# BUILDING AN INDUSTRIAL CLUSTER AND GOVERNANCE: MOBILIZATION OF ACTORS IN THE MONTREAL MULTIMEDIA SECTOR

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The multimedia sector is one of the high-tech sectors that has contributed greatly to revitalizing the economic base of the Montreal region. A relatively young sector, which may be described as post-industrial, it has created high expectations as to its capacity to create jobs and economic wealth. Its many applications have created visions of sustained growth, arousing the interest of many public and private actors in the sector. The sector has fulfilled its promises in part and met a number of expectations, to such an extent that for a number of years it actually experienced labour shortage, raiding of workers, high wages, the creation of many firms and significant interest on the part of the financial community (Tremblay, 2002, 2004; Tremblay et al., 2002) . In short, for a few years the sector was an unqualified success.

Unfortunately, in 2004, the reality is somewhat different. Yesterday's euphoria has given way to disillusionment as a result of significant changes in the multimedia landscape over the past two years. Today the multimedia sector is facing many daunting challenges, mainly since the Government of Quebec withdrew its support for the sector by eliminating its funding for job creation in the *Cité du multimédia*. The withdrawal of significant government support, which is attributed to the change of provincial government in April 2003, is an important element of uncertainty, one that is exacerbating the difficult economic situation that has plagued the sector since the technological bubble burst in October 2000.

This paper will examine the mechanisms of governance set up by actors in the Montreal region in order to build the foundations of a new industry. We will discuss the factors that helped to trigger or motivate the mobilization of the actors involved in creating this sector. Obviously, when we talk about the multimedia sector in the global context of the Quebec economy (Tremblay and Van Schendel, 2004), politics remains a key element in our understanding of sectoral dynamics. We will hypothesize that the governance that has been established is reactive, that is, it is the product of a reaction rather than of long-standing, proactive planning. We will also see that governance has evolved over the years according to information and changes in the environment.

This paper is divided into two parts. Part One will examine the concept of governance, a concept that is part of a local development perspective. We will put forward a definition of governance and describe its main features. Part Two will discuss the dynamics of governance in the multimedia sector in the Montreal region, more specifically, the motives underlying the creation of governance, the different actors involved, their role and its evolution over the years. We will demonstrate that the government has been a key actor, through the implementation of many tax measures promoting job creation, but especially through the creation of *Cité du Multimédia* in Old Montreal.

As regards methodology, it should be underlined that the results presented come from a survey carried out in 2003 in the multimedia sector, mainly in the Montreal region. We interviewed 75 individuals who work in the different spheres of this cluster –the multimedia firms, as well as the venture capital corporations, economic development organizations, different public administrations and consultancy firms. The face-to-face interviews followed a semi-structured questionnaire and lasted one and a half to two hours on average.

Before turning to the analysis of governance, we will first define what we mean by the multimedia sector.

*Definition of the sector*

According to the various definitions put forward, the term multimedia refers to an information technology that can be used to simultaneously manipulate sounds, images and texts using one suite of software interactively (Tremblay, Chevrier and Rousseau, ISRN, 2004). By extension, a multimedia product is the result of the integration or transformation of the contents of multiple sources, such as texts, voices, data, images, graphics and video. This integration takes place in environments of interactive communications which can be disseminated digitally using a fixed support (CD-ROMs, DVDs, diskettes, etc.) or via a network (Internet, Intranet or Extranet).

In Quebec like elsewhere, multimedia should be viewed as an emerging sector. It has given rise to dozens of new multimedia occupations, that is, designers, computer graphics designers, writers, but it must also be recognized that a number of these occupations or jobs strongly resemble those found in the information technology sector. This is true of programmers, who are applying their knowledge in a new sector but whose work is nevertheless quite similar to what it would be in the information technology sector.

Four categories of organizations operating in the multimedia sector can be identified. First, the multimedia producers, who make up the core of the sector, are responsible for multimedia applications. Second, some firms in traditional sectors (media, telecommunications, creative industries, advertising agencies, etc.) are attributing more and more importance to the development of multimedia applications in the context of their activities, in both areas of production and dissemination of contents. Third, manufacturers of the products and material needed for creation and dissemination, but also for the use of multimedia applications. Finally, an increasing number of representation, training and research organizations revolve around the multimedia sector. In Quebec, the best known organizations are *Alliance Numériqc*, *Réseau Interlogiqc*, *Centre NAD*, the *Institut national de l'image et son*, and the *Regroupement des producteurs en multimédia*.

The contours of the multimedia sector are difficult to determine. Because its boundaries tend to be vague, available statistics on the sector are often partial and incomplete. Today (2004), it is estimated that there are between 1200 and 1500 multimedia firms in Quebec.

This is a clear regression since more than half of the firms appear to have disappeared, compared to 1999 data. The *Institut de la statistique du Québec* estimated that there were approximately 3200 multimedia firms in 1999 (Tremblay, Chevrier and Rousseau, 2004 and Chrétien, 2004). The sector has certainly experienced a degree of local consolidation of firms through mergers and acquisitions. However, the sharp decline in the number of firms can be explained essentially by the large number of firms that have had to close down. According to data gathered by *Alliance Numériqc* in November 2003, there were between 11,000 and 13,000 jobs in Quebec's multimedia sector.

**PART ONE**

**THE NOTION OF GOVERNANCE**

Today, governance is a well-established term in the vocabulary of the social sciences. The wide range of issues that it can be used to examine as well as its broad definition strongly contributed to its widespread use. This interest in the notion of governance is explained by the recent interest in approaches that consider the importance of the local community as an agent of development and change in our societies, approaches which help to define new forms of public action (Jouve, 2003). In fact, since what has been described by some authors as the "crisis of Fordism and recomposition of modern states" (Jouve and Lefèvre, 1999) (translation), the local community has been called upon increasingly to contribute to economic development. In the face of the failure of former modes of regulation, new approaches to public action have emerged[1] and governance based on diverse actors seems to constitute an effective response.

This part is made up of three sections. The first section proposes a definition and some general considerations related to the concept of governance. The second section examines the reasons behind the appearance and rapid dissemination of this concept in recent years. Finally, the third section sets out a typology. It goes without saying that this part does not claim to be an exhaustive presentation of the concept of governance. Rather the aim here is to establish a few reference points to help define the concept in relation to our research.

## 1.1. Origin of the Concept

Although it was recently re-introduced into the social science disciplines, governance in its broadest sense is now part of the vocabulary of different public actors. The term, first used by the American economist Ronald Coase (1937) and later refined by Oliver Williamson (1975), gained importance in terms of understanding transaction costs. The notion of governance was subsequently broadened and took on various meanings. Today, it is part of the family of concepts of partnership and concertation, which were introduced in regional science over the past decades. Governance is not the prerogative of Western societies since developing countries are also interested in it (de Alcantara, 1998).

