All Purpose CLEANER

Premier Robert Ghiz has a plan to fix PEI’s troubled economy. Is his solution strong enough for the job?

FAR FROM HOME
Brain drain? It’s a good thing, claims new networking group

WATER WOES
The devils you don’t know may be worse than the polluting devils you do – here’s why

Special Report: Mining
- Etruscan’s golden rule
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Lights, Camera, Investment

Picture this: A business model with an almost limitless ability to make money off inventory. Though rental property may come to mind, in this model there are few carrying costs and no maintenance expenses. This is the model that underlies the production and distribution of television programs. And this is the model of DHX Media Limited.

This Halifax-based company focuses on shows for children and families, which tend to have the longest shelf life in the industry. Consider how many generations grew up watching the same TV programs. Sure, children’s shows are influenced by trends, fads and new technologies on television but not as much as the ones for adults. A longer shelf life means more international sales and longer-term cash flow.

One of DHX Media’s three production companies, Halifax Film, is currently producing a number of projects including a Computer Graphics animation pre-school series, Animal Mechanica; a live-action children’s puppet series, The Mighty Jungle; the comedy series This Hour Has 22 Minutes, XVI; and The Gauntlet, a prime-time drama series co-produced with Brightlight Pictures for CanWest Global.

When it comes to the production of TV shows and films, being a Canadian company has advantages. Advantage one: financing. Although many U.S. states have jumped onto the tax-credit bandwagon, Canada still provides an enviable low-cost environment that includes both federal and provincial, labor-based tax-credit programs. The tax credit for filming in Halifax will soon be at 50 per cent, and it will hit 60 per cent for films shot in rural Nova Scotia.

Advantage two: we speak the most marketable dialect of English. As a result, Canada is the second-largest exporter of English-language audio-visual products in the world, after the United States.

DHX Media benefits from both advantages. The company ensures that at least 85 per cent of its direct production costs are covered by third-party financing before work proceeds. This level of financing is achieved through pre-sales, securing a Canadian broadcast commission, and using the tax credits mentioned earlier. The ability to leverage shareholder capital to this extent means that the company can undertake a greater number of production commissions, giving it a better chance for a ‘hit’ show.

The distribution arm of DHX Media, Decode Entertainment, rounds out the company’s operations. Decode’s international sales group, based in Toronto and London, sells broadcast rights to existing series, program packages and pre-sells in series development. The company’s client base consists of more than 300 broadcasters worldwide with whom the company has signed more than 1,000 deals, spreading Canadian content around the world on such far-flung networks as France 5, Australian Broadcasting Corporation and Al Jazeera. Inhouse distribution enables the company to capitalize even more on investment return. It also keeps everyone focused.

It’s not very difficult for DHX chair and CEO Michael Donovan and Halifax Film president Charles Bishop to produce a well-focused success story. They were previously involved with Saltier Street Films, a publicly listed TSX company sold to Atlantis Communications in 2001. They also produced the Academy Award-winning documentary Bowling for Cleveland as well as many, many Gemini winning TV programs.

DHX’s management believes in the value of the content. Since the company was founded in 2004, executives have been investing in content both organically and through acquisitions. Currently the company has a content library of more than 2,200 half-hours of programming consisting of more than 50 individual titles. Acquisitions also serve another strategic purpose: they increase the channels the company can use for productions.

One of these important channels is new media, including digital applications and websites that support traditional series. This not only derives more return from the content library, it also supports marketing the productions. In addition, DHX has a distribution division which licenses the company’s series-based websites, developed and produced in-house, to broadcasters worldwide. As well as the new media, the company enjoys merchandising business when a brand has achieved an appropriate level of development and market acceptance. DHX has been in a growth spurt. As evident in its 2008 financials, the company has been reaping the benefits of rights exploitation of its content library, making it the largest production company in Canada, headquartered right here in Atlantic Canada. Indeed, the core value of DHX lies in its content library and its ability to achieve superior returns on this through the channels mentioned earlier.

So far, the company’s growth is a model example of sound strategy executed by an experienced management team.

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Moved Away? Atlantic Canada Needs You!

Novel networking group sees brain drain as valuable resource to the folks and businesses back home

It's spring, early morning. Coffee in hand, I take a short cut through the park on my way to the first Atlantic Business Summit. As the sun peeps its way through the trees, the peacefulness of the trail is rudely and abruptly interrupted by the frenzied traffic of several thousand pedestrians and even more drivers rushing their way to work. This can't be anywhere in Atlantic Canada. So where was this first Atlantic Business Summit? In Toronto of all places.

Walking into the Rotman School of Management at the University of Toronto, the atrium is already buzzing with a couple hundred people fully engaged, including many familiar faces and companies. There's the Levins, the McCains, the Reschmanns, the Hill & Knowlton, Statistics Canada, Grant Thornton, superstar innovation scholar Richard Florida, ministers of government, members of academia, every bank under the sun, and of course, Atlantic Canada's favorite son, Frank McKenna.

Hosted by East Coast Connected (a volunteer group of Martinites living in the "Big Smoke"), the Summit was organized around a revolutionary idea: to bring some of the biggest names from both regions together to talk about positive developments in Atlantic Canada. Attendees ranged from people living and doing business in Atlantic Canada, and former Martinites living and doing business in Toronto, to others who just do business with the region.
Are you East Coast Connected?

