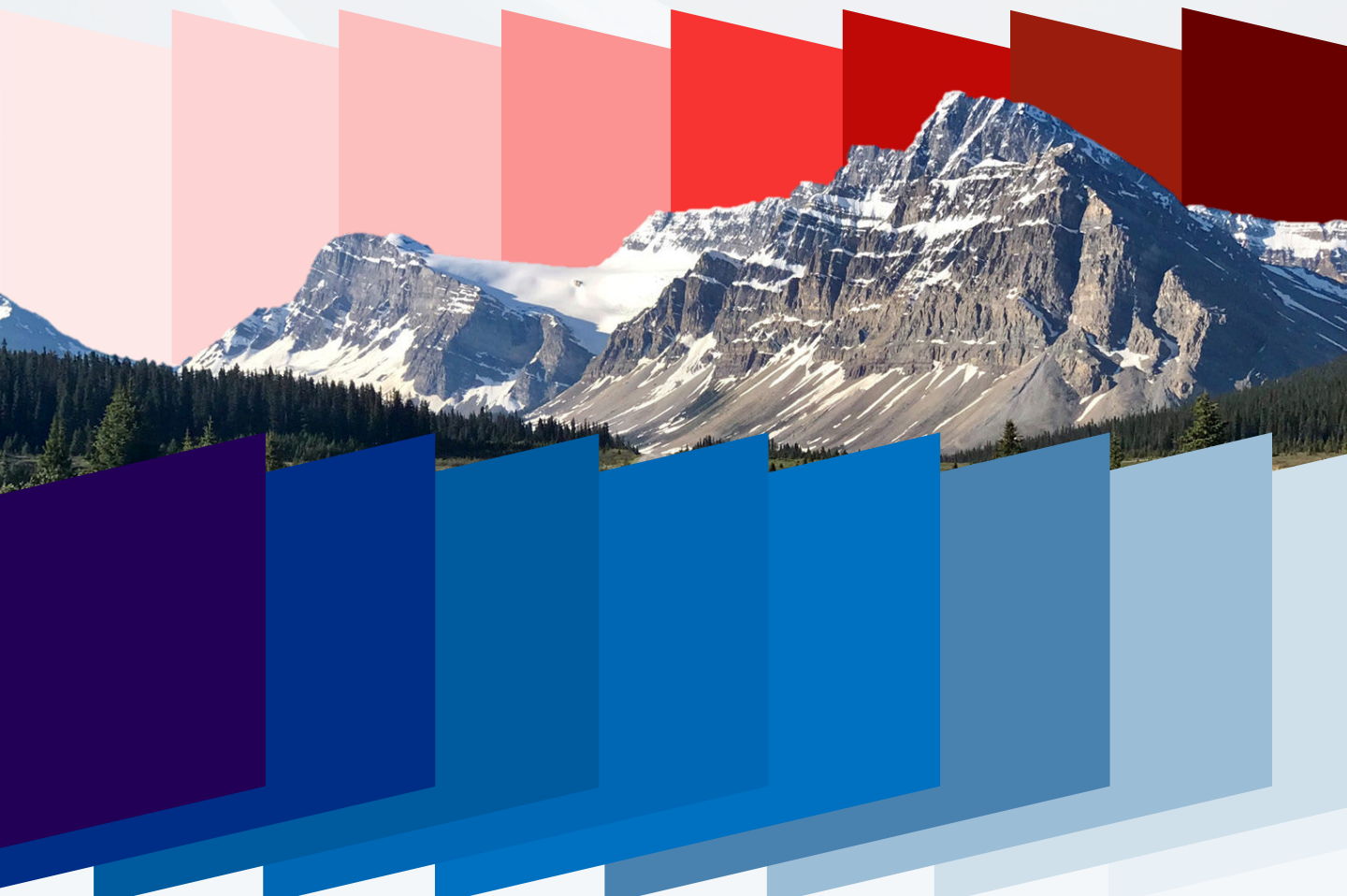


KEY FRAMES

A Growth Strategy for Animation and VFX in Alberta

Executive Summary



Presented by



EDMONTON SCREEN
INDUSTRIES OFFICE

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Prepared by



KEY FRAMES | Environment

Calgary Economic Development (CED), Edmonton Screen Industries Office (ESIO), and their project partners across Alberta have plans to grow and attract larger and more lucrative budget productions to support the growth and expand the presence of Animation and VFX in Alberta.