To help us define governance, we are taking the liberty of borrowing the definition proposed by Le Galès (1990):

> *(…) the capacity to integrate, to shape local interests, organizations and social groups and, on the other hand, in terms of the capacity to represent them externally, to develop relatively unified strategies in relation to the market, the state, other cities and other government levels.* (translation)

The concept of governance refers to a dynamic process. Governance is the result of a construction that is part of a temporal process. This temporal process refers, on the one hand, to a past process of acquiring knowledge, skills and experience and, on the other hand, to the future characterized by the capacity of different agents to anticipate, hope for and thus to create a capacity for ideation. Nevertheless, this construction does not eliminate the possible divergences of interests between the actors but refers to the means of action that allow them to achieve common goals by finding compromises between sometime divergent interests and goals. Governance relies on efforts to find a consensus and creates the possibility of taking action in an environment where uncertainty often reigns.

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[1] "By public action, we mean any operation (facilitation, planning, funding or other) that justifies itself through goals that correspond to the collective interest (beyond the individual interests of a person or organization)" (Grossetti, Beslay and Salles, 1998) (translation).

The concept of governance is multidisciplinary in two respects. First, several disciplines have appropriated this concept in their analyses, including economics, sociology, geography and political science. Second, it concerns all disciplines because governance cannot be strictly economic or social. Governance evolves in a complex dynamic whose contours can sometimes be vague.

Governance is also multidimensional in that its field of intervention may cover a vast scope of spatial references. In fact, it is possible to talk about local governance (Stone, 1989), metropolitan governance (Bassand, 1997), regional governance (Balme, 1996), national governance and even international governance (de Alcantara, 1998; Valaskakis, 1998). These scopes are not exclusive and can go beyond the context in which they first emerged. Thus, an issue that seems a priori to be local in nature may change, have national or even international repercussions and the actors may cover different levels. Governance has also adopted a multiform character. It may associate a variety of actors of different origins. In fact, governance mechanisms may be the result of private organizations (firms, associations, etc.), parapublic organizations (development corporations, etc.) or public organizations (government bodies). It may also include individuals who act in their own name. Precise trajectories cannot be inferred from the type of actors involved. In fact, private actors may espouse actions of general interest while the inverse may also occur. While government action may spontaneously come to mind when the concept of governance is mentioned, it actually refers to a broader vision which goes well beyond the various government levels (Le Galès, 1995).

According to Allemand (2000), governance can have two dimensions: "*For some, governance contributes to a democratization of government functioning and thus opens the field to initiatives and to new civic mobilizations. For others, it means first and foremost a revaluation of the role of economic actors and reappraisal of government intervention.*" (translation)

## 1.2 Basic Postulates

The emergence or recent re-emergence of the concept of governance is not a coincidence but rather the result of major changes that are affecting society. According to Merrien (1998), it is possible to identify three postulates or foundations that can explain the increased use of the concept of governance as a tool to better explain the dynamics of societies. The first foundation is the governability crisis. Democratic societies are increasingly complex and differentiated, which makes them difficult to govern. The nation-state no longer controls economic and social phenomena. *The nation-state has become too small for the big problems and too big for the small problems of modern life* (Bell, 1996 cited by Savoie, 1995) (translation).  It is no longer able to respond effectively to the requests for democracy demanded more and more vociferously by a population whose desire for change is obvious.  In this regard, studies based on a regulationist analysis provide a good illustration of these changes (Jessop, 1992; Esser and Hirsh, 1989).

The second foundation is based on the exhaustion of traditional forms of public action. For a long time, public action has been exclusively associated with government actions, but from now on this monopoly will be called into question. In fact, the role of the government has changed. Although it is still a key actor, its role has been somewhat trivialized. *It has become just one of many actors; or rather different segments of the government have become actors among so many other actors in the process of developing and implementing policies* (Le Galès, 1995) (translation).  Responsibilities that were traditionally incumbent upon government authorities are now either left to other actors, shared, or completely abandoned and taken up by other actors. The movement for political and administrative decentralization, deregulation and privatization is increasing the perception that from now on development must be local, self-managed and sustainable for each of the communities of a territory.

The third foundation is the appearance of a political trend that is bringing out a new form of governance, one that is apparently better suited to the context.  According to Bagnasco and Le Galès (1997) *the policy here is above all the mobilization of social groups,*

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*institutions, public and private actors who are building coalitions, developing collective projects in order to, on the one hand, attempt to adjust to economic changes and, on the other hand, to put up some resistance against the effects of the market.* (translation) Thus, the interest is not in government-oriented issues, with its powers and instruments, but rather in alternative mechanisms of coordination between the various groups involved who are likely to influence and to sometimes even thwart government actions. *The issue of governance thus refers to the interactions between government and society and to the modes of coordination that make public action possible* (Kooiman, 1993). (translation)

## 1.3 Typology of Governance

The different actors who participate in governance (private and institutional actors) acquire a capacity to pool *their resources, know-how and goals* (Stoker, 1995) in order to create a social response to a given situation. Pecqueur (2001) points out that governance could be characterized by the key actors of territorial coordination. He proposes a typology comprising three categories, which we use in our own analysis, as we will see further, since it is divided along the lines proposed by Pecqueur.

The first category is *private governance*. This refers to situations in which an organization is the key actor of the territory. This actor may be a private firm or a government enterprise (crown corporation), or a group of private firms that belong to a formal association with goals that stem from its members' concerns (sectoral association, chamber of commerce, etc.). Pecqueur refers to the latter form as *private collective* governance.

The second category is *institutional* governance. This category may bring together one or more institutions as key actors. These actors may come just as easily from the government sphere (departments) as from a more broadly defined public sphere, for example, from research centres, universities or even non-private associations.

The third category is *partnership-based or joint* governance. This category appears when private actors and (generally public) organizations co-operate and jointly constitute the

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key actors of the territory.  This form of governance may be more complex because it may presume a group of actors with individual and sometimes divergent goals. It is normally more demanding because it may impose concessions and compromises on the participants.

It should be mentioned that these categories are not exclusive. In fact, governance is recognized as a process and a construction characterized by its dynamic nature. Thus underlying the construction of this governance there are key actors onto which organizations may be grafted, thus changing the form of governance from the first to the third category.  In addition, the initiators of governance can be replaced. Thus, they may give up their place to other actors or be abandoned or even ousted.  In fact, the original goals of a process of governance may also undergo changes. These changes may result from environmental stimuli and usually give way to some form of innovation, or social innovation (Fontan, Klein and Tremblay, 2004, 2004a).

**PART TWO**

**Constructing Governance in Montreal's Multimedia Sector**

Although the multimedia sector is relatively young, it does nevertheless have some history and the current situation is in large part the result of the past and of past governance. The arrival of the French game company Ubisoft permanently upset the Montreal landscape and triggered the construction of governance in the Montreal space. Thus, our starting point will be the establishment of this firm. We will briefly present the main stages of the firm's establishment and the actors associated with it. We will then examine the many highly mobilizing consequences of its establishment. On the one hand, mainly under the leadership of local firms, local actors were intensively mobilized and, on the other, institutionalized relations were established between the provincial government and the different actors working in the multimedia sphere. Finally, we will provide an assessment of this governance and its achievements in the Montreal space. This analysis will be based on information gathered in 75 interviews conducted in the sector, as we stated earlier, as well as on archival documents (general and specialized press articles).

