

# Fostering Arts and Heritage in Changing Times

Tom Perlmutter

Thank you, Minister Moore and Minister French.

Honourable Ministers and guests I appreciate the invitation to speak to you who are at the front lines of probably the most interesting times for arts, culture and heritage.

I am also very happy to be back here in Newfoundland with Minister French whom I met earlier this summer when we participated in the launch of a revitalization project on Fogo Island that married the best of local cultural traditions with a global arts community using some very advanced digital technology. I'll come back to that.

Today, I'd like to talk about our changing times and what it means for us.

There is a wonderful opening in Charles Dickens' **Tale of Two Cities** that seems apt for our situation:

*"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us."*

Dickens was writing about the French revolution. We have a different kind of revolution today—we call it the digital revolution and it seems to elicit the same range of emotions. No wonder. It is a revolution which, in its impact and its consequences, is as profound, if not more so, than the industrial revolution of the late 18<sup>th</sup> and 19<sup>th</sup> centuries. Like the industrial revolution, it touches everything and changes everything: how we organize our lives personally, socially, economically, politically, and culturally. It creates new industries, transforms traditional ones and alters the organization of work and social relations. It

provokes change with a rapidity and continuousness that we have never before experienced. It is corrosive, disruptive, exhilarating and frightening.

Consider that worldwide over 1 billion users are now connected to the Internet—close to 20% of the planet. 20% of all human beings. Connected. Across borders. Across languages. Across cultures. And that number grows daily. The impact of mobile will be even more profound because of its ability to penetrate where landlines and electricity are not widely available.

A small parenthesis. Last summer, I visited some very remote regions of rural Uganda and Rwanda where there was very little in the way of any kind of infrastructure but there was cellular service provided by up to six competing companies. One might have to walk several miles to a village community centre to charge one's phone but you would be connected to the world. There were also immediate and impactful economic benefits. I spoke to one young entrepreneur who was developing SMS applications that would allow local government, NGOs and aid organizations to deliver transformative agricultural information to farmers in the field. New technology, new application, new farming methods potentially add up to a more stable food supply, increased wealth in rural areas and an overall improvement in quality of life. Perhaps a lesson there too about the benefits of competition.

In Canada we are among the most avid users of digital technology. According to the Comscore 2009 report, the digital media universe in Canada has grown 11 percent over the past three years. This week a new study reported that while ad spend was falling in nearly all Canadian media in 2009 on line ad revenue grew by 14%. Online advertising revenues are on the verge of displacing daily print ad revenues as the second largest source of ad revenues after television. Deloitte predicts on line will draw even with television within a few years with major consequences for how we fund Canadian audiovisual programming.

On average there are more than 24.5 million Canadians online each month—among the world's highest Internet usage rates. In March of this year Ipsos reported that for the first time ever in their tracking research, the weekly Internet

usage of online Canadians has moved ahead of the number of hours spent watching television.

*Crucially, Canadians are also the greatest consumers of video on line. Total videos streamed grew 123% in 2009 versus a year earlier--a monthly average of 263 videos per viewer. Time spent watching online video surged even more dramatically with a 169% increase. By the end of 2009, the average unique viewer was spending 20.6 hours per month watching video. While YouTube accounted for the largest share at 30%, significant growth also occurred among long tail sites (such as our own NFB.ca), which held 55% share.*

The impact has been very disruptive to Canadian cultural industries. Over the past five decades we've built a sophisticated system of policies and support at the federal and provincial levels for the arts and cultural industries. They have been structured on the basis of a protected universe with high barriers to entry, enforceable regulations such as for content quotas, and clear ways to monetize content. It has been a durable system able to absorb and adapt to change. For example, we managed the transition from a single-digit channel universe to the 500-channel universe very well within those same set of rules despite a lot of anxiety at the time about what audience fragmentation would do to our ability to deliver quality Canadian programming. The fact is we increased the total amount of Canadian programming and supported the burgeoning of a dynamic private production industry.

