



Photo Sources: <http://www.hiphopgamershow.com/wp-content/uploads/2009/04/uncharted-2.jpg>; <http://newtech.aurum3.com/images/game-modern-warfare2-2.jpg>

Manitoba Modern Economics, Technology and The Environment:

***Part 2 in a series about new media. Opportunities
to expand Manitobas video game industry***

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Synopsis:

The video game industry has become an emerging part of the entertainment industry and the leader amongst new media formats of entertainment. No longer a niche market, video games are big business. Manitoba is prime to be a major player in the video game industry. The industry has grown leaps and bounds in the past twenty years. Despite this the province could do much more. This report will discuss how the video game industry has evolved over the past twenty years, where Canada and particular Manitoba stand, and lastly, how the province can become a hub for new media entertainment industries, particularly video games.

Video games: Where have they have come from in the past twenty years

A recent study by the Entertainment Software Association of Canada pointed out that 48% of Canadians own some major console and the average gamer is 35.8 years old (Entertainment Software Association of Canada, 2009).

Recent big games have garnered the spotlight for breaking records. In April 2008, *Rocksteady Games Grand Theft Auto IV*, sold approximately 3.6 million copies of the game in North America, over 6 million world-wide, and totalling sales in its first week were over \$500 million setting all time entertainment records (Totilo, S. 2008). That feat was broken only about a year and a half later when *Call of Duty: Modern Warfare 2* smashed those totals. The modern warfare shooter raked in \$310 million in its first day alone (Johnson, R. 2009). These two games in just under two years, show how far the video game industry has come in terms of not only sales but how well accepted it has become by mainstream society in the past twenty years.

The growth of the video game industry can be due to a variety of things. The first is the rise of Web 2.0. Web 2.0 has allowed people to interact with each other through various social networks and creating User Generated Content (UGC). This can be seen through the various consoles as each has some social networking platform. For example Playstation 3 has the Playstation Network with

Playstation Home, and Xbox 360 Live showcase interactive on-line console game with social networking capabilities.

Another reason for the explosive growth that ties in with Web 2.0 is on-line console gaming which allows players to play against someone around the world. For example someone from Winnipeg, Canada, can be playing against someone from Madrid Spain, in a *Call of Duty: Modern Warfare* deathmatch on Xbox 360. Ten years ago, on-line gaming only related to personal computer games. That changed with the likes of the first Xbox and Playstation 2 when they offered on-line gaming. On-line console gaming grew during the first decade of the new millennium with the expansion of broadband services, wireless Internet and the introduction of Xbox 360 in 2005, as well as the Playstation 3 and Nintendo Wii in 2006.

The last reason and maybe more important one is that video games have become more realistic thanks to advances in technology. Before 1995, no compact disc based console system was successful. Sony came out with the Playstation that year, and was the first ever console system to be considered successful in sales. This was important because compared to cartridges, CD's could hold a lot more storage, and thus provide more realistic game play to the player in terms of sound and graphics. This advanced with the DVD (Playstation 2 in 2000, Xbox 360 in 2001, Xbox 360 in 2005) and Blu-Ray (Playstation 3, 2006), thus making the experience realistic for the players. High definition also became an important factor as both Xbox 360 and Playstation 3 offer these capabilities. These have only helped to accelerate the industry. According to an Associated Press/MSNBC article, the industry brought in record sales of \$21.33 billion (Ortutay, B. 2009).

While it may be likely that the recession in 2009 has caused sales to decline, these numbers show that video games are here to stay. And with recent games that have come out like [Uncharted 2](#), and [Heavy Rain](#), which have both been referred to as interactive movies, one can only see the potential of the video game industry grow in the second decade of the 21st century.

The Video Game Industry in Canada

The Canadian video game industry accounts for approximately 3% of global video game sales, according to a website called *The Canadian Video Game and Computer Industry* (2004, August) The website also mentions that Canada is home to many wonderful and well known video game producing companies like [EA Sports](#) (*NHL, FIFA* series) in Vancouver and [Ubisoft](#) (*Far Cry 2*) in Montreal. Not surprisingly most video game companies located in Canada are in Quebec, Ontario and British Columbia. Only 1 company at the time this site was published was in Manitoba, as this information was published earlier in the 2000's.

