



Québec

: A Dynamic and Profitable Business Environment

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Home

QUÉBEC, A HOT SPOT IN DIGITAL ENTERTAINMENT

The birthplace of software pioneers Softimage and Discreet Logic and companies like **A2M**, **Frima Studio** and **Sarbakan**, Québec now ranks among the hottest spots in the world for the development of computer games and interactive content.

Thanks to its creative workforce, very competitive operating costs and generous government support, Québec's electronic game industry has enjoyed strong growth in the past few years.

Quebec has attracted many industry leaders like **Ubisoft**, **Electronic Arts**, **Activision**, **Eidos** and **THQ**, as well as related companies specializing in testing, localization, sound effects, music, animation and special effects.

In addition to these distinguished firms, Quebec offers a solid network of world-renowned specialty schools, universities and colleges that provide complete, customized training to meet industry needs.

"Montréal is envied as a leader in the multimedia field. There are few cities that make that boast. An exceptional talent pool and a level of creativity and innovation that, supported by excellent schools and by the government, make Montréal a business location like no other in the world. Its record over the last ten years is convincing proof."— Stéphane D'Astous, Managing Director, EIDOS-MONTRÉAL, 2009

Your company is growth-minded. Expand your horizons in Québec.

Last update: May 2010

Sector Profile

Technology Community Québec's digital entertainment industry encompasses more than 80 companies involved in games development, publishing, production services, software and middleware. These companies employ 7,000 people and generate many other jobs indirectly.

The core of the industry is formed by about 50 development studios that provide work for 5,000 people. These companies benefit from an extremely competitive business environment, with operating costs that are 21% lower than the US average for the multimedia industry. Also, they can qualify for a tax credit of up to 37.5% of their total payroll.

Talent and Creativity

Above all, what makes Québec and more specifically Montréal a thriving hub of arts, technology and new media is the local pool of talented, imaginative creators. For proof, one need only consider the myriad prizes awarded recently to made-in-Québec video games, or the growing international success of many home-grown works in the music, film and performing-arts industries.

Educational Infrastructure

Québec has renowned educational facilities that produce more than 5,000 graduates every year in Computer Science, as well as various fields related to multimedia. In addition to public institutions—colleges and universities—Québec is now home to world-renowned private institutions such as the National Animation and Design (NAD) Centre, the Nationale Institute of Digital Entertainment, Ubisoft Campus and the Institut national de l'image et du son (INIS).

Government Support

Companies producing multimedia titles are eligible for generous tax credits—the equivalent of up to 37.5% of labour costs. Investissement Québec manages this tax-incentive program on behalf of the Québec government.

Industry-leading Companies

Québec's multimedia companies include several internationally renowned developers, along with a second tier of emerging developers, as well as several dozen innovative microbusinesses. Each plays its part in the booming local digital entertainment industry.

- Development studios
- Quality assurance, testing and localization
- Software (animation, sound-processing and special effects) PC / Console developers

