do not presume to speak for them but I think that it was seen as a good model for retaining new employees.

[English]

**Mrs. Cheryl Gallant:** I'll share the rest of my time with Mr. Holder.

**Mr. Ed Holder:** Thank you.

I'd like to stay, Monsieur Benoit, on the issue of the internships and the model in your mind. What I'm thinking of is this. You made reference to engineers as being a model, but I can say that in Canada if you think that's a model, it is not at all.

Surely there will be some firms, larger firms and smaller firms, which bring on apprentices in various trades, by the way, and not just engineers. What happens as a result, particularly with smaller firms, is that the big companies just scalp them. They just take them up. Ms. Ayre made that comment before about temporary foreign workers who come in, get their papers, and then, all of a sudden, are gone to the big city.

By the way, there's nothing wrong with St. John's, Newfoundland, I should tell you, if you weren't sure.

**Ms. Deirdre Ayre:** That's what I keep saying.

**Mr. Ed Holder:** My point is this. I'm not sure, when Ms. Gallant asked if there was a model, whether there truly is a model that you could look at to say that kind of an internship program would work. I guess you'd go to the European model in trades. Everybody pays a fee or takes a mandatory apprentice or intern, depending on size, but that's not the Canadian model.

I'm not sure there is one that works. If you had something that you thought was reasonable, I know this committee would love to hear from you.

[Translation]

**Mr. Jocelyn Benoit:** I could mention the Quebec universities, such as the École de technologie supérieure and the University of Sherbrooke, which has been offering a co-op program for 10 years or so. The program requires students to do three paid internships in business. The École de technologie supérieur and the University of Sherbrooke have both proved that it can be a good model for the businesses and for the students, for whom the placement rate is very good.

[English]

**Mr. Ed Holder:** With the importance of the industry, I think what we're hearing certainly from past testimony and even today is the importance of the actors, and I don't mean ACTRA actors

necessarily, although it could certainly include them. What I'm trying to understand is how important it is in *la belle province* and why it isn't being done across the country. I think this is an up-and-coming growth industry. I could imagine that UBC, and Western in my great city, and right across the country, Charlottetown, they would all want to do this program. Why do you think that's not happening?

[Translation]

**Mr. Jocelyn Benoit:** Unfortunately, I have no answer to that question. The video game industry is still a little young. It is a new area that does not instinctively seek out research and development or interns at universities, as the telecommunications sector does. Motorola, for example, has a corporate philosophy and culture that motivates it to recruit many more interns.

[English]

**Mr. Ed Holder:** Thank you.

It's interesting. I love the witnesses today because you get a bit of push-back, back and forth, and that makes it interesting. Ms. Stiles, I was going to push-back a bit on you, gently. We already have a system, I think, that takes care of low years when actors and programmers and digital-type folks make less, and years when they make more. It's called the Income Tax Act.

Am I done, sir?

• (1635)

**The Chair:** You're done, and I was going to say that Ms. Stiles will probably have to answer your question on somebody else's round.

[Translation]

Mr. Côté, you have eight minutes.

**Mr. Raymond Côté (Beauport—Limoilou, NDP):** Thank you very much, Mr. Chair.

My first question goes to Mr. Benoit.

I would like to go back to the very interesting perspective you presented. You said that the dynamics of your area tend to focus on the short term and that this could become a concern for the future.

Do you think that the federal government has a role to play, that it could provide a longer-term focus that could guarantee the development and allow companies to remain competitive?

**Mr. Jocelyn Benoit:** I think that the federal government could play a role through research funding. A good part of the growth comes from the research and development done in Canadian universities. In other cultures or other areas, this is bred in the bone. For example, Autodesk has partnerships with various Montreal and Canadian universities. With video games, there is a little less of that instinct. One of the reasons for that fact is that video games are not one single area. They involve a lot of things. Of course, grants are awarded for programming and for software engineering, which are recognized and defined components. But it would be in everyone's interests to set aside more money for research and development in areas like design, visuals and 3D animation.

Our companies want to grow, but at the moment, they are assuming most of the risk. When there is a relationship between a university and a company, the university assumes a large part of the risk. As a result, the university provides the research and the company develops it. By providing more funding, or by establishing research funds specifically for video games, not just in programming or in artificial intelligence, but in other areas such as design and visuals, companies could derive a long-term benefit from the research done in our universities. First, there would be the results of our research and second, there would be the training of highly skilled people at master's and doctoral level.

