

# Ontario's

digital gaming industry



Play to  
**WIN**



**ONTARIO**  
CANADA



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**Note:** Every effort has been made to ensure the accuracy of the information in this publication at the time of writing. However, the programs referred to and the data cited are subject to change. All figures are in Canadian dollars unless otherwise noted.

# Ontario – at the forefront of the digital gaming revolution

To make great games you need creative minds, innovative technology, financial expertise and a government that supports the industry.

**Ontario has that** — plus low business costs and an enviable quality of life that top talent demands.

That's why premier developers/publishers like Capcom and Tecmo Koei have their North American production centres in Ontario and why Ubisoft recently established a studio here. It's also why brilliant home-grown companies like Artech Studios, Digital Extremes, Magmic Games, March Entertainment and Silicon Knights are thriving.

Our digital gaming industry is well established and highly diversified. Growing at a rate of 30% a year, it includes 120+ companies that develop games for the console, PC, online, and mobile markets – and they're constantly pushing the boundaries of innovation.

If you're passionate about developing digital games,  
there's simply no better place to be than  
**Ontario.**



**Fast fact:**

Canada will be the best place in the G7 to do business through to 2014, according to The Economist Intelligence Unit.

## Ubisoft taps into Toronto's talent

Paris-based Ubisoft Entertainment is counting on its new Toronto development studio to help keep it at the forefront of the gaming industry. With sales of \$1.5 billion+ a year, Ubisoft's games include such popular titles as Assassin's Creed, Prince of Persia, Far Cry and Tom Clancy's Rainbow Six. "We're incredibly excited to finally tap into the remarkable talent Ontario has been developing over the years," says Yannis Mallat, chief executive of the company's Toronto and Montreal operations. "There's a deep pool trained in both film and video game design and production – one that keeps growing thanks to well-established university and college programs." Over the next decade Ubisoft will invest over \$500 million in the Toronto facility.



### Amazing talent

Talent is at the core of digital game development and production, and Ontario's talent pool is exceptional. We're recognized world-wide for our superlative artists, designers, animators and programmers.

#### Developing top talent

We have 44 top-notch colleges and universities with thousands of students enrolled in interactive digital media, arts and music and computer science and programming. These include respected institutions such as Sheridan College, Seneca College, Algoma University, the University of Ontario Institute of Technology,

the University of Toronto, McMaster University and the University of Waterloo.

Also turning out highly skilled and creative graduates are specialty schools like the Ontario College of Art & Design, the third largest professional art and design university in North America, and the Royal Conservatory of Music.

#### DIG London

To showcase – and help develop – Ontario's digital gaming talent we have the annual Digital Interactive Gaming (DIG) London, Ontario conference, which attracts leading

video game developers, publishers, technology companies, service providers and emerging talent. It includes a competition, held in partnership with Toronto-based Vortex, where new game developers and designers get to present their concepts and prototypes to international industry leaders, financiers and venture capitalists.

#### Business in any language

We're a multicultural society and we do business in pretty well any language. That's a definite advantage when you're creating games for the global market.

## Capcom Mobile's Toronto studio – key to success

When video game giant Capcom was looking to establish its first development/production facility outside Japan, it chose Toronto. That's because it had everything the industry leader needed. "Toronto is a centre for the North American entertainment industry," says Midori Yuasa, president of Capcom Mobile. "It gives us access to a seemingly endless supply of young, talented, entertainment-savvy people, thanks to its colleges and universities. The city also offers relatively low business costs, exceptional R&D tax credits you can't find anywhere else in the world and helpful economic development people to facilitate all aspects of business start-up." The Toronto studio produces games for all mobile platforms and accounts for the bulk of the company's sales. "Without the Toronto studio there simply wouldn't be a Capcom Mobile," says Yuasa.



“Without the Toronto studio there simply wouldn't be a Capcom Mobile.”



**Fast fact:**

Ontario's digital media industry generates annual revenues of \$1 billion+ and is growing quickly.

