

Submission for the 2026-27 Federal Pre-Budget Consultations

Submitted by: Canadian Interactive Alliance / l'alliance interactive canadienne (CIAIC)

Submitted to: The Honourable François-Philippe Champagne, Minister of Finance and National Revenue, and the Department of Finance Canada

Date: September 4, 2026

Recommendation:

That the Government of Canada establish a permanent baseline investment of \$100 million annually for the interactive digital media (IDM) sector delivered through the Canada Media Fund's proven IDM program infrastructure and secure a forward as a core commitment of the Department of Canadian Heritage's Audiovisual (AV) Sector Modernization providing support proportional to the sector's economic and export contribution.

Executive Summary

As Canada navigates a shifting economic and trading landscape, interactive digital media offers an immediate, high-yield growth engine. Encompassing commercial video games, digital experiences, immersive media and extended reality (XR), spatial computing, and real-time interactive software, the IDM sector contributes over \$7 billion in direct annual GDP to Canada (over \$12 billion in total economic output). Anchored by \$5.5 billion in IDM, where 88% of revenues come from international exports, the sector combines high-productivity technical talent (\$145,000 GDP per worker) with a resilient, dual-engine ecosystem: world-class foreign direct investment (FDI) alongside homegrown Canadian intellectual property (IP).

Federal support for the sector is on a welcome upward trajectory, led by the Canada Media Fund. The CMF's recent increase of its IDM allocation to \$57 million reflects real leadership and a growing recognition of the sector's potential, and CIAIC is grateful for it. Building on this momentum and partnership, CIAIC recommends establishing a permanent annual investment of \$100 million for the Canadian IDM sector — delivered through the CMF's decades of trusted program delivery and secured for the long term as a core commitment of AV Sector Modernization. This proportional support reflects the industry's economic footprint and could deliver a conservative 10X return on public capital, unlocking \$8.0 to \$15.0 billion in cumulative direct GDP growth (\$12.0 to \$20.0 billion in total economic output) over the next decade.

Sector Overview and Economic Importance

Canada's interactive digital media sector is a cornerstone of the modern economy and a significant driver of national prosperity. The sector directly contributes over \$7 billion in annual GDP and over \$12 billion in total economic output across four pillars: commercial video games (\$5.1 billion direct GDP), extended reality and spatial computing (\$1.5 to \$2.0 billion), real-time

3D and simulation software (\$1.0 to \$1.5 billion), and gamified education technology and interactive narrative formats (\$300 to \$500 million).

The sector supports more than 50,000 full-time equivalent positions, including 34,010 direct video game jobs, at an average salary of \$102,000. These are stable, multi-year careers that anchor top-tier technical and creative talent within the Canadian middle class. At \$145,000 in GDP per worker, the sector makes a direct, high-productivity contribution to strengthening Canada's overall economic performance.

The sector's value extends well beyond entertainment. Commercial applied AI originated in video games, and IDM studios continue to advance real-time autonomous systems, procedural content generation, and neural graphics. Real-time 3D simulation engines, digital twins, and synthetic environments built by Canadian developers now support flight simulation, training, and situational awareness applications across the defence and aerospace sectors. And as global audiences increasingly embrace interactive software, Canadian-owned studios project domestic narratives and Francophone digital content to billions of players worldwide, ensuring Canadian creators own, monetize, and export their own stories.

A Resilient, Export-Ready Growth Engine

Amid ongoing international trade volatility, interactive digital media stands out as a tariff-proof, frictionless software export. Pure digital IP is delivered via cloud infrastructure directly to global consumers, unaffected by border chokepoints, shipping delays, or physical supply chain disruptions.

Digital distribution allows Canadian studios to deploy directly to global platforms — reaching more than 3.6 billion consumers worldwide on day one — and to diversify trade into growing markets such as China (\$49.6 billion USD), Japan (\$20.6 billion USD), and South Korea (\$9.2 billion USD). This direct-to-consumer structure is why 88% of sector revenue consists of international exports, extending Canada's trade beyond traditional North American borders at a moment when diversification matters most.

A Dual-Engine Ecosystem

Canada's global leadership in interactive media rests on two complementary engines. The first is foreign direct investment: global studios operating in Canada provide industrial scale, invest hundreds of millions in local research and infrastructure, and train the senior technical leaders, systems architects, and specialized engineers who elevate Canada's overall technology capacity.

The second is homegrown, Canadian-owned IP. Experienced senior talent is increasingly launching agile independent studios that create commercially viable IP budgeted between \$1 million and \$10 million within one to three years. Public co-investment in these homegrown studios — through programs like CMF IDM project funding — complements Canada's strong FDI foundation by capturing long-tail global royalties, retaining wealth in Canada, and sustaining high-value employment. Together, the two engines create a resilient, balanced digital economy.

Building on Momentum

Historically, the funding structure of the day set the Canada Media Fund's IDM allocation at approximately 14% (about \$40 million annually). Within that structure, the CMF has consistently championed the sector — and its recent increase of the IDM allocation to \$57 million is a welcome signal of that commitment. CIAIC is grateful for this upward trajectory and for the CMF's decades of partnership with interactive creators.