**Mr. Raymond Côté:** Perhaps I did not follow your testimony and your answers very well, but last week, witnesses stated that the great staffing need was in administration and upper management. Often, they have to look overseas to find people with project management skills.

Do you develop those kinds of skills? Do you foresee doing so?

**Mr. Jocelyn Benoit:** You mean skills in managing projects?

**Mr. Raymond Côté:** Yes.

**Mr. Jocelyn Benoit:** Let me give you a quick history of the Centre NAD. Five years ago, the Centre NAD offered only one-year, private training in 3D animation. People learned how to model a character, how to animate it, how to do the rigging, and so on. Since then, we have gone the university route with a three-year undergraduate program that includes courses in communications and management. We want to train multidisciplinary people, not just artists who are specialized in visual design.

**Mr. Raymond Côté:** Very good. Thank you.

Mr. Landry, of the five problems that you presented to our committee, I would like to speak about the fifth, the marketing of products.

I have been a member of Parliament for almost three years. It has been my pleasure and my honour to sit on the Standing Committee on International Trade. That was a very interesting experience. However, I was disappointed to see that Canada seems less and less competitive on the international scene, including in its efforts to penetrate markets. I am aware that the world is changing significantly and that, contrary to what we might believe, free trade no longer seems to be a priority in many countries. Our Canadian businesses are coming up against ever greater protectionist measures in a number of markets, including emerging markets.

Be that as it may, let us concentrate on what we are doing. You point to the Canadian Trade Commissioner Service as an avenue that can be used to sustain growth and to help with commercialization. However, today, that service faces the challenge of doing more with less. Is that a concern for you in terms of the services it offers?

• (1640)

**Mr. Serge Landry:** It is. Though products are less tangible these days, in the sense that we no longer sell products in boxes, we distribute everything digitally, the fact remains that we still have to find partners to help us with the visibility of those products in emerging markets. I have worked in sales all my life. The product you are selling matters little, you are selling it to people; you are selling something to somebody. So you need an intermediary to

introduce you to that somebody, whether in Beijing, in Accra, Ghana, or in Stockholm. It takes people who know the local people, people who can open doors to those markets for you.

You do not get to understand the cultural market in China, for example, from a distance. Last October, I was in Beijing with Minister Lisée's economic mission. We have to see the business situation in countries like that for ourselves. We have to find out who the players are, who the operators and the product distributors are, who gets the best results, who we have to associate with to make sure that our products, our games, are successful in that market.

There is also the whole area of localizing one's products. Some games cannot be sold in foreign markets just as they are; they have to be tailored to a country's culture.

The trade commissioners can introduce us to the right people and can explain the major differences that will allow us to get into those markets.

**Mr. Raymond Côté:** Do you think there are markets that are being overlooked right now, that are not covered sufficiently? Off the top of my head, there is Africa, which is a very dynamic market. Of course, development in Africa is uneven, but, with significant growth rates, Africa provides attractive business opportunities.

**Mr. Serge Landry:** In our industry, Africa has a certain growth potential. The fact is that console users are few and far between, and mobile phones are just starting to be used in some countries.

Right now, Canadian companies should pay particular attention to Asian markets, such as Japan, Korea or China. Those countries have huge critical masses of users, and games can be incredibly successful if they break into those markets. Most companies are currently turned toward traditional markets such as England, the United States and Europe. I think we should review our way of producing and marketing our products to Asian markets.

**The Chair:** Thank you, Mr. Landry and Mr. Côté.

[*English*]

Welcome to the industry committee, Mr. Lizon. You have eight minutes.

**Mr. Wladyslaw Lizon (Mississauga East—Cooksville, CPC):** Thank you very much, Mr. Chair, and welcome to everybody here, and Mr. Benoit, via video conference.

I'm not a regular on the committee. I'm subbing for one of my colleagues. I would like to ask a question along the same lines regarding skill shortages that you experience as well.

Skill shortages is not something that you would face, but it's a problem for many businesses, especially skilled trades shortages. It's a very huge problem for our economy and businesses, especially in the construction industry with a shortage of welders, machinists, you name it.

I'm quite confused. It almost looks to me like it's a vicious circle or a catch-22 situation. You don't have the people you want because we don't train them. I don't truly understand what the real reason is because it's not really anything similar to skilled trades shortages where the mindset is if your kid won't go through university, it's a huge failure. It is what we have to eventually change.

