

[  ] INVEST IN CANADA



[ DIGITAL MEDIA: VIDEO GAMES, ANIMATION AND VFX ]  
Canada's competitive advantages



# CANADA'S DIGITAL MEDIA SECTOR

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. With an interactive media industry that employs over 50,000 people and generates some \$7.5 billion in annual revenue, Canada is one of the foremost investment destinations for global digital media companies.<sup>1</sup>

## DIGITAL GAMES

The digital games industry in Canada continues to grow, with new technologies and platforms resulting in new development opportunities for foreign investors. Canada is a major player in the global digital games industry, in terms of both size and quality of talent and resources. Canada's 329 video game studios contributed over \$2.3 billion to Canada's Gross Domestic Product (GDP) in 2012.<sup>2</sup> With 16,500 full-time employees, Canada's games industry is ranked as the third largest in the world.

Canadian studios are responsible for developing one in every six top-selling console games.<sup>3</sup> Blockbuster titles from Canada include *Assassin's Creed* (Ubisoft), *Mass Effect* (EA/BioWare), *FIFA Soccer* (EA Sports), as well as the 2013 success from Next Level Games, *Luigi's Mansion: Dark Moon*. Many popular mobile games are developed in Canada as well, including *Jurassic Park Builder* (Ludia Inc.), *Super Stickman Golf* (Noodlecake Studios), *Superbrothers: Sword & Sworcery EP* (Capybara Games/Superbrothers), and *Fish World* (Big Viking Games).

## ANIMATION AND DIGITAL EFFECTS

Animation and digital effects are driving the growth of the film industry globally. The 20 top-grossing films of all time were driven by high-end visual effects or computer-generated animation. Today, visual effects can represent over 30 percent of a film's production budget or more than US\$65 million for major studio films. The animation and digital effects industry in Canada is an important part of the 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 *The Life of Pi*, *The Amazing Spider Man*, *Pacific Rim*, *Cloudy with a Chance of Meatballs 2* and *Gnomeo & Juliet*. 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 *Falling Skies*, as well as animated kids' shows such as *Thomas and Friends*, *Teenage Mutant Ninja Turtles* and *My Little Pony*, among others.

---

<sup>1</sup> Nordicity. *2012 Canadian Interactive Industry Profile*. Ontario Media Development Corporation.

<sup>2</sup> Entertainment Software Association of Canada. *Essential Facts 2013*.

<sup>3</sup> Based on VGChartz sales.

# DIGITAL MEDIA CLUSTERS

Canada has world-class clusters in Montréal, Toronto and Vancouver, as well as 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:

BioWare (EA)\*, Capcom\*, DeNA, Digital Domain 3.0, Disney Interactive, Electronic Arts (EA)\*, GameHouse, GREE, Hothead Games, Image Engine, Kabam, Kixeye, Microsoft Game Studios, Method Studios, Moving Picture Company\*, Namco Bandai Games, Next Level Games, Relic Entertainment (SEGA), Prime Focus World, Rainmaker Entertainment, Satellite Animation Studios, Sony Pictures Imageworks, United Front Games

## ONTARIO, QUEBEC AND ATLANTIC CANADA

### » Leading studios include:

Arc Productions, Beenox (Activision Blizzard), Behaviour Interactive, Big Viking Games, Digital Dimension, Digital Extremes, Framestore, Frima Studio, Frontier Developments, Gameloft, Longtail Studios, Ludia, Magmic, Mercury Filmworks, Modus FX, 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

## RECENT INVESTMENTS

- In 2013, The Moving Picture Company Limited opened a new 25,000-square-foot studio in Montréal. The studio, which houses more than 200 artists, is working on projects such as *X-Men: Days of Future Past*, *Into the Woods* and *Cinderella*.
- Rockstar Games, Inc. expanded its Toronto operations in 2012, opening a larger custom-built facility and adding 50 new positions to its development teams. Rockstar Toronto was most recently involved in developing the titles *Max Payne 3* and *Grand Theft Auto V*.
- In February 2012, DeNA Co. Ltd., a large Japan-based social game developer and publisher, established a game development studio in Vancouver to tap into the region's great talent pool. The studio currently employs around 70 people and has developed *NFL Matchups Live* and *G. I. Joe: Battleground*, with more mobile games in the pipeline.

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



# 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 are behind many Academy Award-nominated films for visual effects. Canada also has a rich tradition of developing cutting-edge animation and pioneering the use of key frame animation techniques through the work done by National Research Council of Canada in the late 1960s. Today, producers of Hollywood feature films and many of the top studios continue to regularly favour Canadian-developed multimedia technologies such as Autodesk's *Maya*, Side Effects Software's *Houdini*, and Toon Boom's *Harmony*.

## INNOVATION NETWORKS

### CANADIAN DIGITAL MEDIA NETWORK

The Canadian Digital Media Network (CDMN) is a national centre of excellence for digital media with 28 regional hubs across Canada. Established in 2009, CDMN brings together industry, government and academia and acts as a catalyst for commercialization in the digital media space. The network unites research facilities and support organizations to create new companies and help start-ups and small and medium-sized enterprises (SMEs) develop and commercialize new technologies. CDMN offers an Inbound Soft-Landings program and a research portal for international companies looking to do business in Canada.