## ProtoLaunch: training the future of the industry

Operating on the principle that the younger you are when you start to learn something, the better you'll be at it, Algoma University recently introduced ProtoLaunch. Aimed at secondary school students interested in a career in digital gaming, the program combines a series of industry-led workshops with a five week game development competition where participants form teams and work together to create a game. As well as learning new skills, the students have an unprecedented opportunity to network with some of the industry's biggest names, like Ubisoft Prince of Persia producer Ben Mattes, who kicked off the first workshop program. "I don't know of any other program like it for high-school students," says Dwayne Hammond, who heads up ProtoLaunch. "There are about 200 teens involved every year and it gives them a huge leg-up in a very competitive industry. It also gives game companies a look at emerging talent."



## Seneca delivers industry-leading training

Ontario's gaming industry is growing by leaps and bounds, creating a demand for skilled modellers, texture artists, animators, level builders/designers and game designers. Toronto's Seneca College has responded with specialized programs offered through its Animation Arts Center. There's a three-year diploma program in traditional animation with a digital animation specialty in the third year that includes a 3D Game Stream. There's also a one-year graduate certificate program in 3D Game Art and Animation. "Our students are very talented and they receive industry-leading training which is why they're snapped up by gaming companies as soon as they graduate," says Laura Jo Gunter, Dean of the Faculty of Information Arts and Technology.

### **Fast fact:**

Algoma University offers the highly respected University of Abertay Dundee's Master of Science in Computer Games Technology.

## Nothing “Unreal” about **Digital Extremes’** success

Digital Extremes got its foothold in the digital gaming industry in the shareware craze of the early 1990s, when companies released a level or two of a game to entice players to buy the whole thing. Founder James Schmalz, a University of Waterloo mechanical engineering graduate, created Epic Pinball, which became one of the most successful shareware games ever. Today, the award-winning London, Ontario-based company sets the standard for “first-person” action games. Its successful Unreal franchise (co-created with Epic Games) has sold more than 10 million copies worldwide and Digital Extremes recently teamed up with 2K Games to help develop its blockbuster franchise BioShock. “Digital gaming relies on talent,” says Schmalz. “We’re able to hire the best from Ontario and abroad – and keep them – because of our reputation for creating top-quality games and an amazing work environment.”