In your field, you require high tech skills. Where is the real gap? On the part of the artist, there's an oversupply of artists in Canada. There's an oversupply of artists in general. I guess they would have to get some training to fit your specific needs, but there are lots of performing artists and visual artists, and for them to actually find employment, it's sometimes next to impossible. Therefore, where's the problem?

We're talking about scalping or poaching. Actually I was very surprised. I am optimistic, however, for the future because at one of the pre-budget consultation meetings, I heard from a Target rep that Target does not actually do poaching. They do something that is very civilized. It's talent acquisition, which I guess makes a huge change for everybody. It means the same thing, I guess.

Where is the gap? Where is the problem? We talk about a national strategy, but where are the universities? Where are the colleges? Why don't they react to market needs?

• (1645)

**Mr. Serge Landry:** I think they react, but you have to understand that the video game industry is evolving so fast. The tools that we use now to create the games didn't exist four years ago. By the time that universities and colleges get on board to follow the industry lead, and the emerging new platforms... Even for the actors, the motion capture technology didn't exist four years ago.

We need to train the people we have to work with these new tools and technologies. That's why abroad, where these technologies sometimes were created, we have the know-how, we have the skills. That's why we need the skills from outside, those who know these new technologies, to teach the younger people here, and help them acquire these skills.

**Mr. Wladyslaw Lizon:** On slide 14, issue number 2, regarding skilled worker shortage, you state in your presentation:

Barriers to immigration must come down. Foreign Skilled Workers are essential to the sustainability and growth of our industry. They not only provide necessary labour but are key to transferring skills and mentoring our more local talent.

You are talking about dynamics and about the fact that the industry is new. What are the other countries doing better than us to have the necessary skills that we don't? The industry is relatively new, and it's new for those countries. I don't know specifically what they are.

**Mr. Serge Landry:** It's newer for us. The origin of video games goes back to two major hubs that are ahead of Canada, namely California and Japan. A lot of these skilled workers come from these areas as well. Our industry is younger than theirs; that's for sure. We barely had an industry before 1997.

**Mr. Wladyslaw Lizon:** What would you say would be essential to make sure that the army of young people who cannot find employment, and are not far from the fields that you're looking for,

can gain the necessary skills to get employment and grow your industry?

**Mr. Serge Landry:** If I may, I think once more it's by having senior people mentoring the younger guys and being able to work on creative projects and innovations that are being built within the company, as we speak. That's what's going to make these younger guys able to teach and mentor other people in the future.

• (1650)

**Mr. Wladyslaw Lizon:** I understand, but who is supposed to run it? Is it the companies, the colleges, a combination, or a collaboration of both? How do you see it being implemented?

**Ms. Deirdre Ayre:** I think it does need to be a collaboration.

To your earlier point, there are just too few seniors. It's not that we don't have people who are up to the standard that may be in the United States, or in the U.K., or what have you. We do. We just don't have the number for the fast pace that the industry is growing in Canada. We just need more.

Also, some of these issues are different, as I mentioned, in different regions and in different provinces, and it's the size of the companies. You're talking about some companies that have three and four employees, and you're talking about other companies that have 3,000 employees. We're not going to all have the same needs, although we all seem to agree there is a skills issue, and there needs to be more transfer of information in skills.

I think some of the points that Professor Benoit was making were excellent, and it goes to Serge's point too, of how quickly the industry is changing. We need to have ongoing training programs even for these highly skilled workers because things are changing so quickly. It's really not something we've really seen before. A lot of these issues are new and they're not things we've been able to plan for. Things are changing so quickly.

**The Chair:** Your time is up.

Mr. Benoit, I did see that you're making some notes, so if we have time at the end we'll try to give everybody a couple of minutes to wrap up.

[Translation]

Ms. Borg, you have eight minutes.

**Ms. Charmaine Borg (Terrebonne—Blainville, NDP):** Thank you very much.

I would like to thank all the witnesses for participating in our meeting today and for sharing their comments on this industry, which is very important for our economy.

My first question is for everyone. Is it important to implement a digital strategy to ensure the growth of your industry? If so, what should this strategy include in order to allow the video game and entertainment industry to develop?

It doesn't matter who goes first.

**Mr. Serge Landry:** We have been talking about this digital strategy for a long time in Canada. It is important to clearly establish what we want as a type of business, as a type of industry. To do so, we can match the needs of educators like Mr. Benoit with those expressed by major companies, like the Ubisoft of the world, and smaller companies, like my colleague Deirdre's company.