## 2.1 Arrival of Ubisoft

The arrival of the French firm Ubisoft[2] in the Montreal region was an important milestone in the development of the city's multimedia sector. The firm, which specializes in entertainment, more specifically recreational games that can be used on different consoles, was looking for a location where it could set up in order to position itself in the North American market. Although the firm's establishment was an important element in the construction of this sector, it would be wrong to credit it with the sector's birth. In fact, prior to the arrival of Ubisoft, a number of firms already existed, but the sector was viewed as marginal and enjoyed little recognition at the various government levels.

Sylvain Vaugeois, the well-known Quebec lobbyist, was the instigator and promoter of the project to establish Ubisoft. He developed a highly specific and original strategy, called the *Plan Mercure*. Instead of providing financial support to firms through tax credits or large investments in their fixed assets, the plan proposed that the government invest in the labour force ($25,000 annually per employee for five years) in the promising multimedia sector The *Plan Mercure* was presented to the provincial government but received little support because it was seen as too expensive from the point of view of public finance.

Despite everything, Vaugeois was convinced that he had a good idea and therefore decided to find a concrete application for his *Plan Mercure.* He therefore went to Paris of his own accord to meet with Ubisoft's senior management. Attracted by this tempting offer and under the impression that it came from the government and was a firm offer of partnership, Ubisoft's representatives made an exploratory trip to Quebec. During their visit, they were astonished to discover that this was not the case. Embarrassed by the media coverage blaming it for the possible failure of Ubisoft to set up in Quebec, the Government of Quebec met with Ubisoft's senior management to discuss the question.

The French firm pointed out that it could set up elsewhere, specifically mentioning the Boston area, and at this point the City of Montreal got involved and put pressure on the

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[2] The firm was founded in France in 1986 by the Guillemot brothers.

governments. Ubisoft was immediately approached by Frank McKenna's government in New Brunswick. From that moment on, the Government of Quebec was faced with the possibility of losing 500 jobs in a fast-growing sector.

It was therefore necessary to come up with a plan that might interest Ubisoft while respecting the government's budget constraints. The solution was the Cyrenne Report,[3] which effectively cast a shadow over the *Plan Mercure*. The Cyrenne Report proposed that tax credits be used to provide training for local young people and attract firms to Quebec. While abandoning the *Plan Mercure*, the then Minister of Finance Bernard Landry announced the introduction of tax credit measures for multimedia development. However, the measures announced appeared to be far less tempting to the French firm. To make up for the discrepancy between the measures announced by his government and those advanced by Vaugeois, Minister Landry turned to the federal government.[4]

The Minister of Human Resources Development at the time, Pierre Pettigrew, agreed to subsidize the creation of 500 jobs over a five-year period, at a rate of $10,000 per person per year.[5] The goals of the federal government in taking this measure were simple: it wished to strengthen the positioning of Montreal as a world multimedia centre and make the most of the potential spill-over effect of the French firm's arrival. Ubisoft will finally benefit from a grant of 25 000 $ per employee, as planned initially in the Plan Mercure. The Québec government contributes 15 000 $ while the federal contributes 10 000 $ per employee.

The incentives offered were so generous and tempting that they succeeded in convincing Ubisoft to choose the Montreal region as the location from which to launch its North American expansion. In return for setting up business in Montreal, Ubisoft undertook to

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[3] Named after its author Yvon Cyrenne, a partner with the firm Raymond, Chabot, Martin, Paré, and chair of the recent *Commission d'étude sur la fiscalité* (taxation study commission).

[4] At the time, a rumour was circulating within the Quebec government to the effect that the Minister expected and even hoped to be turned down in order to be able to blame his federal counterpart for the failure to attract Ubisoft.

[5] The formula chosen by the federal government was a discretionary form of assistance provided on an exceptional basis. Obviously the sector's actors contested this intervention. Faced with this dissatisfaction, Ottawa promised that firms with promising projects could obtain similar assistance.

create 500 jobs over a five-year period. In 1997, it set up on Montreal's Saint-Laurent Boulevard in the former offices of the firm Discreet Logic, which was going to relocate in *Faubourg des Récollets* in Old Montreal. As we shall see further on, this relocation was also important because it had significant effects on the sector's dynamics.

Today, Ubisoft employs nearly 700 of the 1200 people working in Quebec's electronic games industry. In addition, Ubisoft expects to hire an additional 150 people in 2004. Over the years, the Montreal subsidiary has become the largest of Ubisoft's 12 subsidiaries. It was entirely responsible for the design of the game Splinter Cell, which has sold more than five million copies and is considered to be a formidable success according to this industry's standards. The French firm, the third ranking game publisher in Europe and the sixth in the United States, is considered to be a giant in the electronic games industry (La Presse, 2003).

It therefore appears that Ubisoft has made a major contribution, with the multimedia subsector helping to position the Montreal region on the world map.

> *It's like Ubisoft has helped to introduce video games, in fact, the production of video games to Quebec. It's especially on that point that they've helped us... at the government level, they've done the spadework for us... (Digital fiction)* (translation)

The arrival of Ubisoft institutionalized what seemed at the time to be a marginal sector.

> *Yes, but it was a lot more underground...That's why I think that since Ubisoft has been around, there have been some flagships... small firms that have started up but which have begun to ride the Ubisoft wave, introducing the general public to video games, or in fact the video game market... No, there were quite a few small ones, but not very well known, and there were more like two, three or four people...* (translation)

The arrival of the French firm has also created an atmosphere that is conducive to developing the sector.

*Ubisoft gave rise to all sorts of small things that can't necessarily be identified, but can be sensed…that were a breath of fresh air to the industry…it put wind in the sails of the industry and gave the Montreal region credibility.*

Thus, Ubisoft has greatly contributed to raising the profile of Montreal's video game sector.

## 2.2. Mobilization of Actors

The emergence of the multimedia industry and information highways has been accompanied by the appearance of new coalitions and associations that would not have existed within the old economy. Since 1995, the local community has become highly mobilized and many associational structures have been formed. Among the most important are the *Forum des inforoutes et du multimédia* (FIM, information highway and multimedia forum), the *Centre d'Expertise et de Services Applications en multimédia* (CESAM, centre for multimedia expertise and application services), and the *Association des Producteurs du Multimédia du Québec* (APMQ, Quebec multimedia producers association).

In reaction to the considerable advantages accorded to the French firm, the multimedia sector firms organized themselves, rallying all the local actors gravitating around it. The local community mobilized itself and asked for government assistance similar to what was offered to Ubisoft.

*The arrival of Ubisoft in Quebec created a sort of movement in the young industry which is highly competitive, everybody is checking each other out but nobody wants to talk to each other because they are all trying to build their own little world, and then along comes big bad Ubisoft who lands here and gets the red carpet treatment with exorbitant tax credits, and people go "Well, that's interesting. They arrive, create 300 jobs. Here we are, 300 businesses that are creating more…and we don't have anything!" So that led to lobbying, a voice…an industry association so that the industry gets*

*organized. Basically, that was a good thing. Today, Ubisoft still has a better*
*deal than any other business in the industry because it isn't restricted to one*
*area, it isn't confined to one square foot at an exorbitant price…and it gets*
*$25,000 per employee.*

That was the beginning of recognition for the sector and of the institutionalization of the relationship between the local multimedia sector firms and the Quebec government. From then on, the sector would be seen as a distinct sector with specific needs.