Industry-leading Companies Development Studios

Company	Number of employees	Titles produced in Québec
<p>Ubisoft is one of the world's leading designers and publishers of video games. Its Montréal studio should grow to 3,000 by 2013 and produces close to 50% of the titles in the Ubisoft group's catalogue. The company also has operations in Québec City, and has made major investments in a new studio dedicated to digital animation</p>	<p>1,800 in Montréal 200 in Québec City</p>	<p>Tom Clancy's Splinter Cell (series), Assassin's Creed I & II, Far Cry (series), Prince of Persia (series)</p>
<p>Electronic Arts is a leading global interactive entertainment software company. It develops, publishes and distributes interactive software worldwide for video game systems, personal computers, wireless devices and the Internet</p>	<p>625 (450 at EA and 175 at EA Mobile)</p>	<p>Army of Two: the 40th Day, The Sims 3 High-End Loft Stuff, Need for Speed: Nitro, Army of Two, NHL 07</p>
<p>Artificial Mind & Movement (A2M), Canada's leading developer of independent video games. Since 1992, A2M has produced 70 games on all existing platforms, selling over 28 million copies worldwide</p>	<p>500 (including over 450 in Montréal)</p>	<p>WET, Dante's Inferno, Twilight Scene it?, Ice Age: Dawn of Dinosaurs, Kung Fu Panda, Iron Man</p>
<p>Beenox Studios, a wholly-owned subsidiary of Activision since 2005. It ranks among the world's top 50 video game developers according to a March 2008 report by Game Developer Research</p>	<p>330</p>	<p>Guitar Hero Smash Hits, James Bond: Quantum of Solace, Monsters vs Aliens</p>
<p>Gameloft, founded in 1999 and located in Montréal since 2000, develops and publishes electronic games for wireless platforms. Gameloft creates its own games as well as developing games for others</p>	<p>300</p>	<p>Not available</p>
<p>Eidos Montréal is about to release two eagerly-awaited AAA titles: Thief 4 and Deus Ex. The studio, which opened in 2007, has become one of the main employers in this sector</p>	<p>280</p>	<p>Deus Ex: Human Revolution (3), Thief 4</p>
<p>Bluberi Gaming Technologies brings together professionals specializing in video games and casino management systems for the global gaming industry</p>	<p>250</p>	<p>Temple of Gold, Royal Reels, Bingo Diamond</p>
<p>Frima Studio, located in Québec City, develops a broad array of interactive learning and entertainment products. While a substantial portion of production is for the</p>	<p>250</p>	<p>Little Princess, Zombie Tycoon, Big Brain Wolf, Diego's African Off-Road Rescue Deal Or No</p>

Internet, Frima Studio also produces games and software for wireless platforms, interactive television, personal computers, game consoles and portable game handsets

Deal, Family Guy (smartphones)

Sarbakan, based in Québec City, is a world-class digital design studio. Besides developing original projects, the firm offers content owners, producers and advertising agencies a full range of creative and production services for the Web and TV markets. It also participates in the production of games for consoles and mobile platforms

125

The Game of Life, Where's Waldo: The Fantastic Journey, The Incredibles: Save The Day, Spongebob Squarepants: Invasion of the Lava King

DTI Software has become a world leader in the development and distribution of interactive software for in-flight entertainment

120

Not available

Ingénio, formed in December 1998 by the research and development arm of Loto-Québec (government organization charged with operating games of chance and lotteries in Québec). Its chief activity is the creation and development of new multimedia lottery products

50

Texas Hold'Em Poker, Trio Royal, Bingo, Fortune, Double Up, Cyber Slingo, Eldorado, etc.

Tribal Nova is a high-profile company in the development and operation of interactive content and virtual worlds for on-demand video and games for children ages 3 to 12. Tribal Nova announced a strategic collaboration with the U.S. public broadcaster PBS in January 2008 for the creation of the educational website "Kids Play!"

50

Bayard Kids, PBS KIDS PLAY!, Toopy and Binoo, Caillou, Kidsmania

Funcom, a leading developer and publisher of MMO (Massively Multiplayer Online) games, garnered rave reviews with the release of Age of Conan and Anarchy Online

30

Forthcoming

Logiciels Mystic develops games for DS and Wii consoles. It has already sold over a million copies of its games worldwide

28

Backyard Baseball, Family Feud, The Price is Right, Sherlock Holmes (released in 2009)

Industry-leading Companies Quality Assurance, Testing and Localization

Company	Number of employees
<p>Enzyme Testing Labs specializes in comprehensive service to the video game industry: linguistic and functional quality assurance tests, assistance in localization and technical support for users, in a highly secure environment</p>	300
<p>Bug Tracker, founded in France in 1998 and established in Montréal since 2002, has become a major supplier of quality assurance and localization solutions dedicated to the electronic entertainment industry</p>	250
<p>Babel Media specializes in the adaptation of digital media, including the migration of graphics, animation, video, sound, text and databases on the internet. It also offers localization, QA, testing, certification and digital marketing services</p>	200
<p>Based in Redmond, Washington, VMC is the global leader in multi-platform testing and support for the game development industry. VMC is also the largest quality assurance provider in Montréal</p>	Not available

Industry-leading Companies Software (Animation, Sound-processing and Special Effets)