In developing such a strategy, we must consider all those needs. Yes, we must take time to analyze things, but we must also take action. Right now, action is long overdue.

**Ms. Charmaine Borg:** I completely agree. Thank you.

Does anyone else want to comment? Mr. Benoit, do you have something to add?

**Mr. Jocelyn Benoit:** It is essential that the new digital strategy supports the creation of Canadian intellectual property, but the rest of the industry must not be ignored. Foreign companies that come to Canada are important, but I think the future also depends on the support for small businesses that are starting out and that want to create something new that belongs to Canada. That depends on R&D and investment, among others.

Let me go back to what I said earlier. The risk must be spread between the industry and training institutions, including the various Canadian universities. That is what is being done in other more established fields, particularly in construction.

**Ms. Charmaine Borg:** Thank you.

Ms. Stiles or Mr. Peacock, would you like to add anything?

[English]

**Mr. Simon Peacock:** For us, I think it comes down to a policy that will help establish stability within the industry to make sure that the games companies that we already have continue to thrive, and that the small companies can grow, and we can bring more industry into Canada. From an actor's point of view, that would be a blessing. We would have all these amazing companies making amazing games here, giving us amazing work, and really putting Canada on the map, as companies here already are doing. I think that's a continuation of what we'd like to see.

We also see other countries becoming increasingly aggressive. That also goes to the point of losing skilled labour. A lot of Canadian skilled workers on both sides of the industry get taken out of the country. I know that London, England has become a particularly aggressive player in the industry and is really coming after the most talented workers in the video game industry. I work with the companies all the time. I'm in studios all the time with people who work at those companies, so I have witnessed first-hand the turnover they have within the industry. The people who are here today are gone tomorrow.

•(1655)

[Translation]

**Ms. Charmaine Borg:** Thank you very much.

My next question is more for Mr. Landry, but, if other witnesses also want to comment, please do so.

Tablets and more mobile games are converging. What are the resulting challenges for companies in this sector? What could the federal government do to help you meet those challenges?

**Mr. Serge Landry:** The challenges are considerable. As I said, the industry is evolving very quickly. Methods for monetizing products marketed right now are still being developed. We are still experimenting with those methods. In addition, we must keep the knowledge acquired in this field in Canada.

Earlier, we talked about talent in administration and upper management. It was said that the commercial aspect of the industry had to be more regulated. Unfortunately, boxes are no longer being sold today; virtual products are instead. How can we make our products more known? I have already suggested that a Canadian publishing agency be created to help businesses market their products.

In November 2011, we launched our game ourselves. That same day, 1,172 other new applications came on the market in the App Store. You can imagine how challenging it is for us to stand out from the mass.

**Ms. Charmaine Borg:** Yes, absolutely.

Mr. Benoit does not seem to want to comment. I will therefore proceed with my next question, which is mostly for Ms. Stiles and Mr. Peacock.

How can we encourage Canadian content on the web, whether it be the content of the video game industry or yours, more broadly based?

[English]

**Ms. Marit Stiles:** If we're going to talk more broadly for a moment, one of the things we've been looking for is that the CRTC get interested and involved in over-the-top broadcast. Right now we have no way to ensure that a percentage of the revenues generated by the kind of online content that is broadcast by these over-the-top providers goes back into Canadian content production, in the same way that the CRTC regulates television broadcasts. That's something we're going to be talking about with them in their current Let's Talk TV review.

[Translation]

**Ms. Charmaine Borg:** My next question is about research and development funding.

Recently, there have been changes to research and development programs. How have those changes affected your businesses?

**Mr. Serge Landry:** Frankly, I am not very familiar with that aspect of the industry. Of course, research and development is a key element in the growth of our industry, in light of all the emerging technologies, such as 3D printing. In my studio, we work with augmented reality and we invest a lot of money in this area.

Perhaps Mr. Benoit can add to that.

**Mr. Jocelyn Benoit:** Yes, we have invested a lot of money in applied research and a little less in basic research, which means that 3D animation, the arts and design have been sort of left on the back burner. However, they are major components of video games. The same goes for research in dramatic arts, for theatre and actors.



[English]

**The Chair:** We'll go to our final questioner, Mr. Holder.

**Mr. Ed Holder:** Chair, providing that the responses are not too long, and even worse, that the comments from the questioner are fairly brief, I'll share my time with Ms. Bateman.