As such, CED and ESIO commissioned Nordicity to develop an Alberta Animation & VFX Strategy to capture the economic benefits of the industry, as well as capitalize on the existing players in the provincial ecosystem.

1 – Global Market for VFX and Animation

The global spend for the Animation and VFX market was US\$155.26 billion in 2020, and is expected to reach US\$289.4 billion by 2026, with a combined annual growth rate (CAGR) of 10.9% between 2020 to 2026.

The growth of streaming as a form of content consumption has increased global consumer demand for high quality film and television productions to be released on a more frequent basis than in previous times. Increased adoption of Animation and VFX solutions is driven in large part by an increase in production value and budget for mainstream film and television, as well as by an increasing willingness by writers, directors and producers to incorporate content requiring VFX into their stories.

In addition to the growing market for these technologies for entertainment purposes, Animation is seeing increased demand beyond just the entertainment sector. Industries like education and design are increasingly turning to Animation and virtual production as VR, AR and other immersive experiences become increasingly common tools for creating and marketing engaging content.

An environmental scan notably identified the following trends and drivers of change:

- **Talent:** with the rapid growth of the industry, there has also been a significant growth in the demand for talent.
- **Business model and Intellectual Property:** the development of IP is a key element in the sustainable growth and expansion of Animation and VFX companies.
- **Working environment:** the pandemic has demonstrated that employees are able to be productive remotely and company have widely adopted cloud-based workflows.
- **Equity, diversity and inclusion:** women are significantly underrepresented in the VFX field, with only 22.6% of VFX credits across 400 top movies in 2019.

In this context of growth and challenges, Alberta has a part to play and can capture a relative share of the attractive – yet competitive – Canadian market for Animation and VFX. **KEY FRAMES**, the Growth Strategy for Animation and VFX in Alberta positions the local industry to seize the domestic and international opportunities with pragmatism.

2 – VFX and Animation in Alberta

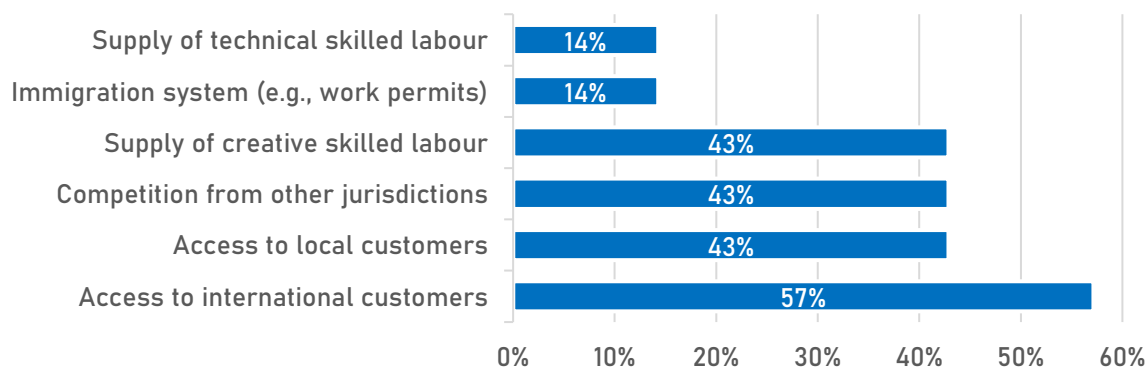
Nordicity identified 24 active VFX and Animation companies in Alberta. In addition, an active freelance community (the size of which is more difficult to assess) completes the growing VFX and Animation sector in Alberta.

According to the industry survey conducted in June 2022, the average VFX and Animation company in Alberta is:

- A Canadian-owned corporation based in Calgary and in operation for over 10 years.
- Working on both animation and visual effect projects.
- Employing less than five permanent employees, a number that almost doubles if we include temporary employees and freelancers in the headcount.
- Its primary client industries are the film and TV industry, advertising and marketing, education, and government and military.
- Generating a significant part of its revenue from fee-for-service works, primarily from Alberta clients. Additionally, the USA are the first international market companies and accounts for 12% to 18% of the revenue depending on the size of the company.
- Spending more than two-thirds of its annual expenditure on labour costs.