Company	Number of employees
Presagis is a leading provider of COTS software for modelling, simulation and embedded display graphics. The solutions developed by the company have been chosen by some of the biggest names in the industry: Boeing, Lockheed Martin, Airbus, SAAB, BAE Systems, DaimlerChrysler, Volkswagen, CAE, Thales, Northrop Grumman and Vivendi Games	228
Digital Dimension , founded in 1996 and the recipient of numerous awards, specializes in high-end visual effects and 3D animation for the film, television, advertising and interactive entertainment industries	100
Alchemic Dream has, since 2001, concentrated on the management, support and localization for massively multi-player online games (MMOGs). Alchemic Dream does not develop games. Instead, it provides complete customer support solutions for massively multiplayer online games (MMOG).	95
Bluestreak Technology is the creator of the MachBlue Player, a Flash-based engine running rich media applications such as mobile TV and man-machine interfaces	60
D-Box Technologies develops a motion code system recreating real movements in the game player's seat that are synchronized with onscreen action. This patented technology is also used in filmmaking	56
Quazal produces an infrastructure for the development of massively multiplayer online games (MMOG)	17
Feeling Software is a consulting firm specializing in 3D computer graphics and the development of high-performance software	10
Autodesk , known for its first major success, AutoCad which has become an industry standard, Autodesk is now a global leader in software and services for computer systems sectors of construction, manufacturing, civil engineering, digital media and mobile computing	Not available
Toon Boom Animation specializes in 2D animation software. Its products are used by studios at Warner Bros., Paramount Pictures, Universal and many other companies. It also offers consulting and training services	Not available

Associations and Events

Québec has many associations that bring together various players in the video game and multimedia sector.

CRIM (Centre de recherche informatique de Montréal) is an IT applied research centre that develops and transfers technologies and knowledge in order to add value to the products and services of businesses and organizations, and contribute to their commercialization.

L'Alliance numérique, the business network of the multimedia and interactive digital content industry in Québec. It supports companies that are expanding and helps them develop by offering a broad array of services that meet their needs.

International Game Developers Association has a section in Montréal.

Siggaph, is a scientific and professional association for artists, professionals and scientists active in computer graphics and interactive techniques (including 2D and 3D, multimedia, visualization and simulation as well as video games and virtual reality).

The Society for Arts and Technology was founded in 1996. It is a multidisciplinary centre focusing on research, creation, production, presentation, education and conservation in the digital culture field. The Society brings together creators working with digital technologies, thus facilitating collaboration among various artistic and scientific sectors, forming partnerships with the industry and educational institutions and ensuring visibility for its members in Québec and abroad.

TechnoMontréal is the most recent organization to be formed in the telecommunications and information technologies sector in Greater Montréal.

The **Consortium en innovation numérique du Québec** financially supports industry-oriented research and development projects in the media arts and technologies, and sees to technology transfer and integration in businesses.

Oboro is an artist centre that promotes the development of art practices locally, nationally and internationally. Its spheres of activity include the visual and media arts, new performing arts, new technologies and emerging practices.

A major event is held in Montréal each year, in November:

Montréal International Game Summit, which is an event for video and electronic game professionals. Designed to meet the needs of the industry, the Montréal International Game Summit aims to become "The Annual Event" bringing together game industry professionals from Québec, Canada and the east coast of the United States. The international event attracts participants from the United States and Europe. The Summit normally takes place in early November.

Labour

According to a study by the consulting firm SECOR for Alliance NumeriQC¹, the set-up of studios by major publishers, acquisitions and organic growth have resulted in a critical mass of talent, positioning Québec as a key region in a global industry.

¹ Alliance numériQC, *Analyse du positionnement de l'industrie du jeu interactif au Québec*, November 2008

Emerging Talent

The multimedia industry needs young talent to maintain its present momentum. For this reason, training is of major importance in Québec. As shown in the table below, in 2008 there were more than 18,000 students in Computer Science and multimedia-related disciplines enrolled in Québec colleges and universities. That same year, more than 5,100 degrees were awarded in the field.

Furthermore, the visual arts school at Université Laval has started up a bachelor of arts and science program in animation for the fall session of 2009. The Université de Sherbrooke still offers its master's degree in video game development in collaboration with Campus Ubisoft, as well as a bachelor's degree in imagery and digital media. The Université de Montréal, also in conjunction with Campus Ubisoft, provides a master's program in game design.