As a prologue, my good friend Monsieur Côté made a comment. He and I sat on the international trade committee together. He made a comment about the importance of trade and the challenges of emerging markets.

At some point it would be interesting to get some of you also before the international trade committee as witnesses to get a sense of what issues on CETA could impact upon your industries.

Perhaps I misunderstood, but I want to make sure that the record is clear. I would say that there is a strong emphasis on the part of this government to promote more and stronger trade deals. As a result of CETA, our European comprehensive economic trade agreement, we will now have, between NAFTA and CETA, the two strongest economic markets in the world, of some 950 million or close to a billion people.

We're not done. We have the Pacific alliance and the Trans-Pacific Partnership that we're focusing on, as well as the attention we are putting towards Japan, India, and South Korea. You probably didn't need to know that, but I heard my colleague and friend make that comment. I just wanted to clarify.

I've learned a lesson through all of this, that the prototype of the individual who is the perfect digital gaming employee is not 23 years old, does not necessarily wear jeans, although I'm curious, and doesn't wear thick glasses. They look a lot like Dan Harris, actually, I'm told. God help you all, if that's true, but it is what it is.

Here is the question I have for our friends here.

Mr. Peacock, you made a comment in earlier testimony. You said that TV is suffering. I thought about that long and hard, but you said that video gaming has picked up the slack to some degree, because actors have gone into it to some very positive degree. I hope it's financially rewarding.

But isn't this logical? I was thinking of Canada Post. What are some of the challenges of Canada Post? It's a million fewer pieces of mail every year. What is the challenge facing television? I think people are going towards computers, and the little kids are watching TV less and playing the games more.

Isn't this logical? Is this just a kind of evolution? Would you imagine, or could you imagine a push back to TV, or is that the good old days at this point? You are young, but is that the good old days?

• (1700)

**Mr. Simon Peacock:** In my opinion, that's probably the good old days. With the changing media, I think we're going to find that television is going to be harder and harder to carve out as a niche. You can see the model already with Netflix with *House of Cards*, for example. That is how people want to watch television now. The product itself, the end result, is very similar, but the delivery mechanism is changing.

**Mr. Ed Holder:** That's a very compelling comment.

I heard Ms. Stiles say that one thing that might be useful would be something like a federal labour-based tax credit, if I heard correctly. You made reference to there being four different provinces that have it, but I missed the fourth. One, I think, was British Columbia—

**Ms. Marit Stiles:** Did I say four? I thought I said three, but I'll double-check. I'm familiar with B.C., Ontario, and Quebec. I don't know whether there's another province.

Do you know, Simon?

I can double-check that for you and get back.

**Mr. Ed Holder:** Since I'm the total opposite of Mr. Harris, which means I'm quite old, my hearing could have gone at that point. But I'm going to tie this in.

Mr. Peacock made the comment, concerning training programs, that education and training should be federal. In both those cases you made reference, Ms. Stiles and Mr. Peacock, to the provincial education and training. Yes, we give blocks of money to the various provinces, but it is provincial.

While there are certain issues, such as interprovincial trade barriers related to labour mobility and the like, I'm not sure that your industry experiences them, but perhaps I could ask you. Is labour mobility a problem for you?

**Ms. Marit Stiles:** Did you say labour mobility?

**Mr. Ed Holder:** Yes. If you want to bring somebody from Prince Edward Island or Newfoundland, just say for fun, to Toronto or Montreal, is it problematic? Is that an easy thing?

**Ms. Marit Stiles:** It generally is. It's true that when you have a labour-based tax credit that is based completely on residency, it could be an issue, but generally speaking, that's not on 100% of labour, so I don't think it actually means—

**Mr. Ed Holder:** That may not be the issue per se. Isn't the argument more—

**Ms. Marit Stiles:** We're not the full-time employees.

**Mr. Ed Holder:** —that what you need to do is to encourage more provinces than the ones you cited to participate more in labour-based tax credits, if you think that's the way to go, in part?

**Ms. Marit Stiles:** Yes. I mean we certainly continue to work with the provinces, but as in the film and television industry, the federal government can implement tax incentive programs as well. What we've seen happen, of course, is that competition arises among the provinces. What we'd like is to see ourselves across the board as competitive globally and also to have tax credits, as I said, that are tied, in the case of our members certainly, to their residency in Canada.