Overall, VFX and Animation companies in Alberta are rather confident about the future and identify promising opportunities to grow over the next five years. For instance, 64% of respondents indicated having a desire or a (future or existing) plan to develop and exploit intellectual property. However, Animation companies that would like to move away from a business model centered around fee-for-service work require investment and financial support to alleviate the risk associated with developing IP.

In addition to funding and financing, companies have identified access to markets (local and international) as the main barrier to growth. The figure below lists other concerns raised by participants.



Alleviating these barriers to support the expansion of the vibrant Animation and VFX ecosystem in Alberta is the starting point of the present Growth Strategy.

3 – Economic Impact

Nordicity estimates that the VFX and Animation industry in Alberta generated a total of **110 full-time equivalents (FTEs)** in 2021, as well as a **total \$10 million in gross domestic product**.

Economic impact of Alberta's Animation and VFX industry (2021)

	Direct impact	Indirect impact	Induced impact	Total impact
Employment (FTEs)	70	20	20	110
Labour income (\$000s)	4,332,000	771,000	785,000	5,888,000
Gross domestic product (\$000s)	7,003,000	1,389,000	1,826,000	10,218,000

At the provincial level, Nordicity estimates that the VFX and Animation industry generated **more than \$930,000 in taxes** in 2021, for total of \$2,3 billion.

Fiscal impact of Alberta's Animation and VFX industry (2021)

	Federal	Provincial	Total
Personal income taxes	984,000	413,000	1,397,000
Corporation income taxes	181,000	70,000	251,000
Consumption taxes	223,000	177,000	400,000
Local property taxes and other fees	000	271,000	271,000
Total	1,388,000	931,000	2,319,000

KEY FRAMES | Growth Strategy

Now that we have set the scene and introduced the Animation and VFX section in Alberta, it is time to assess and unlock the potential for growth.

1 – Four Pillars

While success can be defined in many ways, for purposes of the strategy, success will be defined as economic impact: revenues, taxes, jobs and related economic key performance indicators.

Nordicity has identified four key components that provide a solid basis for the emergence of a growing and sustainable VFX and Animation industry:

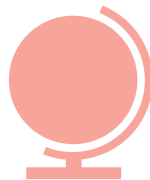
- **A large, high-quality, accessible and affordable talent pool:** for an ecosystem to grow and flourish, it needs to produce, attract, and retain the relevant talent. This includes both senior talent with experience and leadership skills, as well as junior talent full of energy and fresh ideas.
- **An interconnected, scalable ecosystem:** in a globalized creative world increasingly dominated by giant players, growing demand for Animation and VFX services on increasingly ambitious projects, collaboration has become not only a way to save money and time, but also a necessity to approach complex creative and technological issues.
- **A pipeline to access opportunities:** a strong support ecosystem should provide companies with information, events and programs that guide them throughout their development, locally and internationally.
- **An environment conducive to creating and retaining intellectual property:** IP ownership models can often result in downstream revenue (from royalties, licensing payments, derivative sales, etc.), thus supporting sustainable growth.



Talent



Ecosystem



Access to
Opportunities



IP Strategy

Four Pillars for a Growing and Sustainable VFX and Animation Industry

2 – Opportunity for Alberta to Become a Leader in Animation and VFX

Based on an extensive scan of the sector in Alberta, as well as validation interviews, the assessment below has been developed to summarize the assets that **KEY FRAMES** can leverage and the opportunities it needs to seize, for each pillar of success.