Enrolment and Degrees Awarded, Québec Colleges and Universities, 2008
Computer Science and Related Programs

Program	Bachelor's		Master's and PhD		Total	
	Students	Graduates	Students	Graduates	Students	Graduates
Computer Sciences						
Computer Science	4,137	1,126	1,375	402	5,512	1,528
Computer Engineering	956	195	182	54	1,138	249
Electrical, Electronic and Communications Engineering	2,951	673	1,261	402	4,212	1,075
Subtotal	8,044	1,994	2,818	858	10,862	2,852
Related Programs						
Communication/Journalism	4,822	1 503	750	219	5,572	1,722
Graphic Design	1,093	231	16	9	1,109	240
Filmmaking	1,005	288	136	30	1,141	318
Subtotal	6,920	2,022	902	258	7,822	2,280
Total	14,964	4,016	3,720	1,116	18,684	5,132

Source: MEQ (Québec Education Ministry), *Gestion des données sur les effectifs universitaires*, 2009.

Labour Training

Specialized Training in Multimedia

Québec has renowned training institutions that train more than 5,100 graduates each year in computer science and various disciplines relating to multimedia. Apart from public institutions-colleges and universities, there are private training centres known around the world, like the National Animation and Design (NAD) Centre and the Institut national de l'image et du son (INIS).

National Animation and Design (NAD) Centre

The first in the world to provide training in Softimage software and one of the very few authorized SOFTIMAGE|XSI and AVID DS training centres, the NAD Centre is also an authorized Animation and Autodesk (formerly Discreet) effects training centre. From its beginnings in 1992, the NAD Centre has offered complete programs, initially in 3D graphics, then in 1997, the very first video game synthetic imagery training program in Canada. The NAD Centre graduates roughly 80 professional 3D artists each year.

Institut national de l'image et du son (INIS)

Founded in 1996, INIS is a professional training centre offering training programs based on practice, an understanding of professional realities, teamwork and development of creativity for the film, television and interactive media communities. INIS grants some 40 diplomas per year.

Since 2005, the **Ubisoft Campus**, formed jointly with the Cégep de Matane, Université de Sherbrooke, Université du Québec and Université de Montréal, has offered training at the college and university levels in key sectors of electronic games development. The first institution of its type in Québec, the Ubisoft Campus meets the industry's needs by offering programs in production and programming, in addition to 3D animation, 3D modelling and game level design.

The **National Institute of Digital Entertainment** is an industry-oriented institution, created by and for businesses. Its mission is to provide for the industry's workforce training needs.

Emploi-Québec

Businesses can receive government assistance, from Emploi-Québec, and partner with education institutions to develop training programs that correspond to the specific needs of the industry. For example, Electronic Arts (EA), A2M and Beenox, an Activision studio, have received government assistance to develop ambitious continuing training programs for their employees.

College Level

The bulk of training relating to electronic games consists of four technical study programs lasting three years at the college level (DCS). Training capacity in 2008 was about 1,500 students according to the specialization is as follows:

- 3D animation techniques and image synthesis;
- Graphics;
- Multimedia integration techniques;
- Animated drawing.

In addition to these specific programs, other study programs can lead to work in the video games sector. Among others, the program in computer technology has almost 4,000 students for the province as a whole.

University Level

The multimedia / electronic game industry has a pressing need for new talent to maintain its current growth. Accordingly, the training of new resources is key concern for Québec. As shown in the table below, more than 18,000 students were enrolled in college and university computer science and other programs relating to the multimedia sector. In 2008, more than 5,100 diplomas were granted in these sectors.

Ma Carrière en jeux

The **Ma Carrière en jeux** website is a joint initiative of companies in the interactive entertainment industry in Québec. The site provides details on the training programs offered in Québec as well as providing information on career possibilities in the electronic game sector.