It is not clear, however, that today's challenges are of the same order. In the movement from 5 channels to 500 channels control still lay with the broadcasters, over the air and specialty; digital has flipped that on its head. The undermining effects of digital technology, if that is how one wants to view it, allows users the freedom to disregard national frontiers or established ways of delivering and consuming content—what we used to call the orderly marketplace with theatrical windows, pay windows, over the air broadcast windows, specialty channel windows and home video windows. That model that may soon have as much currency as the singing telegram—perhaps less.

Here is another reminder of the nature and rapidity of change. A few months ago the New York Times did a 10<sup>th</sup> anniversary piece on the Time-Warner/AOL merger. You may remember that it was the ten-day wonder of the then incipient brave new digital world, marrying old and new to create the media behemoth of the future. It crashed spectacularly. This is what Gerald Levin, architect of that merger, had to say about it:

“I used to think at the time it was a clash of cultures and a misreading of the dot-com bubble, but I now upon reflection believe that the transaction was undone by the Internet itself. I think it is something no one could have foreseen. What I call the rolling thunder of the Internet started actually to eat its own, which was AOL. AOL was the Google of its time. It was how you got to the Internet, but it was using some old media business ideas that were undone by the Internet itself, and that’s why Google came along.”

Ten years ago AOL seemed as invincible as Google does today. Google is just over ten years old. YouTube recently celebrated its fifth anniversary. Twitter was launched in March 2006. Facebook extended beyond its original college circuit only four years ago. Now, almost one in two Canadians has a Facebook page. In four years.

The point is that the digital world is in constant transformation and we have no way of predicting what that world will look like in five years and who the new conquerors of the digital space will be. It may be players who don’t exist...they could be Canadian. Given the range of talent and smarts here one of the questions we need to ask is why haven’t any of the big players emerged from Canada? And what can we do to ameliorate the picture for the future.

The current wave of digital technology is so potent because it strikes at two core needs: the need to exert greater control over our lives and the irrepressible urge to express ourselves, to be players and not just observers. This, I think, is one of the great engines of the ongoing growth and strength of social networks which today account for over 40% of Canadian Internet usage. Marry that with the changing face of Canada and you can see that there are very interesting social transformations going on. Projections of Diversity of Canadian Population predict

that within a couple of decades our major urban centres will be composed of what we today call visible minorities: Toronto and Vancouver at 60%; Calgary and Ottawa 35%; Montreal, Edmonton and Winnipeg pushing towards 30%. It is not uniform and it is not across the country. But these urban centres tend to be the drivers of our cultural and media industries.

The changing face of Canada may hold the key to a significant competitive advantage in a globalized digital universe. With our unmatched level of diversity we can speak to the world in ways that no other country can.

We talk about the digital revolution in terms of an economic strategy and global competitiveness. There is another side to the story. As much as it is said that digital democratizes media it is also a solvent dissolving social cohesiveness; it facilitates the formation of communities of interest as much as communities. The paradox of the virtual world is the isolation of connection. Those communities may also include the communities left out; stranded on the wrong side of the digital divide. Or, despite our very strong and vibrant francophone culture, in the free-ranging world boundary-less world of digital English is the predominant language; French occupies under 5% of the world wide web. In moving forward we need to understand that there is something crucial at stake here—it has to do with bringing Canadians together. If we park that at the door we do ourselves and our country an enormous disservice. Canadians of whatever hyphenated variety have a yearning to connect beyond their individual interests—we saw that in the phenomenal outpouring of pride during the Vancouver Olympics. It tapped into a deeply felt need. If we recognize this then digital can also become a powerful tool to create social cohesiveness.

This is the reality that you are facing as you ponder how to remake policies and support systems to ensure the continued relevance, vitality and success of our cultural industries for the next fifty years and to do that in a context of many other competing priorities and an urgent necessity to contain the deficit. I am also acutely conscious, as I noted, that the digital revolution is not uniform in its effect. In the north and rural Canada issues of access are pressing.