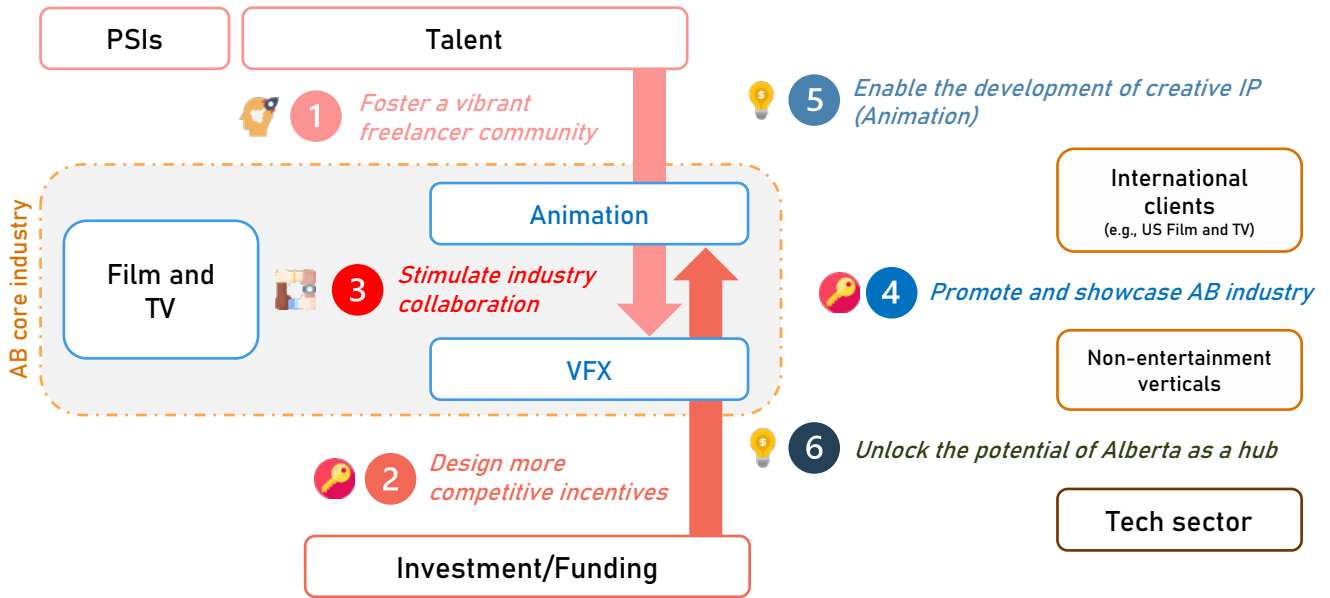
- **Talent:** Local PSIs seem to provide sufficient supply of highly-skilled talent – however the scan reveals that there is a risk to see this talent leave the province if the industry cannot absorb and retain graduates. Moreover, by supporting PSIs to design more opportunities for continued training and mentorship, Alberta will have a more comprehensive talent pipeline that feed into the sustainability of a robust Animation & VFX ecosystem.
- **Ecosystem:** Through collaboration, Alberta's Animation and VFX SMEs will be able to increase capacity and collective skills to elevate themselves to take on bigger opportunities in the national and global film & TV market. Given the expected growth in the global Animation and VFX market, Alberta's companies should be positioned to capture a growing share of demand from foreign market as Canada has been benefiting from the foreign location and service production, particularly from the US.
- **Access to opportunities:** The local support ecosystem (decision-makers, industry associations and post-secondary institutions) will play a significant role in the development of the creative and technical fabric – this interconnected network is the key to unlock the potential of Alberta's Animation and VFX industry. The offering should not only include attractive incentives but also industry events, export missions, promotional efforts, matchmaking session with investors, etc.
- **Intellectual Property:** The analysis of trends and drivers of change indicated that the ability to produce local IP not only helps attracting top tier talent but also create value on top of a fixed or semi-fixed bid business model. Most of Alberta's Animation & VFX companies are small and micro businesses that primarily provide fee-for service work with a client base in various industries. In addition, the Animation and VFX industry is also seeing early adoption of emerging technologies such as virtual production, artificial intelligence and machine learning. Alberta has demonstrated notable advancement in this sector: there is potential for the local innovators to develop the solutions that will re shape the creative production workflows.

As such, the Growth Strategy will focus on the following objectives:

- Absorb and retain locally trained high-quality talent;
- Build neural pathway towards more collaboration;
- Reinforce Alberta's film and TV production centre as a one-stop shop; and
- Build on high-potential adjacent sectors in the province (e.g., immersive media).

3 – Growth Strategy

KEY FRAMES, the Growth Strategy for Animation and VFX in Alberta is build around a suite of recommended actions six interconnected compiled into six core ideas. The following pages present an overview of the strategy and its main actionable elements.