The founders of East Coast Connected have turned the dreaded brain drain on its head, transforming it into an opportunity rather than a threat. They see Atlantic Canadians living away as a valuable source of capital, knowledge and creativity that can be used to either promote Eastern Canada to the business community in their host city, or to alert their fellow Easterners to opportunities outside the region. According to their website, ECC’s mission is to “bring the best of Atlantic Canada to Toronto and bring the best of Toronto back to Atlantic Canada.” (Though the group was founded in Toronto, ECC president Chris Crowell says they are planning to extend its scope to other cities such as Montreal and Calgary.) For more information about ECC activities, go to eastcoastconnected.ca.

“Myself, I’m a Maritimer. I just happen to live and work in Toronto,” says Chris Crowell, founder of the group. “East Coast Connected is all about forging cross-regional relationships between Atlantic Canadians at home and away.” The group plans to expand to other cities in the country starting with Ottawa, and then branching out west.

After more coffee and pastries, the 200-plus crowd settled down in Rotman’s atrium to get started on what became the most heated topic of the day: making Atlantic Canada the work destination of choice for talented people. Steven Lund, president of Nova Scotia Business Inc., thinks quality of life is the region’s most valuable asset, and that most people leave because they simply can’t find the right job in that province.

He also says one of the reasons why the region isn’t as successful as others at attracting business is because of our Monica, from the Rotman School, thinks Lund is on to something. “I think people know Halifax, if they’re Americans or from around the world,” he says, “but Atlantic Canada too, at least per its brand,  think Cuba, and it’s true that we’re not as much of a destination. The few people who do know about Atlantic Canada are in the tourism sector, but even there there is a lot of potential for growth.”

“It’s not long before debate gets started. First up: ex-pat New Brunswick Scot McCaig of Maple Leaf Foods has a lot to say about where he thinks the region is failing. “As an Atlantic Canadian, I don’t see a vision in terms of creating stable large scale opportunities,” he says from the audience. “I don’t think Atlantic Canadians admire scale the way they should.” McCaig thinks the future of the region’s job market needs to be manufacturing-based instead of more people “working out of their basement.”

“I think you’re going to move upstream,” Florida retorts, “the scale of manufacturing you’re talking about isn’t going to be built in North America. I don’t see how you’re going to do it.”

If any region really wants to develop a globally competitive niche, like Montreal has for music production, or Silicon Valley for IT, Florida says we’ve got to focus more on helping our young entrepreneurial people succeed. “There’s an enormous number of young people who don’t want to work in factories,” he says, “they mostly want to work in their own companies.” Florida’s research shows that most young people who want to move to a big city will do it by the age of 24. “Toronto is an enormous spike in the Canadian economy, but I think your (regional) competitive leverage is much bigger,” he says, “in every year people get older, the easier the chance they’ll move (home) again.”

Frank McKenna ruminates Florida’s comments and offers a number of solutions, especially dropping all trade barriers between the Atlantic provinces. He also says we need to work together as one region if we want to develop a niche and compete globally. “The Atlantic Canada of today is much better off than it was 10 years ago, but we can’t rest on our laurels,” says McKenna. “The hoarding out of the manufacturing base in Ontario and Quebec is getting both provinces close to taking equalization payments.” And with the center of gravity shifting more and more west out, in terms of population and wealth, he says Atlantic Canada needs to work more “on its own” as Ontario and Quebec are becoming less dependable when it comes to any eastern distribution of wealth.

“We can talk all we want about it, but there’s an enormous difference between us and everyone else in the world looking for business,” he says passionately. “It’s getting easier for us to find a killer edge, something that’s going to make a headline event that people remember you by.”

Cut the applause.

The rest of the day sees crowded rooms of panels and audiences engaged in debate about the future of the energy sector, and developing new models for East Coast – Toronto partnerships. And from the engaged looks on people’s faces as they trickle out and over to the lounges of the Intercontinental Hotel, it appears that a few of those partnerships have already started.

“It’s spectacular,” says McKenna about East Coast Connected. “I was amazed at all the material we’re getting and the way we’ve been kept informed, and having people here from the region and across the country is fabulous.”

Zipping down Bay Street with Chris Crowell in the back of a cab, I have a chance to ask him if the Summit met his expectations. “I think it was very dispiriting,” he said, with the most positive of tones, “there’s something about being physically away when it comes to shaking up your reality and generating new ideas.” A refreshing insight if anything, as I contemplate how a similar event might have turned out back home, in a similar hotel…with the same faces…saying the same old things… and looking for the right opportunity to disappear so I can get home in time for dinner.

“As a volunteer group, we can’t do this on our own,” says Crowell, “and I’m really impressed with the level of support we’ve received from all the provinces, especially the New Brunswick Innovation Fund which is bringing Richard Florida to New Brunswick to speak in Saint John in October.”

It will be interesting to hear how Florida, author of The Rise of the Creative Class and Who’s Your City? gets his own thinking out of the mega-opolis. But one thing’s for sure, any wooded trail be taken in New Brunswick will lead him out of, instead of into any form of traffic frenzy. In fact, he just might land, like he said about Atlantic Canada, “somewhere near the ocean”.

Dawn Bayne, East Coast Connectors innovation comes from its ability to see the "other side" of contentious issues (this providing the viewpoints of stakeholders). For more information, please see The Daily Telegraph, page 18.