



CANADIAN ARTS  
**COALITION**  
CANADIENNE DES ARTS

# DigiCanCon Submission

*Summary from a live consultation on Digital Innovation in the Arts, and of a roundtable discussion with the Minister of Canadian Heritage, respectively held on October 24 and October 25, 2016*

## Introduction

In conjunction with Arts Day on Parliament Hill and as part of the [Digital Innovation Council for the Performing Arts](#), the Canadian Arts Coalition and the Canadian Arts Presenting Association (CAPACOA) jointly held a 2.5-hour long dialogue session on Digital Innovation in the Arts. Based on the DigiCanCon framework and using liberating structures and open space moderation techniques, this consultation generated bold ideas and elicited insights that were then discussed with the Minister of Canadian Heritage during a 60-minute roundtable. Among the 32 participants at these two events were artists and representatives of arts service organizations from many disciplines and industries: music, theatre, opera, dance, visual arts, literature, and magazines. Both events were moderated by Frédéric Julien, Director of Research and Development at CAPACOA, and by Inga Petri, President at Strategic Moves.

The key ideas from these two events are summarized below. Each one is attached to one of the three themes for the consultation on Canadian content in a digital world.

## CREATIVE AND EMPOWERED COPYRIGHT SYSTEM

*– Focus on respecting citizen choice and supporting creators in making great, compelling content*

The arts sector is driven by content first: creators, artists and arts organizations that produce work. In envisioning a digital future where Canadian arts and culture content is of high quality and readily available to Canadians (and can achieve global reach), we have to develop business models that value the artists and creators for their work adequately.

Intellectual property protection through copyright is an effective way to support creators, and it can be achieved in a fashion that respects citizen choice. For example, collective management of rights is acknowledged as an effective mechanism that provides citizens with endless choices at an affordable rate. In the visual arts sector, 93 countries have implemented the Artists' Resale Right: a five percent royalty on the resale of art works. Canada doesn't yet have the Artists' Resale Right, and our artists – Indigenous artists in particular – are missing out on the tremendous profits being made on their work in the secondary market.

In a digital world, copyright is being devalued more and more as digital access demands ever lower pricing and lower royalties. The worst-case example of this is the Copyright Board's decision on Re:Sound Tariff 8 for music streaming: a song must be streamed 20,000 times for

the rights holders to earn enough money to buy a cup of coffee. Similarly, the educational exemption in the Copyright Act has deprived artists and authors of precious revenues. These are huge issues in terms of sustaining artists and industries.

The upcoming review of the Copyright Act is an opportunity to contemporize copyright and to implement the Artists' Resale Right in Canada (the ARR is in fact ready for implementation now and doesn't need to wait until the review of the Copyright Act). Moreover, technology offers opportunity to empower rights management.

The blockchain technology, invented by Bitcoin, could well offer a solution to manage rights more efficiently and to protect the value of arts. In the music industry, SOCAN and Re:Sound are partnering with Core Rights to implement a new licensing marketplace based on blockchain technology that will make it faster, easier and more accurate to operate collective rights management. In the live performance sector, blockchain may make it possible to bind a contract to an electronic ticket preventing the resale of ticket above face value or ensuring that a percentage of the profit from resale goes back to initial ticket issuer. The blockchain technology could also be the backbone of Canada's Artist's Resale Right, enabling efficient management of both physical and digital works.

With the right legislative framework and with digital innovation, Canada can strive for both greater support of creators and increased choices for citizens.

## NEW AND DIVERSIFIED CONTRIBUTIONS TO CONTENT DEVELOPMENT

*– Focus on respecting citizen choice and supporting creators in making great, compelling content*

### A Spectrum Auction Levy: Airwaves Serving the Public Good

As highlighted in the [2016 Analysis of the Federal Budget from the Perspective of the Cultural Sector](#), private sector contributions to content development have, at best, hit a plateau or are decreasing. Contributions from broadcasting distribution undertakings (BDUs) to Canadian programming in 2015 totaled \$436.9 million, down from \$474.9 million in 2014 and \$493.6 million the previous year.

As the financing models for Canadian content are shifting from traditional broadcast; we need to find new ways to obtain support from the private sector in the digital value chain.

Of all the options on the table for new contributions to content development, the Canadian Arts Coalition believes a levy on spectrum auction to be the best option.

The notion of "airwaves as a natural resource to be reserved for public use" has been among the foundations of Canadian broadcasting policy. Radio spectrum is made available to private broadcasters through licensing, of which the revenues are reinvested as tangible benefits. Similarly, satellite spectrum is made available to broadcasters through licensing and

certification-related fees; these revenues are also partly reinvested in Canadian content development. It therefore only stands to reason that wireless spectrum for broadband transmission, made available to mobile service providers through auction, also be subject to some form of levy to support creation and content development.

More and more Canadians access content via mobile devices, and we consequently see a displacement of leisure spending. Between 2011 and 2014, household expenditures for mobile services increased by 30%. In 2014, Canadians spent on average more for mobile phone services – \$992 per household – than for all types of entertainment services combined – \$902 (see CAPACOA’s [Recreation Spending](#) report). In this shifting environment, wireless spectrum auction is bound to be a growing and reliable source of revenue for content creation.

This being said, as the demand for wireless spectrum increases, the government will have to ensure that the spectrum dedicated to auxiliary devices such as wireless microphones remain unchanged. A repurposing of this spectrum for broadband data transmission could hurt the live performing arts sector and other businesses that rely on wireless microphones.