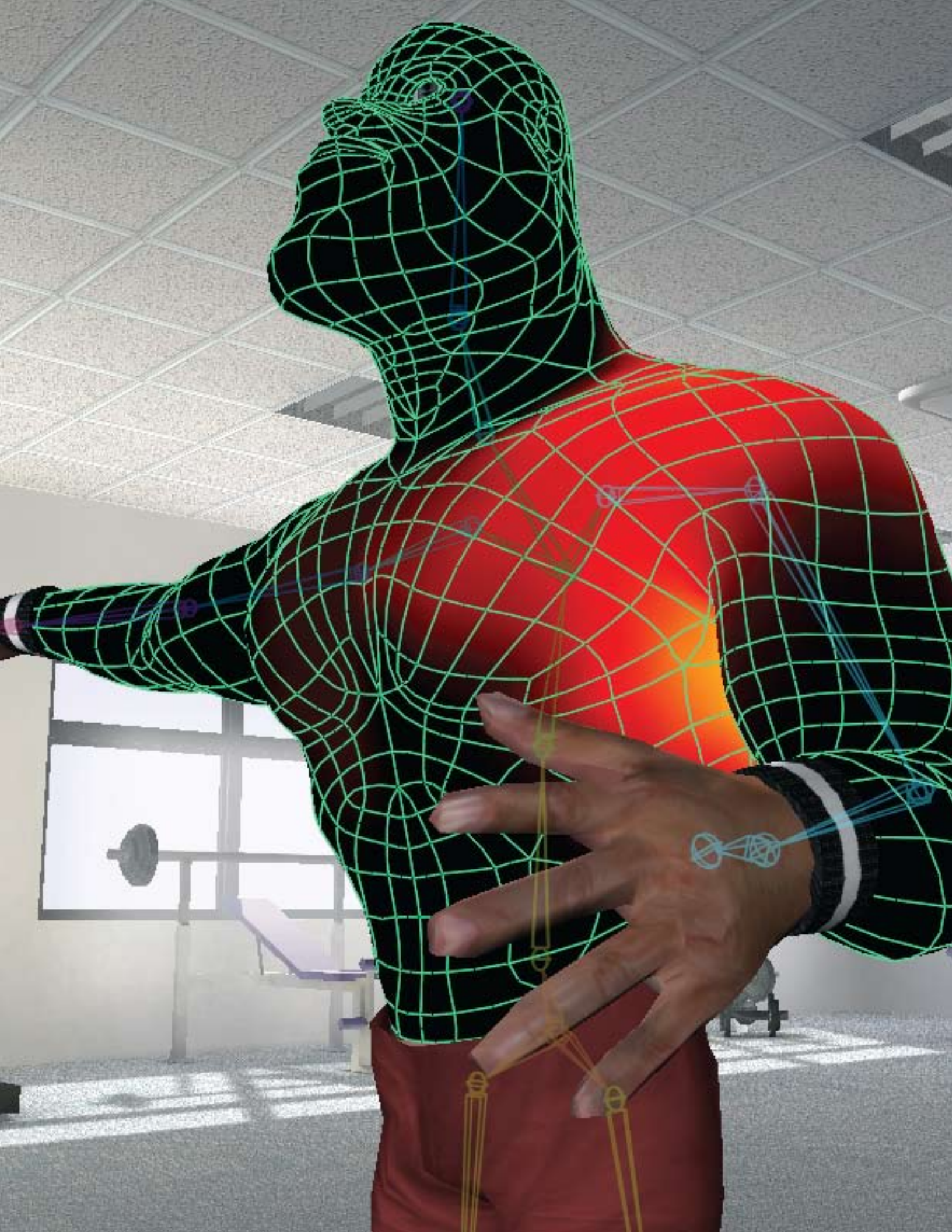
“We’re able to hire the best from Ontario and abroad – and keep them because of our reputation...”

## And the Oscar goes to... Autodesk

"From the very earliest days of the industry, Ontario has been a leader in computer graphics and special effects," says Gord Kurtenbach. Kurtenbach is director of research for Autodesk Canada, formerly Alias Wavefront, the Toronto-based company responsible for creating Maya. Featured in films that include Peter Pan, The Lord of the Rings and "2012", Maya is the software of choice for Hollywood studios and a growing number of game developers. It's also won a slew of accolades, including an Oscar for Technical Achievement from the Academy of Motion Picture Arts and Sciences and the Game Developer's Hall of Fame award. "We've been successful at predicting where the industry is going and getting there first," says Kurtenbach. "We're able to stay at the leading-edge because of a highly qualified, creative research team drawn from Ontario universities, generous R&D tax credits and a vibrant digital media community."



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## Side Effects Software – passionate about production

Digital game developers who want to produce rich game content efficiently and cost-effectively are turning to Side Effects Software. That's because the Toronto-based company's award-winning Houdini 3D software delivers superior performance and a flexible work flow. Used by top film studios for more than 20 years, Houdini is increasingly sought after by game developers that include Blizzard, EA, Guerilla Games, Naughty Dog and Sony Computer Entertainment. Houdini is so leading-edge that the Academy of Motion Pictures, Arts and Sciences has twice honoured the company for its contribution to 'the art and science of making motion pictures'. "We're constantly pushing the envelope," says Side Effects Software president, Kim Davidson, "and it's thanks to the exceptional programming talent coming out of Ontario's universities, amazing R&D tax credits and access to a growing regional computer gaming community."



“We’re constantly pushing the envelope, and it’s thanks to the exceptional programming talent coming out of Ontario’s universities...”

## Advanced technology

To push the envelope, you need the latest technology. Ontario has it.