I thought in this context it might be useful to look at the NFB and ask how we have responded to the digital challenge? How do you transform the old and venerable to the young and radical? How do you move from the tried and true to the new and exciting? How do you become pertinent? How do we justify continued taxpayer investment in cultural institutions? And are there lessons to be learned for others?

Brief recap. The NFB was established in 1939 to reflect Canada to Canadians and the world in a time when there were few other alternatives. Since then it has constantly adapted itself to changing realities to remain a distinctive public producer and distributor. It is not a financier like Telefilm to foster the growth of the industry. It's role is to create content that the marketplace cannot provide. Over its life it has produced some 13,000 works, won well over 5000 major national and international awards including 70 Oscar nominations and 12 Oscar wins—more than any other organization outside the Hollywood studios. We are now adding a slew of new media awards to the list including Webbys (five nominations this year alone), the Oscars of the interactive world. Last year on its 70<sup>th</sup> anniversary the NFB was feted around the world receiving the gold medal at Cannes, hommages in Brazil, China, Japan, the United States, Britain and many other places. It is the best known Canadian cinematic brand in the world and stands proudly alongside other global brands like National Geographic and Walt Disney. But like any institution of long standing the NFB has had its ups and downs.

Let me paint a portrait of what it was like when I arrived at the NFB in 2002 as the then head of English Program. I remember going across the country, speaking to NFB staff. One thing stood out and shocked me: my people were telling me that when they mentioned the Film Board, outside of any industry context, the response more often than not would be: oh, does it still exist?

The NFB had disappeared. A rich heritage of more than 60 years of astounding creative work was invisible. Frankly, it tore me apart. But we didn't seem to have many options for responding to that absence on the national stage.

By the time I took up my current position five years later in 2007 the world had changed dramatically. When I came to write our current strategic plan innovation and giving NFB back to Canadians was at the heart of it and digital transformation was the means. When I shared the vision, here's what I was told:

--We needed new capital investment and if we didn't get it we couldn't do anything.

--We shouldn't do it because that is not what the NFB was about; we were the Film Board and we should stick to what we had always done.

--Nobody would be interested if we went that route.

--Digital was a fad and I was just chasing after empty fantasies.

That's what my friends were telling me.

Others intimated that I was singlehandedly destroying the place.

Then two months into the job I got some news that had everybody nodding at me with that "I told you so" look. We needed major capital investment to digitize the NFB's vast collection. Locked in the vaults they were archives of historical value; digitized and rendered accessible they would enrich public life and generate new economic value. This was the cornerstone for our digital shift.

A request to the government for that investment had been turned down. Nothing to do with the NFB; it was an across the board decision. It was a government making necessary and hard decisions.

So then a lot of people said, I guess that's it; let's get back to business as usual. Except that business as usual meant slow decay and death. I wasn't ready to accept that. There was too much at stake—for the country. To let this great treasure slip out of our hands would be an inestimable loss whose extent we would only realize after it was too late. So I said we were going to be resourceful and we were going to fund our digital transformation internally. Not only that... we were going to find economies equivalent to 5% of our total budget and reinvest it in our digital transformation—making our collection accessible and

creating the new works and the new art and entertainment forms of the future. We were going to do that each year for as long as I was commissioner.

That in and of itself demanded a whole new self discipline; it meant putting in place radically different budgeting and organizational processes. We have been successful. A significant part of the economies came from increased productivity and efficiencies using digital tools for operational planning, budgeting, management as well as in more technical areas which then led to even greater economies by seeing where, for example, the duplications were or the unnecessary work that becomes encrusted in any institution over time.