### **Sales Tax and Income Tax: One Social Contract for All**

Netflix doesn’t collect and remit sale taxes; Shomi did.

Netflix doesn’t pay income tax in Canada; Shomi did.

Netflix is alive and well; Shomi folded.

Canada must work with the OECD to ensure that the Google, Apple, Facebook, and Amazons of the world play by the same rules as Canadian Content providers. Unless the largest content providers follow these basic rules, there can be no social contract. This is a prerequisite to having a dialogue about contribution to content development with OTTs.

## **A BROADER OUTLOOK AT THE NOTION OF DIGITAL INFRASTRUCTURE**

*– Reflect Canada’s incredible diversity in the content that we produce*

Canada’s digital infrastructure isn’t only made of optic fiber cables and wireless spectrum. It is also made up of the people who access, to varying extent, and use this physical and technological infrastructure within their finite digital literacy – these resources.

While we strive to reflect Canada’s diversity in the content that we produce, we also need to build a stable, reliable and secure internet/digital infrastructure that is accessible to literally everyone in the country: the North, in First Nations communities across Canada, rural and remote parts of the country.

Similarly, we also have to acknowledge that artists and arts organizations have varying levels of digital literacy. We are looking for equitable support for the acquisition of know-how and the

development of strategies specific to the needs of individual organizations, artists and communities. With subsequent investment to maximize internal digital capacity and infrastructure, arts organizations may reinvent themselves as technological creators and connector (similar to the reimagining happening within the library sector).

Ultimately, we need provisions for digital infrastructures where many creative cultures are not just represented, but mingle and integrate as a living entity. Cultivating art transcends the physical.

## CREATIVITY AND INNOVATION HUBS

*– Drive social and economic innovation by forging strong links between creativity economic growth, and social resilience*

If arts and culture are the fauna and flora of the innovation ecosystem, then arts and culture should be part of the federal innovation agenda, across departments.

Canadian Arts Coalition members envision a future where innovation and creativity could be nurtured in innovation labs spread across the country – hubs where the arts sector, creative industries and technology industry come together to drive knowledge, know-how, creation of new kinds of arts, creation of new business models to unlock new value for Canadians, as well as artists and creators.

Creativity hubs exist around the world – [Subtopia](#) in Sweden is a fascinating example of creative clusters – and, to some extent, in Canada – the [Phi Centre](#) in Montreal brings together creators at the intersection of art, film, music, design and technology. We need more of these incubators in Canada, with a strong research and development focus, with cross-sectoral partnerships and with an accelerator model.

The accelerator model, borrowed from Silicon Valley tech startups, offers many benefits:

- Addresses equity and resource distribution – anyone from any class, age group or culture can apply to an accelerator program they just need a good idea.
- Is user or citizen focused – you can't move forward in the process until you have validated your idea with your potential market.
- Increases success and reduce waste – fail fast, fail often, fail cheap.
- Provide a framework for testing – experimentation, small user focused questioning.
- Promotes shared learning – peer learning and mentoring experience.
- Invites cross-sectoral partnerships – outside experts, different perspectives.

The mandate letter for the Minister of Innovation, Science and technology recognizes the value of accelerator programs, and have charged Minister Bains with increasing support to

accelerators because they are a recognized means to making business more prosperous, more competitive in the global economy. Creativity hubs with accelerator programs will deliver these benefits and will also translate in improving social well-being of Canadians, increasing relevance to a growing diverse Canada.

Funding for creativity and creation hubs could come from a spectrum auction levy.

## CONNECTIVITY IS KING

*– Drive social and economic innovation by forging strong links between creativity economic growth, and social resilience*

If the premise is accurate that in the digital age it is not content that is king, but connection is king, we need support to understand how to make those connections, and how to we monetize those connections.

Currently, in spite of the long-tail promise of the Internet, artists/creators have little influence over the digital distribution infrastructure. As a result, our artists' creative output remains largely excluded from mainstream distribution systems, and cannot be easily connected with viewers, readers, audiences from Canada and around the world.

We need to build and support new business models that help us unlock new value (definition of innovation), reach broader audiences, and ensure the fair compensation of the artists/creators and stakeholders in the creative chain.

## ARCHIVING IN A DIGITAL WORLD

*– Drive social and economic innovation by forging strong links between creativity economic growth, and social resilience*

As we create in the digital realm there is a false assumption that content will be and remain accessible to all. Digital dissemination and archival are in no way synonymous. Over time content may become degraded digitally and/or no longer be accessible. In addition, a number of cultural biases determine what we preserve, what is accessible and what we consider historically relevance.

In the media arts sector keeping archives of works over time is a real concern. Moreover, while the archival process presents some overlap with copyright management, often archives that do exist are not online because of copyright concerns.

As part of the business model innovation, there is a need for support to maintaining and accessing our past work to artists and communities, while ensuring that our current work is also accessible for the future. We need to question whose material we deem worth archiving and for what purpose. Digital archiving methodologies are integral to Canadian cultural sovereignty.

### About the Canadian Arts Coalition

The Canadian Arts Coalition is a collaborative non-partisan movement spearheaded by a group of national arts service and membership organizations. We are united in the belief that a strong arts and culture sector contributes to economically vibrant, liveable, and innovative communities, and that strong federal cultural policy and investment frameworks leverage arts and culture's contribution to the Canadian economy, Canadian communities, and Canada's standing internationally.

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