State-of-the-art enhanced optical fibre and access to broadband is widespread. We have full disaster recovery, business continuity services and 24/7 technical support. A choice of carriers keeps costs highly competitive.

### Oscar-winning software

Then, there's our software capability. You'll find both Autodesk (known for Maya) and Side Effects Software (known for Houdini) in Toronto – because that's where they began. And they're constantly evolving and producing new technologies and techniques.

system for complex wire action and an experienced in-house stunt team. It's one of the most advanced facilities of its kind and is used by game developers that include Tecmo Koei, Silicon Knights and Digital Extremes.

### Defining the future

We're committed to being at the leading-edge of digital gaming, which is why we've created new research centres focussed on technological innovation and best practices.

Sheridan College's Screen Industries Research and Training Centre, located at Pinewood Toronto Studios, brings together researchers, content and service companies and creative and technical craftspeople to advance digital technology for a variety of platforms. One area of interest? Adapting moviemaking practices and processes used in films such as Avatar to lower budget productions, including games.

There's also the new University of Waterloo Stratford Institute, a think-tank and training centre that promotes collaboration among students, researchers, businesses and entrepreneurs with the goal of creating and commercializing the next generation of digital media products.

### Future Play

We've established an international annual forum for advancing game design and technology. Launched in 2002 by Algoma University, Future Play attracts game researchers and developers who explore issues critical to the future of gaming, including design theory and technology, impacts and applications and game design talent.



### 151 Front Street

Canada's premier carrier hotel at 151 Front Street in Toronto is a primary North American communications hub for global telecommunications and data storage, second only to the MCI building in New York City in terms of technology. The infrastructure and network connectivity exceeds the needs of the most demanding game developers/producers and ensures the most compelling user experience for their gaming communities.

As for hardware, AMD (which acquired world-leading Toronto-based ATI Technologies) is behind the latest graphics processors and motherboard chipsets that deliver the essential quality, features and high-end graphics performance you need.

### Motion capture complex

We also have Fast Motion Studios. Located in Toronto, the 8,000 square foot (740 square metre) facility is fully outfitted for video game design with pre-vis capability, motion capture cameras, green screen, an aerial truss

## Sheridan showcases 3D innovation

Sheridan has been a leader in digital media for years, so it's not surprising that the innovative Oakville college came up with an industry first – a glasses-free 3D game. “Our idea was to make a fun, interactive game that would grab people’s attention at the 2010 Vancouver Olympics and showcase our artistic and technological talent,” says Darren Lawless, Sheridan’s dean of applied research. “IC3D” uses BlackBerry smartphones as game controllers to assemble puzzles featuring some of Ontario’s most popular tourism attractions. Students from Arts and Animation and Applied Engineering and Computing collaborated with Toronto-based Spatial View and Waterloo-based Research in Motion to create the game in just 12 weeks. Not only was it a huge success at the Ontario pavilion, it has attracted the attention of a number of companies interested in working with Sheridan to develop similar games.



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### Fast fact:

For years nearly every film nominated for an Academy Award in special effects has used technology developed in Ontario.

## Low business costs

In addition to amazing talent and technology that lets your imagination soar, we offer game developers/publishers the lowest business costs of any G7 country according to KPMG's 2010 *Competitive Alternatives* report. In fact, our costs are 11% lower than in the U.S. and almost 19% lower than in Japan.

And they're going down even further.

We're dramatically cutting business taxes as part of a fundamental shift in tax policy covering capital, sales and

income taxes. There are no capital taxes on businesses operating in Ontario. The marginal effective tax rate (METR) on new capital investments (provincial and federal combined) has fallen to 18.6% in 2010 from 32.8% in 2009 and will continue to drop, reaching 16.2% by 2018.

## Impressive incentives

We also provide game producers with powerful financial incentives that can further cut the costs of R&D, labour, marketing and distribution.

The Ontario Interactive Digital Media Tax Credit refunds 40% of the costs of labour, marketing and distribution for games created in-house in Ontario. For companies that develop games under a fee-for-service arrangement, the tax credit is 35%. In either case, there is no "per project" or annual limit on the amount a corporation can claim.