In terms of actors' mobilization, a distinction should be made between two movements which, of course, have definite points of convergence, but also somewhat different goals. The first movement can be described as having a sectoral vision, essentially seeking institutional recognition of the local industry. The aim of this institutional recognition is to receive assistance similar to what the governments gave Ubisoft. The second movement can be identified with a spatial vision, focusing on issues related to the ways of appropriating space and the desire to be part of the future mission of the territory. Having addressed spatial mobilization in an earlier text (Tremblay, Klein, Fontan and Bordeleau, 2002), the present paper will focus essentially on sectoral mobilization.

### 2.2.1 Actors in sectoral mobilization

Social and sectoral mobilization can and often does play a crucial role in governance structures and governance outcomes (Klein *et al.* 2004; Klein, Tremblay and Fontan, 2003, 2003a). Following the Quebec government's announcements regarding the establishment of CDTIs[6] (*Carrefour pour le développement des technologies de l'information* – centres for the development of information technology), discontent intensified and could be heard from all quarters. The source of this dissatisfaction was related to the eligibility criteria for the CDTIs, which were seen to prevent Quebec firms from benefiting from the same advantages as foreign firms. Starting in February, local multimedia industry representatives were consulted about the Cyrenne plan and they clearly stated their disagreement with the plan's recommendations due to the following

reasons: first, only firms created after the provincial budget were eligible and, second, they could not be the continuation of an already existing firm. However, foreign firms such as Ubisoft could carry out in Quebec the activities that they already operated abroad and still be eligible for the tax credits offered by the CDTI. Then, the criteria for location also became points of contention. The requirement that firms first locate in the CDTI and then later in *Cité du multimédia* were the focus of debate between the government and local associations. Moreover, it was as a result of these discussions that the CDTI concept evolved into the *Cité du multimédia.* Except for location in designated zones, most of the obstacles were removed through gains for the local producers.

In order to defend their position, some firms decided to act collectively within organizations, mainly three associations which we will describe below. The local actors thus convinced the government to modify the eligibility criteria to the CDTI. The detail of these associations' requests will be presented further on.

The *Centre d'Expertise et de Services Application Multimédia* (CESAM) was created in 1995 at the instigation of the *Centre de recherche en informatique de Montréal* (CRIM, Montreal centre for research on information engineering). CESAM is not an association but a business group that hoped in this way to create a critical mass that would allow it to take a leadership position in this potentially fast-growing industry. CESAM's goals were, among others, to establish a technological watch centre, to promote multimedia training, to incubate businesses, and to make the influence of Quebec's multimedia industry extend further.

CESAM was selective; because of the high annual fees, only large firms could afford to join. The fee for firms with annual sales of less than $20 million was $15,000 and $25,000 for those with annual sales over $20 million. CESAM (25 members) was made

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[6] The advantages obtained by firms will be presented further on.

up of the industry's major firms.[7] The association administered government funds to manage assistance and support programs for firms.[8]

The second largest association was the *Association des producteurs en multimédia du Québec* (APMQ). It was created spontaneously in the wake of the controversy surrounding Ubisoft's arrival in April 1997. In fact, the arrival of Ubisoft was a good thing because it spurred the industry to take charge of itself and the Quebec government to demonstrate that it was sensitive to the sector's problems.

> *…Ubisoft arrived and it was a big, big fish in the multimedia ocean. All of a sudden, everyone was talking about games, the open-line talk shows were all about multimedia, so that definitely triggered things. It also allowed or helped or I'd even say caused the creation of the multimedia producers association, which had a group of about ten producers… and Paul Allard from ZAC was the instigator there, and they saw that it wasn't right, they were rolling out the red carpet with all those measures…anyway, if they were there, we had never heard about them, so...* (translation)

The members of APMQ (firms only) thought that CESAM did not meet the aspirations of small firms. From the beginning, APMQ was determined to stand out from the associations that promoted producers and facilitated networking, such as the *Forum des inforoutes et du multimédia* (FIM) or the *Centre de promotion du logiciel québécois* (CPLQ, Quebec software promotion centre).[9] Rather it saw itself as an association of lobbyists.

APMQ defended the interests of entrepreneurs. The association strove to defy international competition but was also interested in high visibility issues such as the protection of intellectual property in the new media and improving the working

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[7] Its members included Vidéotron, Téléglobe, General Datacomm, Transcontinental e-media, Québécor multimédia, Bell Canada, CAE Electronique, Concordia University, CDedrom-Sni, le Centre National d'animation et de Design (NAD), Digital Equipment, Famic, the Groupe conseil Innovitech, the Groupe Image Buzz, Silicon Graphics, the Société Radio-Canada (SRC) and SoftImage/Microsoft.

[8] In December 1997, CESAM received $4.7 million from the federal and provincial governments (Federal Office of Regional Development ($2.2 million), Minister of State for Greater Montréal and *ministère de l'industrie du Commerce, de la Science et de la Technologie* ($2.5 million)). It obtained the equivalent from the private sector for total investments of $10 million.

conditions of the artists. It was also on the front line over the *Cité du multimedia* issue. APMQ had argued in favour of the other firms – those located outside the designated zone and those that did not wish to move into *la Cité* to be able to benefit from funding. It wanted to reach an agreement that would allow producers who did not want to move into *la Cité* to benefit from advantageous though less generous conditions. However, it did not succeed.

The third player was the *Forum des inforoutes et du multimédia*. In June 1996, about 15 distributors, developers and others, concerned by the multimedia explosion, founded this forum. A non-profit organization, FIM's mission was to promote the digital content and interactive applications industry. Some 120 people attended the organization's first public activity. Unlike the two previously mentioned organizations, FIM was open to all individuals. It acted as a forum for debate and discussion on the important issues of the day. In particular, it initiated important discussions that took place during 1998 on the issue of the evolution of Internet advertising and was responsible for the creation of the *Bureau de la publicité sur Internet au Québec* (Internet advertising bureau in Quebec). In April 1999, it received funding from the *ministère de la Culture et des Communications* (ministry of culture and communications) to produce training tools and hold seminars aimed at getting advertisers to increase their use of the Internet as an advertising medium.

In December 2000, the members of the *Association des producteurs en multimédia du Québec* (APMQ), the *Consortium multimédia* (CESAM) and the *Forum des inforoutes et du multimédia* (FIM) approved a joint agreement to create *Alliance numériQC*, a merger of CESAM and FIM. APMQ survived the process under a new name, the *Bureau des producteurs en contenu interactif* (BPCI, bureau of interactive content producers).[10] It preserved one component of its programming, the management of labour relations between the multimedia artists and producers. BPCI would eventually negotiate collective agreements between multimedia producers and artists' unions. Two hypotheses can be used to explain this regrouping of the various associations. The first suggests that the regrouping is a more effective way to bring out a global vision of the industry. The existence of different organizations made it difficult to implement common action and a

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[9] Known today as *Réseau Interlogiqc*.
[10] It later became the *Regroupement des producteurs de multimédia du Québec*.

coercive vision. The second hypothesis relates to the wishes of the governments,[11] which had strongly insisted that the associations join together for logistical reasons. In fact, the government authorities did not want to continually negotiate with the three associations. They believed that such a merger would simplify matters, thus reducing costs but especially reducing potential conflicts and the need to arbitrate between the groups. Both hypotheses have their defenders and are no doubt valid and complementary.

