



INVEST IN CANADA

CANADA'S COMPETITIVE ADVANTAGES

DIGITAL MEDIA:
Video Games,
Animation and VFX



CANADA'S DIGITAL MEDIA SECTOR

DIGITAL GAMES

According to the Canada Digital Media Fund, Canada's digital-games industry is the third-largest in the world, both in terms of the size and quality of its talent pool and of its technical resources. It continues to grow, with new technologies and platforms offering new development opportunities for foreign investors. The consulting firm Nordicity has measured that the industry in Canada comprises 472 firms and employs over 20,000 individuals (up 24 percent from 2013). Large firms (comprising over 100 workers) account for the vast majority (89 percent) of industry employment, which is mostly concentrated in technical and creative positions. The Canadian video-game industry directly contributed \$1.6 billion to Canada's GDP in 2015. Canadian studios are responsible for developing some of the best-selling



console games on the market, based on VGChartz sales. Blockbuster franchises from Canada include *Dragon Age* (EA/BioWare), *FIFA Soccer* (EA Sports), *Assassin's Creed* and *Far Cry* (Ubisoft). Many popular or critically acclaimed mobile games are developed in Canada as well, including IGN's 2015 Mobile Game of the Year, *Lara Croft GO* (Square Enix), as well as *Marvel's Contest of Champions* (Kabam), *Jurassic World: The Game* (Ludia Inc.), *Dungeon Hunter 5* (Gameloft), and *Alto's Adventure* (Snowman).

ANIMATION AND DIGITAL EFFECTS

Animation and digital effects drive the success of the film industry globally. The 20 top-grossing films of all time featured high-end visual effects or computer-generated animation, and today visual effects often represent over 30 percent of a film's production budget. Canada's animation and digital-effects industry is an important part of the country's digital economy and is world-renowned for its innovation and creativity. Canadian-based companies have created animation and effects for many box-office hits and award-nominated feature films such as *Star Wars: The Force Awakens*, *Iron Man 3*, *The Martian*, and *Hotel Transylvania 2*. Canadian studios are also heavily involved in the production of commercial advertising and many popular television series such as *Game of Thrones*, *The Walking Dead* and *Once Upon a Time*, as well as animated kids' shows that include *Thomas and Friends*, *Teenage Mutant Ninja Turtles* and *My Little Pony*, among others.



CANADA IS HOME TO A **THRIVING** digital media industry, recognized as a world leader in video-game development, animation and visual effects. The breadth of Canada's expertise in the digital media sector also encompasses areas such as web design, social networking, education, healthcare and advertising.

According to the Canada Media Fund, digital media is a \$22 billion industry in Canada that supports more than 120,000 creative jobs, making Canada one of the foremost investment destinations for global digital media companies.

DIGITAL MEDIA CLUSTERS



CANADA'S WORLD-CLASS digital media clusters are located in Montréal, Québec City, Toronto and Vancouver, as well as in other vibrant centres throughout the country, with a comprehensive range of development studios and support services such as middleware, quality assurance and testing, motion capture, audio services, acting and voice-over, animation and interactive design.

BRITISH COLUMBIA AND OTHER WESTERN PROVINCES

» Leading studios include: Animal Logic, BioWare (EA)*, Capcom*, Digital Domain 3.0, Disney Interactive, Double Negative, Electronic Arts (EA)*, GameHouse, Hothead Games, Image Engine, Kabam, Kixeye, Microsoft Game Studios, Method Studios, Moving Picture Company*, Bandai Namco Games, Next Level Games, Relic Entertainment (SEGA), Prime Focus World, Rainmaker Entertainment, Satellite Animation Studios, Sony Pictures Imageworks, United Front Games, Zoic Studios

ONTARIO, QUEBEC AND ATLANTIC CANADA

» Leading studios include: Arc Productions, Beenox (Activision Blizzard), Behaviour Interactive, Bethesda Game Studios, Big Viking Games, Cinesite Studios, Cloudcadc, Digital Dimension, Digital Extremes, Framestore, Frima Studio, Gameloft, Gearbox Software, Ludia, Magmic, Mercury Filmworks, Mokko Studio, Mr. X Inc., Other Ocean Interactive, Rockstar Games (Take Two Interactive), Rodeo FX, Spin VFX*, Square Enix, Stargate Studios*, Ubisoft, Warner Bros. Interactive Entertainment, Zynga

* Studio has a presence in both Western and Eastern Canada.

RECENT INVESTMENTS



Cinesite Studios announced the opening of a new 54,000 square-foot animation studio in Montréal, Quebec, in 2016. The company plans to create nine animated movies in the coming years, three of which are already underway. The Montréal studio is expected to employ up to 500 people by 2020.



In 2015, Animal Logic opened a 45,000 square-foot studio in Vancouver, British Columbia. The studio is working on The LEGO Movie Sequel, one of three LEGO animated features produced out of Vancouver with Warner Bros. Pictures. Once fully staffed, the studio is expected to house some 300 employees.



In 2015, Bethesda Softworks opened a studio in Montréal to expand its capabilities for console, PC and mobile gaming development. The Montréal studio launched with a team of 40 developers.

GearBox Software opened its first international studio in Québec City, Quebec in 2015. The studio will be responsible for developing AAA titles for consoles and PCs, and is expected to grow to 100 employees within three years.



CANADA'S ADVANTAGES

TOP TALENT AND LEADING ACADEMIC INSTITUTIONS

Canada has a world-class higher-education system with many internationally recognized training schools in digital media design, animation, video-game development and visual effects. Each year, thousands of talented graduates join the experienced workforce already active in Canada's digital media industry. Montréal's École des arts numériques, de l'animation et du design (Centre NAD), Toronto's Ontario College of Art & Design University (OCAD U) and Sheridan College, and Vancouver's Centre for Digital Media and Emily Carr University of Art and Design are among the many schools across the country that offer state-of-the-art training and research programs in digital media.