There's also the Co-operative Education Tax Credit. It provides game developers who hire students from Ontario colleges or universities a refundable tax credit of 25% of their salaries, up to \$3,000 per student. Not only does this save companies money, it's an excellent way to evaluate potential new hires.

## Generous R&D tax credits

Finally, our R&D tax incentive program is widely recognized as one of the most generous in the world. When tax credits are factored in, \$100 in R&D expenditures can be reduced to an after-tax cost of less than \$49 – and less than \$38 if you're working with an eligible Ontario research centre. A broader range of costs qualify for deductions than in many jurisdictions and tax credits can be carried back for 3 years, or forward for 20 years.

## Tax credits significantly lower R&D costs

Small and medium-sized non-manufacturers <sup>1</sup> July 1, 2010 (public, private or foreign-owned)	R&D expenditures	R&D expenditures at eligible Ontario research institutes <sup>2</sup>
Gross expenditure	\$100.00	\$100.00
Ontario – 10% OITC <sup>3</sup>	(10.00)	(10.00)
Ontario – 20% OBRI Tax Credit <sup>4</sup>		(20.00)
Ontario – 4.5% ORDTC <sup>5</sup>	(4.05)	(3.15)
Federal investment tax credit – 20%	(17.19)	(13.37)
Tax deduction <sup>6</sup> \$68.76 x 30% \$53.48 x 30%	(20.63)	(16.04)
<b>After-tax cost of \$100 expenditure</b>	<b>\$48.13</b>	<b>\$37.44</b>

Notes:  
<sup>1</sup> Small and medium-sized companies have taxable income of less than \$800,000 and taxable capital of less than \$50 million.  
<sup>2</sup> Eligible Ontario research institutes include universities, colleges of applied arts and technology, research hospitals and other entities in Ontario.  
<sup>3</sup> The 10% refundable Ontario Innovation Tax Credit  
<sup>4</sup> The 20% refundable Ontario Business-Research Institute Tax Credit  
<sup>5</sup> The 4.5% Ontario Research and Development Tax Credit  
<sup>6</sup> Tax rates for non-manufacturers: Federal 18.0% plus Ontario 12.0% = 30.0%

More costs qualify for R&D tax incentives.	Ontario	United States
Salaries and wages	✓	✓
Capital equipment	✓	
Materials	✓	✓
Overhead	✓	
Contract expenses	✓	65% – 75%