The opportunity now is to secure this progress permanently. Whether through the CMF's existing IDM programs today or through the structures established by AV Sector Modernization, the objective is the same: permanent support proportional to the sector's economic footprint. Each year, many commercially viable, export-ready Canadian projects go unfunded simply because demand exceeds available program capacity. Proportional support would allow these projects to proceed, converting proven market demand into Canadian jobs, exports, and IP.

As the federal government navigates broader screen sector transitions and advances AV Sector Modernization, establishing this permanent baseline now ensures that high-productivity, export-ready digital media is locked into Canada's modernized funding infrastructure.

The Recommendation: Establish a Permanent \$100 Million Annual IDM Baseline

Build on the CMF's proven delivery. CIAIC recommends a permanent baseline of \$100 million annually for the IDM sector, delivered through the Canada Media Fund's trusted IDM program infrastructure and secured for the long term as a core commitment of AV Sector Modernization. The economics of a over \$7 billion, high-productivity sector support this level of investment — and the CMF's experience makes it the natural delivery partner as modernization proceeds.

Seed high-potential sovereign and hybrid studios. The baseline would ensure sufficient non-dilutive pre-production seed capital is available for high-potential independent studios across video games, XR, and immersive media, providing the prototype validation required to unlock substantial global private co-investment and foreign publisher matching.

This initiative complements CIAIC's proposed National Creative Innovation Lab Network, which would provide the talent development, prototyping, and export-readiness pipeline for the sector — training creators and building export paths to complement IP funding.

Financial Impact and Ten-Year Return

A \$100 million annual baseline (\$1.0 billion over ten years) is projected to deliver a conservative 10X return on public capital through a three-stage economic leverage model grounded in the CMF's own proven track record:

1. **Private capital attraction (4X multiplier).** Public seed and pre-production capital de-risks early development, unlocking \$3.00 to \$4.00 in private publisher matching, foreign co-investment, and venture capital for every \$1.00 of public funding — generating \$4.0 billion in new direct production activity over ten years.

2. **Long-tail software monetization (2.0–3.75X lifecycle yield).** Interactive software generates compounding, high-margin global export revenue — live operations, digital storefront sales, and spatial software licensing — over five-to-ten-year lifecycles, expanding \$4.0 billion in production spend into \$8.0 to \$15.0 billion in cumulative direct GDP.
3. **Economic output multiplier (1.5–1.67X).** Applying standard Statistics Canada input-output multipliers for supply chain activity and employee re-spending converts direct GDP growth into \$12.0 to \$20.0 billion in total economic output.

Expected Outcomes

If implemented, this measure will meaningfully strengthen Canada's interactive digital media ecosystem and global position. It will increase the number of export-ready, Canadian-owned projects reaching global markets; attract private co-investment at several times the public commitment; sustain high-value technical and creative careers across the country; and deepen Canada's trade diversification into the world's fastest-growing digital markets. A strong development ecosystem will also reinforce the government's broader modernization of federal cultural institutions — including the CMF, Telefilm Canada, and the National Film Board — ensuring those reforms launch into a thriving sector.

Conclusion

Canada has the talent, the reputation, and the momentum to lead the global interactive economy. The recent growth in federal support demonstrates a shared recognition of the sector's potential; a permanent \$100 million annual baseline — delivered through the CMF's proven programs and secured through AV Sector Modernization — is the natural next step, and one that pays for itself many times over.

Securing long-term global competitiveness invites a whole-of-government partnership — working alongside Canadian Heritage and the Canada Media Fund with Innovation, Science and Economic Development Canada, Global Affairs Canada and International Trade, and broader industrial policy partners. CIAIC and its member associations stand ready to work with federal partners to ensure Canada's creators, companies, and ideas continue to lead globally.

To complement this immediate baseline investment, we support the ESAC pre-budget submission for a long-term strategic framework and we recommend a comprehensive National Interactive Digital Media Strategy that includes the Video Game Strategy. By uniting commercial video games with extended reality (XR), spatial computing, real-time 3D simulation, and interactive storytelling, this parallel initiative will ensure Canada's entire digital innovation ecosystem continues to thrive.

About the Canadian Interactive Alliance

The Canadian Interactive Alliance / L'Alliance interactive canadienne (CIAIC) is the national non-profit trade association representing Canada's interactive digital media industry from independent Canadian Owned and Operated companies to multi-national organizations. Founded in 2005, CIAIC brings together ten provincial interactive trade organizations across the country:

- La Guilde du jeu vidéo du Québec
- DigiBC (Interactive Media Association of BC)
- Interactive Ontario
- Digital Alberta
- New Media Manitoba
- XN Québec
- Sask Interactive
- Interactive Society of Nova Scotia
- Videogames PEI
- Interactive NB (New Brunswick)

We work with governments, funders, and the cultural sector to ensure the IDM industry is recognized as a vital part of Canada's innovation economy.

Sources

- [CIAIC IDM Profile](#)
- [ESAC Video Game](#)
- [XN Quebec](#)
- [Statscan](#)

For more information or further breakdown of the submission, CIAIC would be pleased to meet at the Department's request.

Sincerely,

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