*Alliance numériQC* is a non-profit organization which is supported by the federal government (Economic Development Canada) and the provincial government (*ministère de la Culture et des Communications du Québec* and *ministère du Développement économique et Régional*). Today, it has 238 members, 75% of which are private firms. Most of these firms are micro-enterprises and SMEs operating in different niches, for example E-learning, games, Internet applications, etc. The alliance takes action in three main areas. The first is support to firms in their marketing, finance, and market watch and information activities. The second involves the development of skills, that is, the transfer of skills and knowledge, skills training and development and raising awareness among the different actors (governments, firms, educational institutions). The third area concerns relations with governments, and the role of interfacing with governments. Within this association, committees called *Réseaux d'intérêt d'Alliance numériQC* (RIAN, interest networks) have been created. These committees are intended for all stakeholders in the digital industry who are members of the association. They are formed at the initiative of people who wish to discuss subjects of common interest, often by sub-sectors. It should also be mentioned that the alliance encourages networking among the firms themselves, but also with other stakeholders such as universities, research centres, etc.

## 2.3. GOVERNMENT RESPONSE

The local producers were dissatisfied with two aspects of government's response. First, they wanted to obtain the same advantages as those given to Ubisoft. But the provincial

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[11] The 2000 provincial budget also recommended that the merger of the three organizations would be viewed very positively. In other words, the budget clearly stipulates that the Government of Quebec would invest in these associations on the condition that they group together.

government reacted to this dissatisfaction by setting up the CDTI and subsequently the *Cité du Multimédia*. However, these measures did not meet the expectations of local producers. Second, they were against the idea of being confined to designated zones so as to qualify for government assistance. They were also against the conditions imposed for setting up business in these zones, mainly the requirement that activities could not be the continuation of existing activities. The local producers pointed out that Ubisoft was not obliged to set up in these zones even though its activities were simply the extension of those carried out elsewhere. The government reacted by abolishing a number of criteria and proposing alternative measures. Amongst the criteria that were abolished, the main one was that firms be entirely new firms or that the specific activities covered be new. Various new measures will be developed to sustain these firms (see table 1).

Numerous actors within the governments and the ministries with an economic, technological, cultural and regional development mission were interested in the multimedia sector. This interest was based on two factors: first, the broad definition of multimedia allowed many firms to qualify for government assistance and, second, the sector seemed to have such a promising future.

The Government of Quebec made the multimedia sector an important element in its economic development policy. It foresaw an enormous potential for job creation in this sector, particularly for young people. Indeed, the speed at which the various measures were introduced appears to confirm the government's interest in this area -- in less than two years, a definite economic policy was implemented in this sector. Through these various measures, the provincial government's intention was to promote the investment in local firms in addition to attracting foreign firms[12] to follow the trail blazed by Ubisoft. As will be seen below, numerous actors were involved in the implementation of a range of measures to support the development of the multimedia sector in the Montreal region. The federal government also got involved. The multimedia sector fitted well into its national policy centred on the development of a knowledge-based economy (Government of Canada, 2001). Moreover, the federal government wanted to position the Montreal

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[12] They had hoped to attract a ratio of 50% foreign firms/50% Quebec firms.

region as a multimedia centre on the world stage. Just like the provincial government, but to a lesser extent, it introduced numerous measures conducive to the industry's development. Just like the provincial government, several ministries and government agencies were interested in the multimedia sector (Canada Economic Development, Industrial Research Assistance Program, etc.).

Two major types of interventions to promote the development of this sector can be identified: general measures and specific measures. General measures, which are numerous and varied, are not directly intended for firms. For example, the provincial government invested in the introduction of multimedia training programs in CEGEPs. Preferential purchase measures were also introduced.[13]  In more concrete terms, in its 2000 Budget, the provincial government invested $343 million to turn Quebec into a wired society. This strategy is mainly based on three measures: first, a $125-million budget to help connect 200,000 low-income families; and second, a 40% tax credit granted to SMEs wishing to set up a transactional Web site ($126 million over three years). Third, $15 million were earmarked for the deployment of a fibre optic network in the region to support local electronic trade activities. It must be stressed that the federal government also introduced similar measures.

Specific measures are directly centred on the development of firms and can include two sources: public or private funding. Though fewer in number, private financing includes venture capital corporations (*Fonds de solidarité* of the FTQ) and private funds (*Fonds Bell* or the *Fonds de Daniel Langlois*- creator of Softimage). Public financing from the ministries makes up almost all of the assistance granted to firms. These measures have been presented in detail elsewhere (Tremblay, Chevrier and Rousseau, 2004); they include programs, grants, tax credits, investment in capital stock and loans offered to firms.

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[13] According to the individuals interviewed, particularly in E-learning, the government completely abandoned this policy which had provided business opportunities and was highly appreciated by firms.

The various governmental measures have several goals and can be associated with the following government policies: sectoral policy, spatial policy and cultural policy. Since spatial policy has already been examined in a previous article (Tremblay, Klein, Fontan, Bordeleau, 2001), we will deal with it only briefly below.

It should also be mentioned that the programs are intended either for all sectors or for the multimedia sector only. The latter are obviously more recent but often contain more constraints, in particular in terms of location and percentage of activities pertaining to multimedia.

### 2.3.1 Spatial Policy

First, it should be mentioned that any policy related to a multimedia firm, at least in Quebec, is highly spatialized. This is true because 90% of multimedia activities are concentrated in the Montreal region (Manzagol *et al.,* 1999). It should be recalled that the spatial policy is essentially shaped through the *Centres de développement des technologies de l'information* (CDTIs) and the *Cité du multimédia*

In 1997, the provincial government first developed a program promoting the establishment of CDTIs. CDTIs drew on the formula of business incubators and applied to a building designated by the *Ministère des finances*, in which eligible firms received substantial grants. The firms must carry out all their activities inside this building. To be eligible, they must create new jobs. This was done to prevent existing firms from moving into the building to take advantage of the government measures. However, these can include new subsidiaries or existing firms which develop a new project or service.

In Montreal, the designated building is on Queen Street in the historic area of Old Montreal,[14] more precisely in the *Faubourg des Récollets*. The building is a former plant that originally housed textile activities. This building was equipped with high-tech equipment (fibre optic) to serve the firms in the building.

A new program was created in 1998, *Cité du multimédia*, and put under the responsibility of the *Bureau des Centres de développement des technologies de l'information*, which broadened, in both the literal and figurative senses, its assistance to the multimedia sector. The goals of the Government of Quebec regarding *Cité du multimédia* were highly ambitious,[15] since it hoped that the *Cité* would generate nearly 10,000 jobs over a 10-year period. The measures proposed were relatively similar to those of the CDTI. However, rather than applying to a building, they applied to a larger physical space, several blocks around the CDTI.

Table 1 presents the specific government measures available to firms if they meet the eligibility criteria.

To provide firms operating in these designated spaces with the ready cash needed to carry out their activities, the provincial government provided for a temporary tax credit funding program, the *Programme Garantie PME* (SME guarantee program) under the tax credit temporary financing component, which was administered by *Investissement Québec*. Moreover, although the buildings in which firms were going to set up business were not built yet, the firms could nevertheless benefit from the allocated tax credits if they had signed a lease.