1 Foster a vibrant freelancer community

- Create programs that provides consistent training and information on key/emerging skills that are in demand for Animation & VFX (e.g., masterclasses, workshops).
- Create a directory/platform to facilitate matchmaking between talent and companies, and stimulate mentorship.
- Facilitate programs that sponsor internship/co-op opportunities for students and studios.

2 Design more competitive incentives

- Ensure that funding mechanisms remain stable and unchanging.
- Work with government and industry stakeholders to revise the provincial post-production grant's (PPG) operational policy to set out best practices that support effective processing and productive relationships with funding recipients.
- Work with government and industry stakeholders to develop incentives to encourage infrastructure investment.

3

Stimulate industry collaboration

- Establish a provincial VFX and Animation specialist or consultant position to assist local studios with the collaboration process.
- More generally, the province would largely benefit from a creative industry agency as observed in other Canadian jurisdictions.
- Hold regular networking events and meetup opportunities to encourage collaboration.

4

Promote and showcase the industry

- Carry out missions to trade markets with the higher potential companies to meet international investors/distributors (e.g., BANFF) to promote Alberta as a one-stop shop for production and post-production.
- Provide training and/or guidance to help Alberta companies develop their pitch and sell their services and ideas in an effective way.
- Promote and market local Animation & VFX companies to production companies and even businesses in other sectors.

5

Enable the development of creative IP

- Promote available development and marketing grants to Animation stakeholders via industry associations.
- Establish slate funding to allow IP creation and entrepreneurship among established companies.
- Organize pitch competition/matchmaking with investors/distributors.
- Provide training for professional development and for PSI students and entrepreneurs to improve business acumen.

6

Unlock the potential of Alberta as a hub

- Create bridges between film and TV production companies and VFX companies via industry events to organically grow as a one-stop destination.
- Advocate for public and private investments in VFX infrastructure such as sound stage with motion tracking equipment and LED volume screens.
- Connect the industry with the province's tech sector to fuel research and development for technology applied to the creative industries.

KEY FRAMES | Vision

The growth strategy will further integrate Animation and VFX companies into the broader provincial creative and technological ecosystem to position Alberta as the fourth audiovisual production centre in Canada,

Alberta will achieve this vision by nurturing **collaboration, innovation and creativity**.

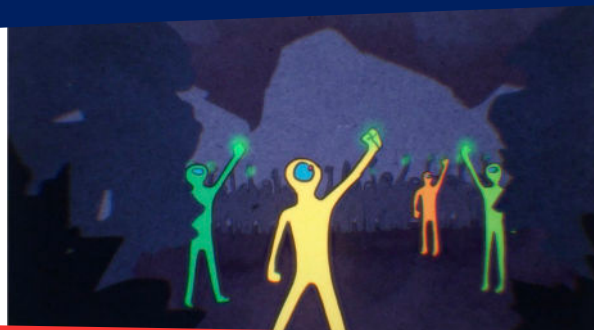
In leveraging provincial capabilities in both the creative industries and the commercial/industrial sectors, the Animation and VFX industry will generate a significant impact:

- Creating **more opportunities for local talent** to establish viable career plans in the province;
- Designing a sustainable environment for local companies to **partner** and take on more ambitious projects;
- Strengthening the attractiveness of Alberta as a leading film and TV production centre through the **consolidation** of the production and post-production pipelines;
- Fostering and **cementing relationships** between Animation and VFX and non-entertainment sectors, notably via the use of immersive media; and,
- Promoting Alberta as place of **innovation and creativity**.

As such, the outcome of a successful growth strategy would be for Alberta's Animation and VFX to become:

- An ecosystem of well-connected SMEs that actively participate in the capture of a meaningful part of global film and TV projects produced in Canada;
- A national leader in Animation and VFX services aimed at commercial and industrial applications;
- A vibrant place to explore the integration of technology into the creative industries (e.g., Artificial Intelligence solutions).

*Courtesy of Quickdraw
Animation Society / Anthony Stewart ►*





From left to right: Tribal Imaging / Chelsea Yang-Smith for Quickdraw Animation Society / Solid Green / Studio Dialog