COST COMPETITIVE

Canada offers the lowest business costs in the G7 for digital entertainment. According to KPMG's Competitive Alternatives 2016, studios located in Canada greatly benefit from the most-competitive tax environment among G7 countries. Canada's cost advantage stems in part from the financial incentives available to qualifying digital media firms. For example, the Scientific Research and Experimental Development (SR&ED) Program provides income-tax credits and refunds for expenditures on eligible R&D activity in Canada on wages, materials, some overhead and SR&ED contracts.

Various provinces¹ across the country also offer attractive financial incentives specific to the digital media industry:

BRITISH COLUMBIA

- » Interactive Digital Media Tax Credit: 17.5 percent of qualifying labour costs
- » Digital Animation or Visual Effects Tax Credit: 16 percent of qualifying labour costs

MANITOBA

- » Interactive Digital Media Tax Credit: 40 percent of eligible labour costs for prototyping and product development, as well as up to \$100,000 for marketing and distribution expenses, up to a maximum of \$500,000 per project

ONTARIO

- » Interactive Digital Media Tax Credit: up to 40 percent of eligible labour costs and up to \$100,000 for marketing and distribution expenditures
- » Computer Animation and Special Effects Tax Credit: 18 percent of total labour costs

QUEBEC

- » Production of Multimedia Titles Tax Credit: up to 30 percent of qualifying labour costs, with an additional 7.5 percent tax credit for French language versions
- » Computer Animation and Special Effects Tax Credit: up to 16 percent of qualifying labour costs for production services

NOVA SCOTIA

- » Computer-assisted Labour Incentives: the lesser of 50 percent of eligible labour costs (with possibility of 10% regional credit) or 25 percent of total expenditures (with possibility of 5% regional credit)
- » Animation Incentive: 17.5 percent bonus tax-credit for eligible labour expenditures, up to \$150,000

PRINCE EDWARD ISLAND

- » Innovation and Development Labour Rebate: 25 percent of eligible labour costs

NEWFOUNDLAND AND LABRADOR

- » Interactive Digital Media Tax Credit: 40% of eligible labour

1. PricewaterhouseCoopers LLP, The big table: Digital media and animation incentives in Canada, 2015



DIGITAL INNOVATION IN CANADA

A PIONEER IN DIGITAL MEDIA INNOVATION

With a thriving digital media industry, Canada has greatly contributed to the evolution of video games, animation and visual effects. Canadian studios have been actively producing commercially successful video-game titles since the early 1980s and provided visual effects and/or animation for many Academy Award-nominated films. Canada's rich tradition of developing cutting-edge animation dates back several decades, to the National Film Board and to the National Research Council's pioneering use of key frame-animation techniques during the late 1960s. Today, producers of Hollywood feature films and many of the world's top studios regularly rely on Canadian-developed multimedia technologies such as Autodesk's Maya, Side Effects Software's Houdini and Toon Boom's Harmony.

"For the past 15 years we have had a truly collaborative and highly successful relationship with our friends at Warner Bros., and we are excited to be taking our collaboration to the next level on the production of a terrific slate of films in Vancouver, Canada, where the digital media ecosystem is robust and strongly supported and where the sector is mature and very active."

— Zareh Nalbandian, CEO and Co-Founder, Animal Logic Studios, Sydney, Australia; and Los Angeles, California, United States

"As part of our strategy, we now look ahead to another key and exciting step which is our commitment towards our all-new Gearbox Studio Quebec, where we strive to team up with some incredible talent in the world of video game development outside of Texas to help us build fun and exciting video games within our tent-pole brands."

— Randy Pitchford, President of Gearbox Software, Frisco, Texas, United States

AN ENABLING BUSINESS ENVIRONMENT

A WELCOMING BUSINESS ENVIRONMENT

Canada is the second best place for business in the G20.

Source: Forbes

A HIGHLY EDUCATED AND TALENTED WORKFORCE

Canada has the most educated talent pool in the OECD with more than half of its population aged 25-64 having a tertiary level education.

Source: OECD

LOW BUSINESS TAX RATES

Canada is the most tax competitive country in the G7.

Source: KPMG

WORLD-CLASS CLUSTERS OF INNOVATION, WITH GOVERNMENT AS PARTNER

Canada has strong geographic and sectoral clusters in digital media, as well as R&D-intensive sectors with the lowest business costs in the G7.

Source: KPMG

FINANCIAL STABILITY

Canada's banking system, ranked 3rd by the World Economic Forum (WEF), remains one of the soundest in the world following eight consecutive first place standings.

Source: World Economic Forum

A GREAT PLACE TO INVEST, WORK AND LIVE

Canada ranked first among 60 countries for quality of life. Canada is ranked first in the G7 and G20 for overall prosperity of citizens.

Sources: U.S. News and the Legatum Prosperity Index

Unless otherwise noted, all values in this publication are in Canadian dollars. The content is based on the latest available information at time of publication.

Images: *Dragon Age: Inquisition* – © 2014 Electronic Arts Inc.; *Lara Croft Go* – © 2015 Square Enix Montréal; *Deus Ex: Mankind Divided* – © 2016 Eidos-Montréal; *Hotel Transylvania 2* – © 2015 Columbia Pictures. All Rights Reserved.



Global Affairs Canada
111 Sussex Drive, Ottawa,
Ontario, K1N 1J1, CANADA

Catalogue number:
FR5-38/8-2016E-PDF
ISBN 978-0-660-05221-2

Spring 2017



Follow us on Twitter!
@invest_canada

investincanada.com