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[14] The other CDTIs are located in the former building of the newspaper *Le Soleil* in Québec City, in Hull Technopark, in the *Parc scientifique et de haute technologie* in Laval and on Wellington Street in Sherbrooke.

[15] When the *Cité du multimédia* program was announced, the Quebec industry had 600 firms which provided jobs to 3400 people . Minister Landry pointed out that 40% of these firms did not exist three years ago (*Le Soleil*, 16/6/1998). The provincial government even hoped that the multimedia sector would employ as many people as the aeronautics industry or even the pulp and paper industry.

**Table 1**

**Modes of government support associated with the two measures**

| Forms of support | Innovative project | *Cité du Multimédia* |
|---|---|---|
| Tax holiday for foreign experts | Income tax exemption (5 years) | Income tax exemption (5 years) |
| Tax holiday | From income tax<br>From capital tax<br>From employer contributions to FESS<br>Period: first 5 years | |
| Tax credit for acquisition or lease of eligible specialized material | Material purchase 40% of capital cost (first 3 years of the tax holiday)<br>Lease of material: 40% of lease cost (first 5 years of tax holiday) | |
| Refundable tax credit on wages | 40% of wage costs incurred over a year up to a maximum tax credit of $15,000 annually per eligible employee<br><br>Period: ten years starting on March 26, 1997 at the earliest and ending on December 31, 2013<br><br>Beginning of completion of project after December 31, 2010: 3 years | 40% of wage costs incurred over a year up to a maximum tax credit of $15,000 annually per eligible employee<br><br>Period: ten years starting on March 26, 1997 at the earliest and ending on December 31, 2013 |

| | | |
|---|---|---|
| [Programme Garantie PME volet Financement intérimaire de crédits d'impôt](#)<br><br>Administered by *Investissement Québec* | Improve firms' cash assets by ensuring that their scientific research and experimental development (SRED) refundable tax credits are funded by Revenue Quebec and Revenue Canada; | Improve firms' cash assets by ensuring that their scientific research and experimental development (SRED) refundable tax credits are funded by Revenue Quebec and Revenue Canada; |

Source: Bordeleau (2003) and *Alliance NumériQC*, Internet site

In April 2003, a new government was elected in Quebec, with the Liberal Party replacing the Parti Québécois, which had initiated the measures to support the multimedia sector. While the multimedia sector had been viewed very favourably by the PQ government, the LP government saw things differently. Multimedia firms (mainly those located in the *Cité*) were concerned about this change and there was already uncertainty in the multimedia sector, which had begun to be affected by a reduction in grants from the previous government.[16]

Firms in the sector had good reason to be worried. In fact, in the 2003 provincial budget, the Minister of Finance announced the termination of tax advantages granted to firms in the technology sector in the designated zones.[17] In his view, the maintenance of 12,000 jobs and the creation of 5,000 other jobs in the designated zones would have required a total public investment, in the form of tax credits, of up to $4.5 billion by 2010. Moreover, according to the Minister, out of the 17,000 jobs linked to the designated zones, 12,000 already existed. In light of this conclusion, the tax credit programs were not expected to last much longer.

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[16] In the last budget of the previous government, the Minister of Finance had opened the door to a decrease in the percentage of tax credits offered to the sector.

[17] It should be mentioned that the biotechnology centres were spared but their tax credits were decreased.

However, it should be specified that the new government will respect the commitments made to firms already established in the *Cité*. Firms that have not moved into a site but have received their approval certificate can also obtain the tax advantages provided. Moreover, firms that are expanding will continue to receive tax credits on new employees' wages. However, the government has reduced the leasable areas of eligible buildings on the various sites, so that the tax credit will no longer be available beyond a certain expansion. Three sites are targeted, including the *Cité du multimédia*. Its area was decreased by 110,000 square metres and Phase VIII (a huge building currently on sale) was cut. It should be added that the *Cité du multimédia* was sold to a Toronto real estate developer in early 2004 (except for the building that corresponds to Phase VIII).

Another measure of the 2003 Budget went through relatively unnoticed. The Minister of Finance imposed a serious constraint on firms that are already registered in the program and continue to receive grants. In the case of control acquisition, the registered firms will no longer be able to receive tax exemptions. In other words, if a subsidized firm is bought by a competitor, it will immediately lose its tax advantage. In theory, this new government measure reduces the value of the firm for a potential buyer.

### 2.3.2 Sectoral policy

In addition to the *Cité du multimédia* measure, the Government of Quebec offers a wide range of new and existing assistance programs to firms that set up both within and outside the *Cité*. These include programs to assist with pre-startup, startup, capitalization, export, dissemination, distribution, production, international marketing, development and R&D. While these last measures are not exclusive to multimedia, they nevertheless play an important role in this sector.

According to *Alliance numériQC*, 11 provincial programs apply to multimedia firms. The main lending agencies are the *Caisse de dépôt et de placement du Québec* (Quebec deposit and investment fund) and its subsidiaries, the *Société générale de financement et Investissement Québec* (Quebec general finance and investment corporation). As Table 2 shows, the assistance provided pertains to all development stages.

Table 2. Provincial programs (Quebec)

| | | |
|---|---|---|
| Capital d'Amérique CDPQ<br>*Managed by:*<br>*Caisse de dépôt et*<br>*placement du Québec* | Capitalization | Supports medium and large-sized enterprises that have good return and growth prospects. Investments are over $1M, mainly in shares and debentures. A long-term investor, the *Caisse* shares in the profitability goals by assisting firms in the different development stages both in Quebec and abroad. As a minority shareholder, the *Caisse* does not intervene in the ongoing management of the firm but makes an important contribution to its strategic development. |
| Accès Capital<br>*Managed by :*<br>*Caisse de dépôt et*<br>*placement du Québec* | Capitalization | Provides firms from all regions in Quebec with various forms of ready capital. |
| Capital Communications CDPQ<br>*Managed by:*<br>*Caisse de dépôt et*<br>*placement du Québec* | Capitalization | Supports firms' projects to expand in Quebec and elsewhere in North America, Europe and Asia, and to generate their optimal financial performance while contributing to the economic development of the sector. |
| Déclic PME<br>*Managed by:*<br>*Investissement Québec* | Start-up | Assists firms with obtaining funding for project start-up. The financial assistance is in the form of a loan guarantee covering up to 80% of losses |

| | | assumed by financial institutions. Supports the start-up of new firms or projects of existing firms. |
|---|---|---|
| Fonds pour l'accroissement de l'investissement privé et la relance de l'emploi (FAIRE)- Investissement Québec<br>*Managed by:*<br>*Investissement Québec* | Capitalization | Stimulates investment and job creation in Quebec by sharing the benefits of the economic spin-offs of their projects with firms. The financial intervention must provide incentive for the project to take shape. |
| Impact PME<br>*Managed by:*<br>MIC | Development | Provides financial support to firms for market development. Includes two components: innovation and development of export markets. |
| Programme Garantie PME<br>*Managed by:*<br>*Investissement Québec* | Marketing<br>Export<br>Distribution<br>Dissemination | Provides support to development by guaranteeing funding of their projects with financial institutions. |
| La Société financière d'innovation SOFINOV<br>*Managed by:*<br>*Caisse de dépôt et placement du Québec* | Capitalization | Offers strategic funding to technologically innovative firms with high potential for growth and performance and whose avant-gardism brings a bright future. |
| Programme Garantie PME volet Nouvelle économie<br>*Managed by:*<br>*Investissement Québec* | Capitalization | Offers a financial product adapted to new economy firms. This financial product takes the form of a guarantee applicable to a loan granted by a |

