

Legislation targets spam spinners in Canada

But questions raised over whether federal bill will be tough enough to rid B.C. of its reputation as a spam haven

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The federal government has introduced long-awaited legislation to crack down on spammers, but businesses shouldn't expect e-mail spam volumes to decrease any time soon.

Although Canada has gained a reputation as a haven for spammers, only about 1% of spam worldwide originates from the country. The proposed *Electronic Commerce Protection Act* would therefore play only a minor role in mitigating spam.

Nonetheless, Internet service providers (ISPs) and other spam combatants are encouraged that Canada is finally taking steps to deter spammers from setting up shop in Canada.

"Until we have a broader global solution to this problem, people are still going to be buying anti-spam software," said Michael Argast, a security analyst in the Vancouver office of Sophos Inc., which makes software to combat

online viruses and spam.

Argast said many illegitimate United States-based e-mail marketing firms moved to Canada, and B.C. in particular, when the U.S. government enacted anti-spam legislation in 2003.

He said B.C.'s widespread Internet connectivity and proximity to the U.S. has made it ideal for businesses to function as commercial spam shops.

"Vancouver is a hot spot for things dodgy on the Internet and has been for some time," said Argast, noting the city's history with not only spam, but online gambling.

One of B.C.'s most notable ties to spam was reported in 2007, when the U.S. Securities and Exchange Commission suspended trading for 35 publicly traded companies that were involved in repeated e-mail campaigns.

Approximately 14 were reported to have ties to Vancouver.

In response, the British Columbia Securities Commission launched its Spam-

Watch anti-spam program.

There are legitimate e-mail marketers, but Argast said many spammers operate under the veil of legitimacy by having spam campaigns conducted by arm's-length affiliates.

The federal bill would allow business and consumers to take civil action against spammers.

Under the bill, the Canadian Radio-television and Telecommunications Commission (CRTC) and the Competition Bureau could fine individual offenders up to \$1 million and larger offenders up to \$10 million.

More than 80% of the e-mails that try to access Telus Corp.'s network are spam and viruses.

The Vancouver telecom, which is a member of the Canadian Anti-Spam Task Force that recommended many of the provisions within the anti-spam bill, introduced spam and virus control in 2003. It added a second layer of protection in 2006.

Spam not only frustrates Telus' clients, but can also occupy vast amounts of the company's network capacity if not blocked.

Telus spokesman Shawn Hall said the company is encouraged primarily by the bill's enforcement measures.

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Rather than simply blocking offenders from their network, Telus could report and have a hand in prosecuting offenders.

Vancouver-based Peer 1 Network Enterprises Inc. (TSX-V:PIX), which offers managed hosting services that link clients to servers, has

a four-person abuse team to manage customer complaints about spam and other online offences.

Joseph Lopez, leader of Peer 1's abuse team, said the company has taken measures over the years to remove spam from its network, to avoid being blacklisted by anti-spam organizations.

Peer 1 has occasionally appeared on the blacklist of the Spamhaus Project, a non-profit organization that tracks spam operators. ISPs and hosting companies that are blacklisted by such groups can be blocked from some networks. Lopez said that Peer 1's abuse team has to address other issues such as copyright infringement and phishing more often than it has to address spam.

While some ISPs and hosting companies are proactive in blocking spam, many others, both locally and across Canada, are not, according to Michael Peddemors, president and CEO of Surrey's Wizard IT Services, which develops

e-mail and anti-spam software and maintains a database of e-mail marketers' IP addresses.

"There's little or no onus on the hosting providers or ISPs to do anything about the activities on their networks, aside from providing logs and data from their servers," said Peddemors, who is also a member of Canada's anti-spam task force.

He noted that while it's probably correct that government not place new burdens on the telecom industry, hosting companies can simply look the other way when spam occurs on their networks.

He said the bill gives government some ability to prosecute those people who run the "bot" networks that infect and take over PCs and that account for the majority of spam.

But he noted that the bill takes its cue from the U.S. anti-spam act, which has done little to stem the tide of e-mail marketing in that country. ■ cgc@biv.com

Government incentive game heats up in video sector

B.C. risks losing its video game development talent base and future investment to other areas of the country as Ontario increases its digital media tax credits

ANDREW PETROZZI

Publicly traded video game developers operating in B.C. could be looking to invest in other jurisdictions as the high cost of doing business in the province and increasing intraprovince competition are compounded by shareholder demand for returns.

Ontario announced at the end of March a plan to boost its Ontario Interactive Digital Media Tax Credit (OIDMTC). The move, according to new media industry association Interactive Ontario (IO), will allow the province to "offer some of the most competitive production and development environments for the creation of interactive media products and services anywhere in the world."

Ontario's 2009 budget proposes to increase tax incentive rates to 40% (from 30%) for corporations that develop and market their own products and to 35% (from 25%) for corporations that develop products under a fee-for-service arrangement.

"It's a tremendous boost to our competitive edge," said IO

president and CEO Ian Kelso, "and I have no doubt the world will take notice."

In all, Ontario is proposing about \$100 million annually in additional tax relief and investments of about \$30 million to support its entertainment and creative cluster. That's atop the tax incentives already offered by the Quebec government that, according to Next Level Games CEO Douglas Tronsgard, could help Montreal usurp Vancouver's position as Canada's leading video game development hub within the next couple of years.

"Vancouver's gaming industry has already seen some material changes in 2009. With multiple company layoffs and at least one company closure, there have been approximately 600 people who lost their jobs in the last six months."

Tronsgard added that Vancouver will continue to be a reasonably large player in the gaming industry, but without government program incentives, most future growth will happen elsewhere.

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our global position in this industry and is sitting idle as growth opportunities happen elsewhere in the country."

One example is France-based Ubisoft Entertainment's massive Ubisoft Montreal development campus in Quebec.

Wendy Boylan, PR and

marketing manager for Ubisoft Vancouver, believes Vancouver's industry grew because talent found its way into the industry from animation, film, engineering and computer programming, jobs that are synonymous with the North American "West Coast corridor of creativity."

But to maintain that talent

base, entrepreneurial opportunities need to be nurtured.

"The local industry's biggest hurdle," she said, "will be to stay financially competitive amid an increasingly unlevel playing field within our own country and abroad."

If the province doesn't respond, Boylan said competition from other regions will limit B.C. growth to platforms that are cheaper to develop such as online, PC or handheld games.

She said console game development takes much longer and can run into the millions of dollars. That, said Boylan, makes for a bigger investment gamble "in regions where little assistance is forthcoming."

If it continues on its current path, B.C. will become one of the world's most expensive places to build games, and given the industry's content is already dictated primarily by foreign-owned publishers who have to keep costs low to placate shareholders, Boylan said the province risks losing the talent that has consistently put B.C. on the map.

BC NDP leader Carole James told an April 28 BIV

editorial board meeting that an NDP government would use targeted tax incentives to attract new media investment to the province.

At an earlier BIV editorial board meeting, Premier Gordon Campbell was vague about tax incentive support for "creative-class" industries, but didn't close the door on the idea.

"We're always looking for

"The government of British Columbia isn't supporting our global position in this industry and is sitting idle as growth opportunities happen elsewhere in the country"

- Douglas Tronsgard, CEO, Next Level Games

ways that we can encourage economic activity, but we're also looking for ways that we can be financially prudent," he said. "The challenge we have is that if we do have a tax reduction, we want to see that it drives economic activity." ■ apetrozzi@biv.com