### GRAND

GRAND is a research network and commercialization engine whose goal is to address complex issues in digital media and transform multidisciplinary research into user-centred solutions. It is a federally funded network of centres of excellence supporting research in entertainment, healthcare, education, environmental sustainability and public policy. The network connects researchers at 27 Canadian universities with more than 60 industry, government and non-profit partners.

"...Canada has demonstrated a deep understanding of the digital media and game industries. ...This makes it a perfect choice for our first step forward in establishing our global network. ...thanks to its great talent pool, leading-edge academic and research institutions and pro-business federal and provincial governments."

Hajime Nakatani, President,  
NAMCO BANDAI Studios Inc.

"Canada is a perfect fit for Framestore... Montréal is a city that has great talent, training and recruitment potential alongside financial benefits such as a supportive tax regime and a competitive cost base. These combined factors make it an ideal place to see Framestore grow."

Sir William Sargent, Co-Founder and Chief  
Executive Officer, The Framestore Limited

# 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 the digital media space.

## COST COMPETITIVE

Canada offers the lowest business costs in the G-7 for digital entertainment. According to KPMG, video game development studios based in Canada typically enjoy an impressive 23.8 percent cost advantage when compared to their U.S.-based counterparts.<sup>4</sup> KPMG also notes that studios located in Canada greatly benefit from the most competitive tax environment among G-7 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 provinces 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:** 17.5 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 of marketing and distribution expenses, up to a maximum of \$500,000 per project

### NEW BRUNSWICK

- **Digital Media Development Program:** 30 percent salary rebate for eligible employees, up to a maximum of \$15,000 per employee and \$500,000 per company per year

### NOVA SCOTIA

- **Digital Media Tax Credit:** up to 60 percent of eligible labour costs or up to 30 percent of total expenditures

### ONTARIO

- **Interactive Digital Media Tax Credit:** up to 40 percent of eligible labour costs and up to \$100,000 in marketing and distribution expenditures
- **Computer Animation and Special Effects Tax Credit:** 20 percent of total labour costs

### PRINCE EDWARD ISLAND

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

### QUEBEC

- **Production of Multimedia Titles Tax Credit:** up to 24 percent of qualifying labour costs, with an additional 6 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

<sup>4</sup> KPMG. *Competitive Alternatives 2014*



# INVEST IN CANADA TO ACHIEVE GLOBAL EXCELLENCE

## A WELCOMING BUSINESS ENVIRONMENT

Canada is ranked as the best country for business in the G-20.

Source: Forbes and Bloomberg

## A HIGHLY EDUCATED WORKFORCE

Canada's workforce is the most highly educated among members of the OECD, with half of its working-age population having a tertiary-level education.

Source: Organisation for Economic Co-operation and Development (OECD)

## LOW TAX RATES

Canada's overall marginal effective tax rate on business investment is by far the lowest in the G-7—about 17 percentage points lower than that of the United States.

Source: Department of Finance Canada

## COMPETITIVE R & D ENVIRONMENT

Canada offers the lowest business costs in the G-7 for R & D-intensive sectors, with a 15.8 percent cost advantage over the United States.

Source: KPMG

## FINANCIAL STABILITY

For six consecutive years, the World Economic Forum has declared Canada's banking system to be the soundest in the world.

Source: World Economic Forum (WEF)

## UNPARALLELED MARKET ACCESS

Canada's NAFTA advantage gives investors access to 470 million consumers. Many Canadian production hubs are actually closer to U.S. markets than American production sites—of Canada's 20 largest cities, 17 are within an hour-and-a-half drive of the U.S.

Source: The World Bank

## A GREAT PLACE TO INVEST, WORK, AND LIVE

Canada is one of the globally most multicultural countries with world-class universities, a universal health care system and clean and friendly cities in addition to having the second highest standard of living in the G-20, as measured by GDP per capita.

Source: The World Bank

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

**Cover Images:** Luigi's Mansion: Dark Moon (Next Level Games) - © 2013 Nintendo

Thomas & Friends (Arc Productions for HIT Entertainment) - © 2013 Gullane (Thomas) Limited.

Assassin's Creed IV: Black Flag (Ubisoft Montréal) - © 2013 Ubisoft Entertainment. All Rights Reserved

Cloudy with a Chance of Meatballs 2 - © 2013 Sony Pictures Animation, Inc. All Rights Reserved

**Page 2 Image:** Jurassic Park: Builder - © 2012-2014 Ludia Inc. Jurassic Park is a trademark copyright of Universal Studios and Amblin Entertainment, Inc

**Page 4 Image:** Mass Effect 3 (BioWare) - © 2012 Electronic Arts Inc.

**Page 5 Image:** The Amazing Spider-Man - © 2012 Columbia Pictures Industries, Inc. All Rights Reserved



FOREIGN AFFAIRS,  
TRADE AND DEVELOPMENT CANADA

[investincanada.com](http://investincanada.com)

### Invest in Canada

Foreign Affairs, Trade and Development Canada  
111 Sussex Drive, Ottawa, Ontario, K1N 1J1 CANADA

Catalogue number:  
FR5-38/8-2013E-PDF

ISBN 978-1-100-23081-8

Winter 2014



Follow us on Twitter! @invest\_canada