| | | financial institution. |
|---|---|---|
| Société Générale de Financement - Division Haute technologie<br>*Managed by:*<br>*Société Générale de Financement* | Capitalization | Offers development capital. With private partners, shares in risk and management to contribute to the development of a technology, product or both. |
| T2C2 - Transfert, Technologies d'avant-garde, Commercialisation optimale, Capital interactif<br>*Managed by:*<br>*Société financière d'innovation*, a subsidiary of the *Caisse de dépôt et placement du Québec* | Capitalization | Involved in the start-up of firms in health sciences and information technology sectors, provides bridge between research and marketing of their results. Its mission is closely linked to the demands of the new economy: increase value of the portfolio of technological innovations of universities, basic and applied research centres of Quebec and private sector |

Source: *Alliance numériQC* Internet site.

There are three lenders at the federal level:

-National Research Council of Canada

-Business Development Bank of Canada

-Economic Development Canada

EDC subcontracts the management of its program to *Alliance numériQc*. It should be noted that before the merger of the three associations, CESAM also had a similar mandate.

Table 3. Federal programs (Canada)

| | | |
|---|---|---|
| Alliance stratégique entre la Banque Nationale et la BDC *Managed by:* Business Development Bank of Canada and the Banque Nationale | Marketing<br><br>Export Distribution Dissemination | For a three-year period, a sum of up to $60 million is provided to knowledge economy firms and innovative manufacturers that export their products. |
| Young Entrepreneur Financing Program Managed by*:* BDC | Pre-startup | Provides young entrepreneurs aged 18 to 34 with a solid foundation on which to build a firm. Individuals that have a commercially viable business plan with excellent potential can obtain a loan of up to $25,000 and 50 hours of personalized management support to help their firm get off the ground. |
| IRAP Industrial Research Assistance Program *Managed by:* National Research Council of Canada (NRCC) | Research and development | Helps Canadian small and medium-sized enterprises (SMEs) to meet the technological challenges of developing new products, processes or services. The goal is to increase innovative capacity in order to turn good ideas into profitable areas of activity as quickly as possible. |
| Fonds d'expérimentation en multimédia *Managed by :* Alliance numériQC | Capitalization | Offers pre-startup support for projects in the multimedia sector. |
| IDEA - SME | Research and | SMEs are the targeted clientele of |

| "Innovation, research and development, design" *Managed by :* EDC | development | Economic Development Canada. Other categories of clients may also be eligible for financial assistance if their proposals contribute to the development of SMEs and the agency's priorities. EDC concentrates its efforts on firms that generally have fewer than 200 employees. |
|---|---|---|

Source: *Alliance numériQC* Internet site

It should be mentioned that a number of important programs have disappeared. For example, the *Programme d'aide à la recherche et développement, à l'amélioration des compétences en science et technologies* (PACST)[18] which was once in high demand, no longer exists.

While there seem to be many measures both at the provincial and federal levels, our interviews indicate that they are difficult to apply in the multimedia sector. The eligibility criteria are high and do not necessarily correspond to the specificities of the sector. Let us quote one person interviewed:

> "projects considered are usually over the 10 million mark, and often well over that…it is difficult to put 10 million in a firm that is not valued at least 20 to 30 million…And in the multimedia sector, this basically does not exist. The industrial base is burgeoning; it is based on micro-entreprises, artisan businesses, really small SMEs in this sector…"

Also, for example, while the firms are often sole proprietorships, the funding agency may require participation in the form of capital stock.

> « When we looked for financing to develop our products we discovered that many of the persons interested wanted a participation in the firm. This situation did not interest us. My associate and I did not want to lose control; we thought this would not be viable in the long term.»

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[18] For example, Discreet Logic has greatly benefited from this program.

It should be mentioned that more recently, the sector has been blacklisted as a result of the bursting of the Dotcom bubble.  One of the main obstacles is the high costs in terms of time and resources needed to meet the requirements of these measures, which exclude many SMEs.

> « I would say, three years ago, if you had asked me this, I would have said we did not look at these things. We started looking into this and even if we are a good team, some 10 employees, these kinds of things take time, a lot of time. You almost need a full time person to take care of all the paper work and it took so much of my time that I almost abandoned; it took much more time than I had envisaged!

**Third Sector**

Besides the programs offered by the provincial and federal governments, there are other forms of aid that are offered to firms in the multimedia sector by various types of organizations, that we might call associative or third sector organizations. Many are of parapublic sector and we must add the Bell Fund, which is of the private sector. Each of these organizations has their own objectives and criteria. The support offered by these touch all dimensions of the business: startup, capitalization, distribution, etc.

Table 4. THIRD SECTOR PROGRAMS

| Name | Type | Description |
|------|------|-------------|
| Fonds d'investissement *Managed by:* Community Futures Development Corporations (CFDCs) of Quebec | Startup | Provides additional financial support in the form of loans or redeemable shares |
| *Fonds de développement Emploi-Montréal Inc. Managed by: Fonds de développement* | Capitalization | The mission of the fund is to contribute to the economic development of Montreal districts through investments in viable, cost- |

| | | |
|---|---|---|
| *Emploi-Montréal Inc.* | | effective firms that have demonstrated a structuring effect in the targeted community and an impact on the creation or retention of local jobs. |
| *Fonds de développement Montréal* *Managed by:* Emploi Montréal | Startup | Startup assistance |
| Fonds de la radiodiffusion et des nouveaux médias de Bell *Managed by:* Bell Canada | Production | Fosters partnerships between television producers and new media. To do this, the fund distributes $2 million in grants annually for the production of television programs linked to Internet sites. |
| Inno-Centre *Managed by:* Inno-Centre | Startup | The primary mission of all Inno-centre collaborators – whether employees or consultants – is to maximize the support given to new entrepreneurs as part of the business development program. |
| Innovatech Grand Montréal Innovatech du sud du Québec Innovatech Québec et Chaudière-Appalaches *Managed by:* Innovatech Grand Montreal | Capitalization | The mission of this venture capital company is to promote and support initiatives specifically aimed at increasing the capacity for technological innovation in its territory and thus to increase competitiveness and economic growth while providing a return that ensures its continued |

| | | operation. |
|---|---|---|
| Francophone Information Highway Fund<br>*Managed by:*<br>The Intergovernmental Agency of la Francophonie | Education – training | In the communications field, La Francophonie is firmly committed to new information technology and formally requests that operators do everything possible to quickly implement the action plan adopted at the Conference of Francophone Ministers Responsible for Information Highways, which was held in Montreal on May 19-21, 1997. This action plan focuses on the following seven points:<br>- Democratizing access to information highways<br>- Development of education, training and research<br>- Strengthening creation and circulation of contents<br>- Promotion of economic and social development<br>- Establishment of francophone watch<br>- Raising awareness of youth, producers and investors<br>- The organized presence of Francophones in international bodies responsible for the development of information highways |
| Société locale | Capitalization | Invests in small startup or expansion |

| | | |
|---|---|---|
| d'investissement dans le développement de l'emploi<br>*Managed by:*<br>Community Economic Development Corporations (CEDCs) | | firms by granting capitalization loans varying from $5,000 to $50,000. |
| Fonds local investissement<br>*Managed by:*<br>Community Economic Development Corporations (CEDCs) | Capitalization | Funds small startup or expansion firms by granting loans varying from $3,000 to $65,000. |

### 2.3.3 Cultural policy

Cultural policy can also be viewed as a manifestation theme of governance in the multimedia sector. The policy has three main orientations: the individual, (that is, the artist), the firm, and the sector. We will restrict our examination to measures that concern firms.