•(1705)

**Mr. Ed Holder:** Mr. Landry and Ms. Ayre, it's interesting. This seems to be a relatively new industry by all accounts. I think all of us have agreed that relative to the age of Canada as a country, it's relatively new, but probably from every group I've heard that the only thing that makes this live is tax credits.

My wife has the oldest flower shop in Canada, 1869, in case you were curious. I share that because she doesn't get a tax credit. My daughter owns a beautiful Belgian chocolate shop. You'd like some. I should have brought some for you and I apologize that I didn't. Next time I will though. She doesn't get any tax credits. By the way, she gets what any business gets, which are the federal tax advantages where, thank God, federal taxes have gone down, which is good.

What sets you apart from my wife's flower shop or any business down the street, even relatively newer companies? Frankly, shouldn't they be getting more of these tax credits as well? I'm trying to understand that.

Mr. Landry, do you have a thought on that?

**Mr. Serge Landry:** I have to be careful. There are two ways to look at it. You want to attract the bigger players, and it is important for the bigger players investing in any country to be able to sustain their investment in the long run. That said, video games or the oil industry need those tax credits to make those kinds of investments for the longer term.

Those tax credits also help the smaller players push forward, to be able to work on the few dollars they have to make them work longer. You have very limited capital, so you need to make this capital go a long way. That's why the tax credits are important.

**Mr. Ed Holder:** Perhaps you might join me in a conversation with my wife when I tell her she's going into a new industry now, perhaps with you.

You referred to a company that was sold to a Japanese company for \$1.5 billion. Was that a Canadian company? It was a Finnish company.

**Mr. Serge Landry:** Yes, a Finnish company.

**Mr. Ed Holder:** What was the name, please?

**Mr. Serge Landry:** Supercell.

**Mr. Ed Holder:** Here's what's interesting. Do we raise the value of a Canadian company? Let's say we all believe that we want Canadian companies to grow, to hire more Canadians. I'm with the actor folks on this. I really like the spirit of that. Hiring more Canadians is a good thing, and putting Canadians first is a very good thing.

But when you get to that point, all of a sudden do you move your operation down to California because you get a better tax credit? Or do you sell it for a whole lot more money and all of a sudden all those Canadian jobs are gone? Is that the risk? Is that just normal business, or—

**The Chair:** Thank you very much, Mr. Holder.

I'm sorry, but we're out of time now.

**Mr. Ed Holder:** Is there time for a response, Chair?

**The Chair:** If somebody wants to answer that, right now I'm going to give each organization three minutes to wrap up. You can include that in your wrap-up, but we have to be disciplined in the three minutes, because we have some business to attend to after this.

We will begin with Ms. Ayre.

**Ms. Deirdre Ayre:** I'm going to answer your question instead of doing a wrap-up.

My brother went to university in the United States. He happened to have been born there, as my father was there at school at the time. He ended up staying there and starting a video game company in 1990 in California. He always dreamed about starting a company in Canada. Despite the fact that when I did the due diligence it wasn't such a wise idea for him to open it in Atlantic Canada, he did invest in Prince Edward Island and then in Newfoundland. He has since sold much of his interest in California and he focuses on his Canadian companies. He's done the opposite.

I also want to mention there are no provincial tax credits in Newfoundland or Prince Edward Island. You can tell your wife that.

**The Chair:** I'm glad we wrapped up with a good Canadian story. Ms. Stiles, is there any point you want to make before we wrap up?

**Ms. Marit Stiles:** No, just to thank the committee for all your excellent questions and this important study, because it's a very important industry to our members and to so many Canadians, and there's a lot of potential. It's great to see this study taking place.

**The Chair:** Monsieur Benoit, you have two to three minutes, if you want to wrap up with some points?

[*Translation*]

**Mr. Jocelyn Benoit:** I would like to conclude by simply thanking the committee once more for carrying out this relevant study.

Let me go back to what I think is a very important point, that is, the creation of intellectual property for Canadian companies. In the medium or long term, I think that will enable us to at least increase our chances of keeping jobs in Canada instead of outsourcing them to other countries.

**The Chair:** Thank you very much, Mr. Benoit.

[*English*]

Thank you very much to all the witnesses. I know all my colleagues have benefited from your great testimony.

We're going to pause for a minute to go in camera. When we pause, I'm certain they'll all want to thank you and bid you adieu.

[*Proceedings continue in camera*]







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