The Manitoba Interactive Digital Media Tax Credit: The growth and challenges

The Province of Manitoba has started to acknowledge the idea that video games and interactive entertainment are a major part of new media and the entertainment industry. In 2008, the province created a tax credit, which would encourage companies to produce digital interactive entertainment in the province (Province of Manitoba, 2008). The tax credit is for a maximum of \$500,000 with a 40% limit. The press release in September 2008 by the Province noted that the Interactive industry grew by 850% in the past three years.

The tax credit applies to those projects who started in April 2008 and finish by 2011. The company also has to be a Canadian Corporation and have a permanent establishment in Manitoba.

Manitoba's digital interactive tax credit in 2008 was a good step in attempting to create an interactive entertainment hub in the province. Despite some criticism many have with regards to Manitoba not being the most high tech province in Canada, the government may have slowly started to realize the economic potential of interactive developers. The tax credit gives new developers the opportunity to save and put their investment in building up their own interactive companies. At this time when Manitoba is not been known for its high tech prowess, the credit may now, within a few years start to build the blocks for a high tech new media entertainment industry hub in Canada.

While this is a good step, much more can be done to encourage the expansion of the interactive entertainment industry. While this is a good step in the right direction, the maximum \$500,000 limit seems to be small.

As video games become more high tech and more interactive, the budget costs for creating video games will go up. Manitoba, in the 2010 budget had an opportunity to be a leader nationally in supporting interactive media and the video game industry. There are ways in which the budget could have expanded the industry. However, the government did not. The province did not expand the Interactive tax credit. Instead, they province, put their attention to, extending the film credit to 2014 and enhance the credit based on labour and the services provided by film in Manitoba (Province of Manitoba, 2010).

Solutions to put Manitoba as a leader in the Canadian video game & new media entertainment industries

The first thing that the government could do is increase the maximum limit of the Interactive digital media tax credit from \$500,000 to \$1 million for 2012 and to \$2 million after 2013. This would give more opportunities for video game companies to come seek Manitoba as their choice to set down roots.

Secondly with expanding the interactive tax credit, all universities, colleges and the provincial government should sit down to a conference on the future of interactive media and entertainment. This conference could have participation by citizens, media, video game experts and government officials as they could chose on what course of action Manitoba should take as we head beyond 2010.

Third, Universities and colleges need to be encouraged to expand more multimedia programs in their respective communications departments, or create degrees in interactive entertainment. Currently the University of Winnipeg has a major focusing on Film and Theatre. The University of Winnipeg could work, jointly with the likes of Red River College in the collaboration of a interactive /video

game degree that would focus on video game production, creation, financial planning and so fourth. This will build a base of trained, skilled workers who will have the knowledge to help build a strong base for a vital and healthy video game industry Manitoba.

Lastly, all education institutions, the provincial government, and the Entertainment Software Association of Canada should set up a job fair to seek those looking for a job within the industry. The fair would also be an attempt to encourage well known video game producers like Electronic Arts, Ubisoft, Sony and Sega to name a few, in setting up shop in Manitoba.

Conclusion

The video game industry has grown by leaps and bounds in the past fifteen years. This is in large part to the growth of Web 2.0, on-line console game playing, and advancements in technology. Canada accounts for 3% of all global video game sales. In attempt to address the growing popularity of video games, Manitoba introduced a new credit in 2008, in hopes of expanding the industry.

While this was a good first step more is needed to expand the industry. This includes, increasing the maximum amount to \$1 million by 2012 and \$2 million by 2013. The province and all of the universities and colleges could have a conference on the impact of the interactive video game industry. Universities like the University of Winnipeg, could team up with colleges like Red River in providing a joint degree in interactive/video game production.

Lastly, all important players in the province should come together in the creation of an interactive entertainment job fair for those seeking employment within the video game industry as well as those potential employers who would like to set up shop in Manitoba. By doing all of these things, Manitoba can be well on their way in being the interactive entertainment/video game champion of Canada.

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