## Magmic Games growing fast

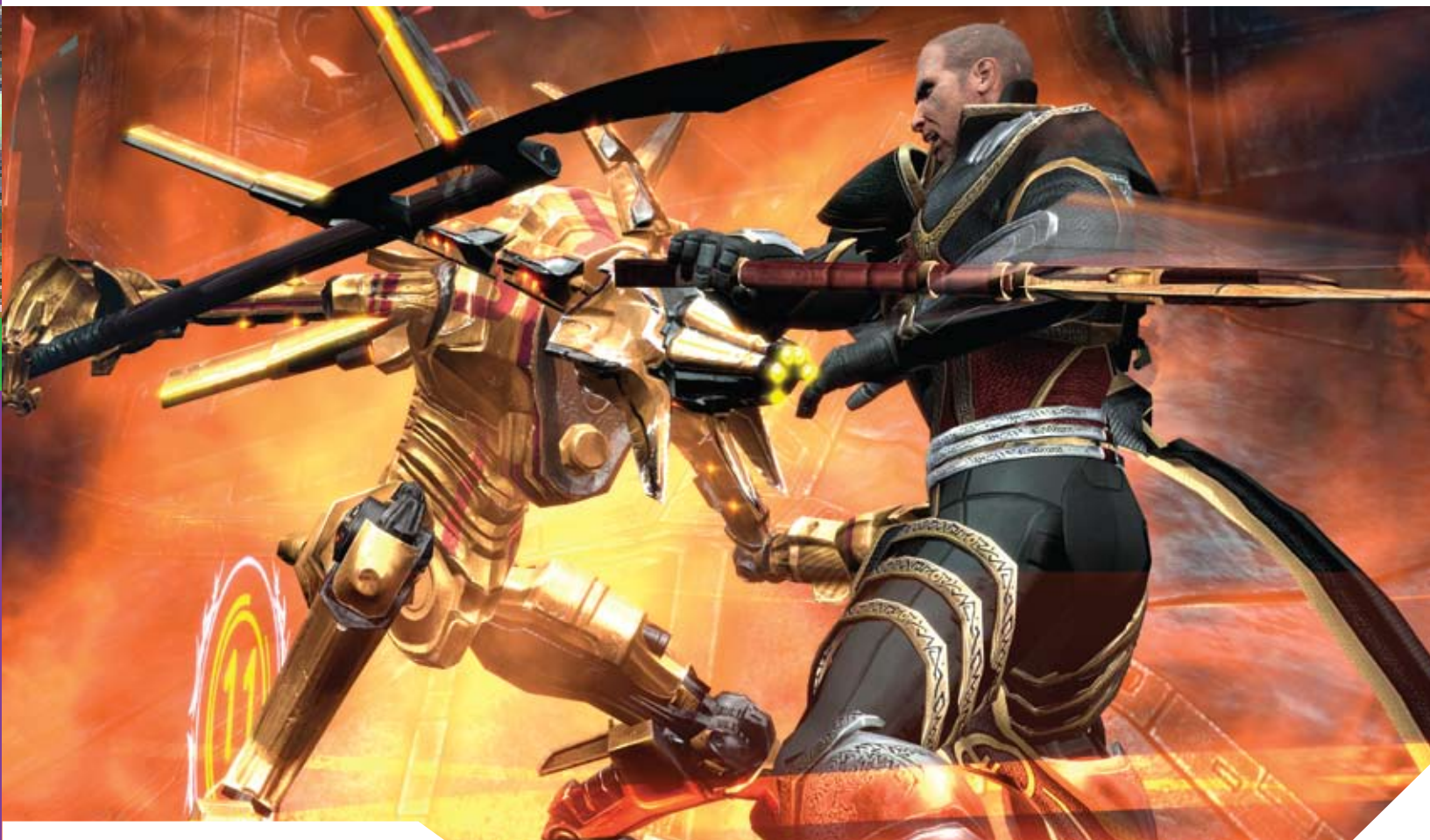
When Magmic got its start in 2002 its goal was clear: to become a major producer and publisher of mobile entertainment. Today, the Ottawa-based company is one of the top 10 North American publishers and has a growing list of popular titles. Games like “The New York Times Crosswords”, “Texas Hold-em King 3”, “Battlestations 1942” and “Ka-Glom” are available worldwide for handsets that include iPhone/iPad, Blackberry, J2ME, Brew, Android and Windows Mobile. “Ottawa is a great place to create games,” says Phil Giroux, a partner at Magmic. “There’s an entrepreneurial spirit here that’s backed up with a wealth of talent, both in terms of programming and management. Ottawa also offers a wonderful lifestyle that appeals to people who like to be challenged at work and want to enjoy themselves when the day is done.” He adds, “Being so multicultural helps us appeal to different audiences.”



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## Silicon Knights consistently breaks new ground

Silicon Knights may not be a household name, but it's one of the most successful independent game developers in the world and its video games are wildly popular with millions of people in North America, Europe and Asia. Since its inception in the late 1980s, the Niagara-based company has been developing and producing groundbreaking games for the world's top publishers, including Microsoft, Nintendo, Activision and Konami. How has Silicon Knights created a successful niche for itself? "In our business it all comes down to creative talent," says Denis Dyack, the company's president and founder. "We have very talented writers, artists, programmers and game designers; most are graduates of Ontario colleges and universities. Plus, Niagara provides a quality of life that's second to none, which enables us to recruit and keep our talent."



### **Fast fact:**

The cost of talent is key for game developers/producers and high-tech labour costs in Canada are the lowest among the G7.