The best ops plan, budgeting process, organizational planning would have meant nothing if the creative talent and momentum wasn't there to execute the vision. I remember early on I was presented with a proposal for a total revamp of our then site. It was all very professional. A tender had gone out and we had three proposals from big companies. They were going to come in and do the makeover—something like the home makeovers you see on reality shows. Debbie Travis does the NFB. And I had to turn my back on that. I said, This is certainly the best and brightest of today but what I want is tomorrow. We were being presented with a traditional or old media world. The mindset was anchored in Web 1.0. For our would-be suppliers it made sense because that's where the market was at. It didn't make sense for who we were. We had to be ahead of the market. We didn't need to create a new web site. We needed to find ways of delivering meaningful experiences to Canadians.

We had to go back to some very simple, basic notions. Who are we, what is it we are offering and how do we deliver on that offer? Why should Canadians continue to invest their tax dollars in this public institution? The trouble with the proposals I had seen was that they homogenized us; they did not speak to the specificity of what we, as a public producer and distributor, needed to offer to Canadians and the world. What we had to offer was, in the end, very simple. A cinema. Come and watch films. Films about who you are. About who we are. Films that no one else could do because there was no economic model that would allow for them to be made or distributed. It had to be a cinema that was

completely user-centred: clear and immersive. It had to be easy to navigate. It had to have a high level of quality to make it an enjoyable experience. It had to be in English and in French. And it had to be interactive. This wasn't simply tv on the web. This was something very different. Because no one else was doing it in that way we had to invent a lot of it ourselves. That was the birth of NFB.ca—the first fully bilingual on-line video service.

Then we had another volatile debate. I insisted that we were going to make the works available for free. I had a distribution division convinced that this was their death knell. Distribution revenues accounted for about 10% of our overall budget and for a small organization like the NFB the loss of any of that would have a significant impact. Nevertheless I insisted on free for a number of reasons. First of all I truly believed that Canadians had to have access to this incredibly rich and diverse collection; that it belonged to them. I also believed that the more we were seen and available the more people would want to see and that our primary objective in the short run had to be building the value of one of the great media brands in the world. Finally, I was and am convinced that the brand would leverage new business opportunities down the road. The offer is and will remain free by streaming but it opens other ways of monetizing the content. Some of this is being borne out much more quickly than I thought it would. We have new kinds of partnerships with Youtube, Vodeo, Boxee and others. Later this year we will go transactional allowing our viewers to buy to own. In the educational market we have seen no decline. On the contrary we now have deals with many of your education ministries licensing nfb.ca, which is free to individuals, for use in schools across those provinces. The revenue is not negligible. And all of it, every single penny, is reinvested to provide Canadians with a unique and superb service.

There were a lot of other things that went into the making of this success including a complete internal reorganization, implementing new work flows, bringing in new competencies, putting a major emphasis on training. Equally important on the programming side was pushing forward with explorations of interactivity—starting to create the entertainment and art forms of the future. That's a whole other story.

The success has been resounding—to date over 6 million viewings of NFB works on digital platforms. Last October the NFB launched its iPhone app and for about a week it was the most downloaded app in the entertainment category. It went on to be listed on iTunes as one of their top ten apps for 2009. To date we have had over 800,000 viewings on the iPhone alone. At the end of June we launched our iPad app and it met with immediate and similar success. (We are currently working to develop apps for both RIM and the Android.)

The viewings on line and on mobile are very different from watching the same shows on television. These are engaged viewers who seek out NFB.ca. They come, they look, they stay. The industry average for completed viewings is between 5 and 10%; on NFB.ca it has been over 40%. And we're constantly adding works from the collection and new kinds of works, interactive works that will help define the future. Our audiences love it. They share, they network, they tweet. Our young audience increased enormously—by several hundreds of per cent. Imagine it--Canadians wanting, seeking out and enjoying very distinctive Canadian content.

The context in which they engage is also different. The work is not isolated; it is within a body of work which allows the user to roam across time, geography, language barrier and experience the work that he or she may have seen on television in a very different way. The NFB remains niche—ours will never be a mass, Justin Bieber audience, although we have worked with popular artists like Malajube from Quebec. Nevertheless we have carved out a significant space globally for a dominant Canadian brand. Our audience figures and comments bear this out.