Operating Costs

Attractive Operating Costs

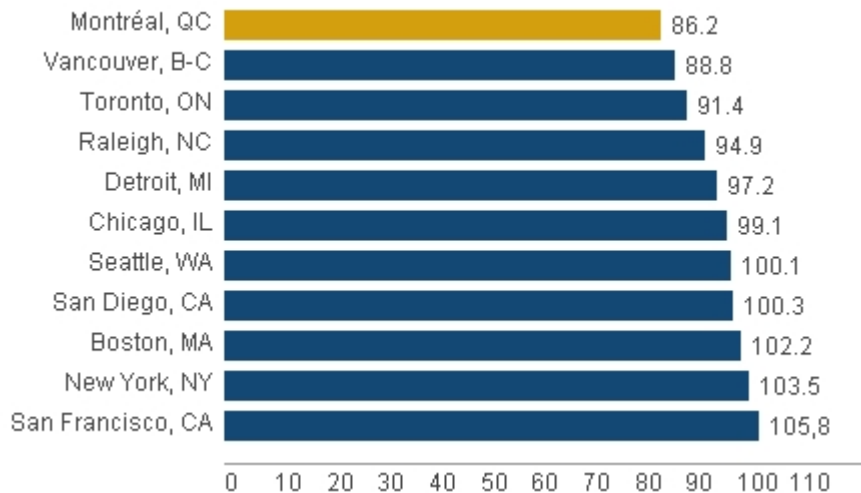
Operating costs in Québec are far lower than in the United States. The key advantages are:

- competitive salaries;
- rental rates lower than those in major U.S. centres.

According to the 2010 KPMG comparative study on international business location, annual operating costs for a multimedia content development company are, on average, 21% lower in Québec than in the United States.

Comparison of Total Annual Costs

Multimedia Content Development (United States = 100)



Source: KPMG's Guide to International Business Location—2010 Edition

Operating Costs Labour

Competitive Labour Costs

According to a KPMG study (2010), labour costs are more competitive in Québec than in other industrialized countries.

Here is an example of the difference in costs and the breakdown of average salary in Québec, the United States, in France and the United Kingdom.

**Comparison of Average Salary
in Québec and Other Industrialized Countries**
(US\$, Multimedia Industry)

	Average salary (KPMG)	Statutory benefits	Optional benefits	Sub-total: Social benefits (Statutory & optional)	Total pay
Montréal, QC	73,145	6,146	16,827	22,973	96,118
Toronto, ON	75,873	4,555	17,645	22,200	98,073
Seattle, WA	79,155	6,527	24,409	30,936	110,091
Londres, GB	79,091	7,800	26,309	34,109	113,200
San Francisco, CA	87,491	6,754	26,973	33,727	121,218
Paris, FR	74,173	32,391	15,609	48,000	122,163

Source: *KPMG's Guide to International Business Location-2010 Edition*

Operating Costs Space Rental

Cost-effective Space Rental

The cost of office rental space in Montréal is very competitive compared to the norm in other large cities around the world. Montréal features the Multimedia City, an innovative dedicated real-estate development project that includes some 100 companies and over 6,000 workers.

Rental Cost, Office Space

	US\$/ft ²	US\$/m ²
Seattle, WA	23.82	256.30
Montréal, QC	28.16	303.00
San Francisco, CA	32.03	344.64
Toronto, ON	35.38	380.69
Londres, GB	70.50	758.58
Paris, FR	76.05	818.30

Source: KPMG's Guide to International Business Location-2010 Edition

Financial Solutions and Taxation

Financial Solutions

Investissement Québec can assist you with your expansion plans, providing consulting services as well as financing assistance. In addition to being an economic development agency, we are also a financial institution. We have several financial solutions for you.

Multimedia production tax credit

The Québec government's refundable tax credit for the production of multimedia titles helps companies lower their production costs. Depending on the category of titles produced, assistance can represent up to 37.5% of labour costs.

SMB Financial

We can provide loan guarantee, i.e. a guarantee applicable to a loan, line of credit or letter of credit granted by a financial institution. We also offer loans. Two components of our SMB Financial program are likely to interest you:

- **Interim financing of tax credits**
- **Technological and design innovation**

Strategic Support for Investment Program

If your company is planning an investment or seeking to develop a new product, we can provide various types of

loans, a loan guarantee or a non-repayable contribution.

The Strategic Support for Investment Program (PASI) favours investments that target diversification or consolidation of a particular sector, and product development that is distinctive because of its innovative nature and commercial potential.

Financial Solutions and Taxation

Measures to Stimulate R&D

Certain Québec tax measures enable companies to realize considerable savings on R&D costs. The real cost of a CDN\$100 R&D expenditure may be as low as CDN\$35.