## A great place to work and play

We know that companies need to get up and running quickly. We've streamlined our regulatory systems so that business start-ups in Ontario require just one simple step – compared to six in the U.S. and eight in Japan.

We also welcome talent from abroad and make it easy for companies to transfer key staff.

Our banks are well capitalized and our banking system is rated the most solid in the world.

And to support innovative game developers we created the Emerging Technologies Fund, a \$250 million fund that matches angel and venture capital investments in new technologies, dollar-for-dollar.

### Proximity to major publishers and developers

We operate on Eastern Time, which means no more than a three-hour time difference with the North American west coast and an evening overlap with Asia.

Telephone, e-mail and conference call communication is effortless and five international airports (Toronto, Ottawa, Hamilton, London and Thunder Bay) enable smooth, quick on-site meetings.

### And after work...

Canada has the best overall quality of life among the G7 countries according to the World Competitiveness Yearbook. As well, the cost of living in Toronto and Ottawa is substantially lower than in New York City, Los Angeles and San Francisco.

We have top-class public schools and post-secondary institutions, excellent publicly funded health care and as one of the most multicultural societies anywhere, you'll feel right at home.

Finally, the choice of leisure pursuits is endless. Ontario offers everything from sophisticated nightlife to relaxed cottage living.



**Bottom line?** If you're not already making games here, you probably should be. There's no better place in the world for game development and production.

## Game publishers turn to **Artech Studios**

In 2011 Artech Studios will mark 30 years in business – and the Ottawa-based company will have lots of reasons to celebrate. With over 150 games on all formats, Artech’s clients are a who’s who of the gaming industry, including EA, Hasbro, Disney, Atari, THQ, Warner Bros, Sony, Intel and Infogrames. Artech, which has a full production facility that includes motion capture and blue screen, has also earned five Gold and Platinum awards for million selling titles, as well as Game of the Year twice from Billboard. How has this small company been so successful? “Ontario is just a great place to make games,” says Artech director Paul Butler. “We’ve got awesome talent on the technical and artistic sides, thanks to our universities and colleges, great R&D tax credits, low business costs and an enviable quality of life that keeps us here.”



“We’ve got awesome talent on the technical and artistic sides, thanks to our universities and colleges...”

## Tecmo Koei's Toronto studio is a hit

"Toronto is famous for its story-telling, computer graphics and gaming talent," says Toshio Otake, Tecmo Koei Canada's vice president. That was the number one reason the Yokohama, Japan-based company headed straight for Toronto when it decided to open a North American production centre. "The fact that Toronto is so multicultural is also an advantage when you're developing games for the world market as we are." Adding to Toronto's attraction: costs are reasonable, the city offers access to both the North American and European markets and a lifestyle the company's Japanese and Canadian staff enjoy. Tecmo Koei Canada set up shop in 2001, expanded in 2005 and has been adding staff steadily since then. The Toronto studio creates games for all console and hand-held platforms and is responsible for developing the popular titles: Fatal Inertia, Prey the Stars and the upcoming, Warriors: Legends of Troy.



"The fact that Toronto is so multicultural is also an advantage when you're developing games for the world market as we are."



### Fast fact:

The Greater Toronto Area (GTA) is the third largest television, film and digital media cluster in North America.

## We can help

Interested in investing in Ontario? We're here to help.

Our online GIS tool, Select Ontario, ([www.investinontario.com/siteselection](http://www.investinontario.com/siteselection)), provides the sophisticated data analysis you need to make an informed decision about everything Ontario has to offer. This includes: information on industry clusters, availability of skilled workers and real estate and proximity to transportation routes and infrastructure.

## We can also assist with

- coordination of site selection and community visits
- contacts with federal, provincial and municipal officials, utility companies, transportation organizations and business facilitators
- business immigration regulations and requirements.

For more information about investing in Ontario please visit us at:  
[www.investinontario.com/siteselection](http://www.investinontario.com/siteselection)





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