Here we are a year and a half later and the world has changed for us. Our plans for the future are still more ambitious even as we bump up against the limits of our internal economies and belt-tightening. In fact, the real danger for us is to settle into a comfort zone and assume our job has been done. We've in fact barely begun. But that too is another story.

What kind of lessons can we draw from our experience? I think a number of different ones.

- First of all change has to be a conscious choice. Don't play by the rules of the past. The game has changed.
- Secondly, recognize that change is not going to be easy. John Maynard Keynes noted that "the biggest problem is not to let people accept new ideas but to let them forget old ones."
- Thirdly, ignore the naysayers.
- Fourthly, focus on what you do best. More than anyone else you understand the needs of your communities and your constituents whether they be in business, arts, health care, education or public service. Your vision and leadership is essential to set the framework for forging into the future. When Minister Moore insisted on the transformation of the old Canadian Television Fund to the Canada Media Fund it concentrated a lot of minds very quickly.
- Finally, we all now have direct connection with our audiences which can give immeasurable advantages into the future. The on line consultation process on the digital economy strategy brought together organizations and individuals across the country in a needed debate. I must say I am also mightily impressed by Minister Moore's twittering prowess.

Back to Fogo. Paradoxically, the digital world freed us to become even more connected with communities across the country both physically and virtually. Our e-cinema pilot project in l'Acadie allows us to deliver a rich array of alternative cinematic experiences to Francophone communities who didn't have the same possibilities to access such work as communities and as cinema audiences. It's part of our drive to ensure the flowering of francophone culture in a globalized digital universe.

In June we had our first ever Board of Trustees meeting in Kuujuaq in Nunavik and Iqaluit in Nunavut. It was a transformative experience for our Board to see the reality of Canada and to see how we can continue our engagement with Inuit communities and partners as we announced plans for a major project to bring

together the rich heritage of works for, by and about the Inuit available in traditional and digital forms. I want to thank Minister Tapardjuk for his hospitality in receiving us at the Legislative Assembly. I also want to thank Minister Blackett for the time we spent together at Banff discussing ways in which we can partner. There is not any part of the country with which we are not engaged in some fashion. From the Arctic and Pacific Coast to here.

We can project that cultural power internationally with e-cinemas established in partnership with our embassies in Paris and Washington; a partnership with Cirque du Soleil to deliver a unique immersive experience to the millions of visitors to the Canada Pavilion at the Shanghai Expo; international accords with countries like Japan, Brazil and France seeking our expertise. If we are so present globally it is because we are rooted here in our home.

And on Fogo we witnessed the birth of a project that will see a remote fishing community become a global cultural centre attracting artists and visitors from around the world. Zita Cobb a social entrepreneur is reinvesting in her home community in partnership with the provincial and federal governments and with the NFB to create a cultural gathering place which, among other things, will see the installation of the latest in digital art and e-cinema. It is a project that brings the historic, the present and future together. It is about being anchored in place and leveraging the importance of place in a virtual world. We know that this kind of work can change communities and influence the world. We know it because we've seen it before.

For the NFB the Fogo partnership is a very special project because it is a kind of homecoming. In the late sixties the NFB worked with Memorial University and the Fogo communities when they were in crisis and about to be relocated. A series of films that were done in collaboration with the communities became instrumental in reimagining Fogo's future. It led to a rebirth of the island economy. The Fogo process, as the experiment was called, is one of the landmark moments of global cinema—it was new and it was created in Canada and is still referenced around the world as a model for helping to create positive social and

economic transformation. And incidentally those works are all available to be rediscovered on line at NFB.ca.

Inventivité, innovation et audace.

Inventiveness, innovation and boldness. I know the future is ours. Let's seize it.

Thank-you. Merci.