**Net cost of CDN\$100,000 R&D expenditures incurred in Québec
by a large corporation or by a foreign-controlled corporation
in the non-manufacturing sector**

Example 1: A corporation incurs expenditures of \$100,000 on R&D; i.e., \$100,000 for the salary of a researcher.

Example 2: A corporation incurs expenditures of \$100,000 on R&D; i.e., \$80,000 for the salary of a researcher and \$20,000 for subcontractors.

	Example 1	Example 2
Expenses	\$	\$
A - Salaries	100,000	80,000
B - Subcontractors	<u>—</u>	<u>20,000</u>
C - Total R&D expenditures	100,000	100,000
Québec tax credit		
(Salaries (A x 17.5%) + subcontractors (B x 50% x 17,5%))	17,500	15,750
Federal tax credit		
Total expenditures (C)	100,000	100,000
Overhead (A x 65% ¹)	65,000	52,000
Less Québec credit	<u>(17,500)</u>	<u>(15,750)</u>
D - Expenditures eligible for credit	147,500	136,250

E - (D x 20%)	29,500	27,250
F - Total tax credits	<u>47,000</u>	<u>43,000</u>
Net cost for the corporation before tax (C-F)	<u>53,000</u>	<u>57,000</u>
Tax savings (when profits are earned)		
Federal ((C - F) x 18%)	9,540	13,095
Québec ((C - E) x 11.9%)	<u>8,390</u>	<u>8,657</u>
G - Total tax savings	17,930	21,752
Net cost for the corporation (C-F-G)	<u>35,071</u>	<u>35,248</u>

[1] Proxy method used to calculate overhead. Under this method, overhead actually incurred is replaced by 65% of R&D salaries.

Source: Investissement Québec and Raymond Chabot Grant Thornton, April 2010.

Financial Solutions and Taxation

Corporate Tax Rates

Among the lowest tax rates in North America

In Québec, the corporate tax rate of 29.90% is one of the lowest in North America Québec's tax system is also very competitive regarding job creation and capital investment.

Comparison of Tax Rates, 2009/2010
Québec, Other Provinces and American States
Non-Manufacturing Companies

	Effective Tax Rate (%)		
	Federal ⁽¹⁾	Province/ State	TOTAL
Québec	18.00	11.90	29.90
Ontario	18.00	14.00	32.00
Washington ⁽³⁾	35.00	--	35.00
Texas ⁽³⁾	34.65	1.00 ⁽²⁾	35.65
Florida ⁽³⁾	33.08	5.50	38.58
Georgia ⁽³⁾	32.90	6.00	38.90
California ⁽³⁾	31.91	8.84	40.75

[1] In Canada, the federal tax rate is 11% for Canadian-controlled private corporations with taxable income of less than CDN\$500,000. Reduced rates also apply in some provinces for small businesses. The rate of 18% in 2010 will decline to 16.5% in 2011 and 15% as of 2012.

[2] Texas has levied a 1% franchise margin tax. The tax applies to the lowest of the following three margins: (1) gross profit margin; (2) total income less remuneration; (3) 70% of total

income. Since January 1st, 2009, companies with a income of less than \$434,782 are exempted from the state tax.

[3] 2009 rate

Source: Raymond Chabot Grant Thornton and Investissement Québec, April 2010.

Financial Solutions and Taxation

Capital Tax Exemption

A corporation conducting business in Québec is subject to capital tax equalling 0.12% of taxable capital. This tax is deductible in the calculation of taxable income. The Québec government exempts the first \$1 million of taxable capital of small businesses. The government has also pledged to eliminate capital tax for all corporations as of 2011.

Choose Investissement Québec

Are you looking for the right place to grow your multimedia company?

Call Investissement Québec.

We combine the advantages of a financial institution and an economic development agency, so we have what it takes to meet your needs.

Our team of experts can help you :

- **Gain insight into the challenges and opportunities offered by Québec's multimedia industry;**
- **Build productive, strategic alliances with local and international partners;**
- **Find a location that suits your needs;**
- **Benefit from attractive tax incentives;**
- **Find the right financing solutions including loans, loan guarantees and working capital.**