Among the best known measures in Quebec are the SODEC (*Société de développement des entreprises culturelles*) tax credit, which encourages the release of multimedia titles in French for the general public, as well a variety of funds: information highway, culture and communications, development of Montreal and of the national capital, and those associated with private investment growth and employment revitalization.

**Table 5. Measures associated with cultural policy**

| | | |
|---|---|---|
| Financement des entreprises en multimédia<br>*Managed by:*<br>*Société de Développement* | Marketing<br>Export<br>Distribution | Goals in the multimedia program area<br>- Supports diversification of cultural enterprises in the development and marketing of multimedia products |

| | Dissemination | (publishing and co-publishing). - Supports development and marketing efforts of producers of multimedia titles whose products have demonstrated market potential. -Supports distribution of Quebec multimedia products, both in Quebec and abroad. |
|---|---|---|
| *des Entreprises Culturelles* (SODEC,society for development of cultural enterprises ) | | |
| Programme d'aide à la production de titres multimédias *Managed by: Société de Développement des Entreprises Culturelles* (SODEC) | Production | Intended mainly for Quebec cultural enterprises working in the fields of cinema and television production, recording, variety shows, books and specialized publishing and fine crafts, as well as multimedia. |
| Programme de soutien à l'exportation et au rayonnement culturel (Sodexport) *Managed by: Société de Développement des Entreprises Culturelles* (SODEC) | Marketing Export Distribution Dissemination | Intended mainly for Quebec cultural enterprises working in the fields of cinema and television production, recording, variety shows, books and specialized publishing and fine crafts, as well as multimedia. |
| Programme de soutien au développement des communications (PADEC) 2000-2001 *Managed by:* MCC | Development | Through grants, supports structuring and innovative projects in media, telecommunications, information highways and multimedia. |

| Programme Québec multimédia jeunesse *Managed by: Ministère de la culture et des communications* | Development Production Marketing | Intended for individuals aged 18 to 35 who are self-employed or free-lancers in the multimedia and information technology industry as well as graduating students and graduates in business administration. Established to optimize their artistic, technical and management skills. Multimedia development support and multimedia production support, the first two components of the program, are administered by *Alliance numériQC* and the marketing internship in Quebec firms component is administered by Réseau Interlogiqc. |
| --- | --- | --- |

We must add to this list the Financière des entreprises culturelles (FIDEC), a financial organization for the cultural industries created in 1999. It was created by the association of nine firms of the cultural and financial sectors. Amongts the creators, we find the Société de développement des entreprises culturelles du Québec (SODEC), the Fonds de solidarité des travailleurs du Québec (FTQ), the National Bank of Canada, the Tv group TVA, CINAR, Daniel Langlois (founder of Softimage), Remstar Corporation, France Film, DKD! Spectacle/Centre Molson and Rosaire Archambault. This new financial group has some 45,5 million in capital aimed at supporting Québec firms on the international scene.

Table 6. Financière des entreprises culturelles

| La Financière des entreprises culturelles du Québec *Managed by :* | International commercialization Export Distribution | This firm offers financial products for cultural firms aiming at international markets, whether it be cinema, TV production, huge shows, or development of an artist's career. |
| --- | --- | --- |

| FIDEC | Diffusion | FIDEC offers means to the producers and distributors in Québec for very large projects, supporting them in the integration of new technologies and helping them support a rythm of production and commercialization at the international level. |
|---|---|---|

At the federal level, the Multimedia Fund, announced in June 1998 in Banff by the Minister of Canadian Heritage, is a $30 million fund covering a five-year period and administered by Telefilm Canada. Some other federal measures are presented in Table 5. It is generally considered that Quebec has often benefited from the federal government cultural policy, for example, in investments in television production, but there are no available studies specifically on the multimedia sector.

**Table 7. Federal programs associated with cultural policy**

| Multimedia Fund<br>*Managed by :*<br>Telefilm Canada | Marketing<br>Export<br>Distribution<br>Publication | Supports Canadian multimedia products in both official languages. These products must be of high quality, original, interactive and intended for the general public. All Canadian multimedia development, production and publishing firms are eligible. However, small and medium-sized enterprises are given priority. |
|---|---|---|
| Cultural Industries Development Fund (CIDF)<br>*Managed by:*<br>Business Development Bank of Canada (BDC) | Capitalization | Offers specialized, flexible funding to small firms working in book and magazine publishing, sound recording, film and video production and multimedia. |

**Conclusion**

Let us conclude on a few elements related to governance in the multimedia industry. As was observed in this article, many actors intervene in the sector: public, private, associative, financial and many community actors. In this sense, there appears to be here participation of many social actors in the development and support of a real industrial policy aimed at the multimedia sector and aimed at making of Montreal an important center of multimedia development.

As was indicated, there were various plans put forward by various actors, but very quickly, the various levels of governement, federal and provincial, adhered to support the French firm Ubisoft. Local Montreal actors were then determinant in creating a  social mobilization in order to obtain some support more or less equivalent to what had been offered to Ubisoft. The Montreal administration as well as some private actors in the financial, cultural and multimedia sector per se all supported at various levels and in various ways the development of this sector and of the firms of the sector.
There was consensus around the idea of developing this specific sector and over the years, firms were more and more interested in having some form of public intervention in order to support them in development of products, but even more in commercialization of these products.

It must be recognized that the multimedia sector remains quite young of course, and that it is difficult to guess on its future, considering changes that have occured in the last year, especially the abolition of the City of Multimedia program, at least for new firms. However, we think that the data collected in our interviews and the analysis of the programs offered to the sector clearly indicate that there were important governance measures over the years.

Also, as was shown in the paper, politics, governance structures and programs as well as social mobilization remain a key element in our understanding of sectoral dynamics in the multimedia sector in Québec. We have shown through our analysis that the governance structures created have been mainly of a reactive nature, that is, they were clearly the

product of a reaction to the risk of Ubisoft settling elsewhere in Northeastern North America, rather than of long-standing, proactive planning. This is also understandable since the multimedia sector is recent and did require quick action in order to preserve a possibility of developing an industrial sector. We also illustrated through our paper how governance structures and outcomes have evolved over the years according to changes in the environment. Our analysis is based as mentioned on some 75 interviews, but we will try to update a few interviews over the coming year in order to see if the sale of the Multimedia City to a Toronto real estate group and the end of the financial support offered to attract new firms to the multimedia city will have an impact on the sector.

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