

PROFILE OF INVESTMENT OPPORTUNITY

Creative Industries Animation Studio

- Access to over 350 animators
- Strong academic & government collaboration
- Highly competitive connectivity and production costs
- Easy access to robust ICT infrastructure



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1. INDUSTRY OVERVIEW

The global animation and gaming industry grew from US\$74 billion in 2005 to an estimated US\$142 billion in 2011, at a rate of 12% p.a. The industry is expected to continue its growth, at a rate of 10% p.a. to reach US\$243 billion by 2016. The major segments of the industry include, computer and video games; feature film character animation; advertising/commercials; and TV shows. The major players in the global animation industry are found in the Western countries of the United States, Canada and Europe. For decades studios in these countries have established and maintained production facilities in Japan, South Korea and Taiwan and more recently the Philippines, Malaysia, Singapore, Vietnam, Thailand, India, Indonesia, and China. These production facilities offer significant economic savings to producers due to their low cost labour and powerful computer animation platforms, to the extent where about 90% of American animation is produced in India.

In today's extremely competitive market, a 30-minute animation feature costs between USD 200,000.00 - 400,000.00 to produce in the US while the same feature can be produced in India,



at a cost of USD 70,000.00. **Trinidad and Tobago has the potential to match this cost saving.**

The local animation industry is at an embryonic stage and is dominated by the presence of one major studio and several smaller ones. Production is centered on advertisements for ad agencies, public service shorts for government ministries and renderings/flythroughs for the construction sector. On the education side, the University of Trinidad and Tobago (UTT) offers an under graduate degree in Digital Media Studies; Animation. UTT also offers a Certificate in Animation over 12 months. A matriculation path exists for students who wish to pursue the degree in animation after completion of the certificate programme. The UTT produces at least 50 graduates in 2D animation annually.

2. BUSINESS POTENTIAL

The Government of Trinidad and Tobago has identified the creative industries among the priority sectors targeted for economic diversification. Within the creative industry cluster, the animation industry provides a labour intensive ICT enabled opportunity to monetize and export our rich cultural heritage and keep it alive for future generations. The industry also has the potential to be a foreign exchange earner if developed as an animation outsourcing model.

The long-term objective is for the country to become a preferred destination for nearshore animation operations. To achieve this objective, significant investment has been made in developing the capacity of citizens through the various training programmes.

3. SIGNIFICANT INVESTMENT OPPORTUNITY

The bulk of the outsourcing occurs for 2D animation content with some amount of 3D content. **The investment opportunity is to establish a 50-60 seat animation studio that can leverage huge cost advantage in relation to the North American market.** The studio's focus should be on 2D production work that would include: Modeling, Character Rigging, Voice Recording, Layout, Screenplay, Storyboarding, Visual Development, Lighting, Texturing, Compositing, Sound Effects, Music Content, Repurposing and Digital Management. The business models used for outsourcing studios involve one or a combination of the following:

- Creator and producer of original content
- Co-producer with an international studio
- Full service animation
- Producer of interactive learning materials

The investor will undertake set-up, retraining specific to special software requirements, guidance and management of the studio in its



initial stages. The investor will be provided with access to animators at the University of Trinidad and Tobago and at competitively priced lease rates at one of our business parks. Alternatively, office accommodation is readily available for lease at approximately US\$1.60 per sq. ft. outside of the main city areas.

The estimated start-up expenses inclusive of capital expenditure and first year operating expenses is estimated at US\$1.4m - US\$1.6m. Given the existing ratio of employee base to population in the region, one can assume that Trinidad and Tobago can potentially accommodate an employee base of approximately 5,000 to 6,000.



Estimated Investment Costs

Cost Item	Estimated Total Cost US\$	% of Total Cost
Equipment	\$360,000	25%
Direct Labour	\$866,000	59%
Operating Cost	\$240,000	16%
Total	\$1,466,000	100%

Assumptions:

1. Leasing of approximately 4000 sq. ft. office space at US\$1 - US\$1.60 per sq ft.
2. A permanent staff team of 10-15 persons for core management and animation production functions. Majority of animators to be hired on contract.
3. Six (6) seconds of animation output per day per animator
4. Production output of 105,000 seconds of animation per year
5. Exchange rate of US\$1 = TT\$6.40

4. STAKEHOLDERS

The stakeholders for investment projects in the animation industry include:

- The Ministry of Trade, Industry and Investment – provision of fiscal incentives
- The Ministry of Tertiary Education and Skills Training – supply of labour through its retraining programme

- The University of Trinidad and Tobago – supply of labour through its certificate, diploma and degree programmes, possible collaboration for animation R&D
- Trinidad and Tobago Film Company – administration of production rebate incentive

5. MARKET SIZE AND ACCESS

The global animation & gaming market is segmented into four geographies: North America, Europe, Asia-Pacific and Japan (APJ), and ROW (rest of the world). North America forms the largest segment with about 42% of the overall share, followed by Europe; whereas APJ is the fastest growing region with an expected CAGR of 19.08% from 2011 to 2016. Trinidad and Tobago can offer a nearshore alternative for North American and European animation production studios. Trinidad and Tobago has a close affinity to and a favourable international trading relationship with both markets and can compete on production cost and quality with established countries such as India and the Philippines.



6. INCENTIVES

- Import duty exemptions
- Competitively priced infrastructure
- Economic free zone studio space
- Production incentives - 35% rebate from the Trinidad and Tobago Film Company for local production costs subject to eligibility criteria

7. INVESTMENT BENEFITS

Specific benefits to the investor include:

Strong academic-government collaboration:

- Certificate, diploma and degree programmes at the University of Trinidad and Tobago
- Retraining programme of the Ministry of Tertiary Education and Skills Training in 2D animation

7.1 Technological support for the industry:

- Robust fibre and copper networks, wireless technologies (CDMA, GSM, WAP, GPRS, 3G, 4G, wireless broadband), radio
- Digital fibre optic backbone network (FOBN)
- Nationwide radio microwave terrestrial network
- Next generation networks (NGN), characterized by the use of Internet Protocol (IP), Multi-Protocol Switching (MPLS) and Wave Division Multiplexing (WDM)

7.2 Location

- Ready-to-occupy business park
- Proximity to North American markets

7.3 Human resources

- English-speaking workforce
- Highly educated and productive workforce (98% literacy)

- Large cadre of creative talent that is manifested annually in designing of our carnival costumes and characters.
- Over 350 trained 2D animators, using Flash Software

7.4 Cost advantage

- A 22 to 24 minute episode would cost between US\$200,000 and US\$250,000 in the US and Canada, and between US\$250,000 and US\$300,000 in Europe. However, in India, the production cost works out to be about US\$60,000, and in Trinidad and Tobago approximately US\$62,000 to US\$65,000.

7.5 Government support

- Development of required human capital for the industry
- Low connectivity costs
- Strong intellectual property laws

8. AVAILABLE LABOUR POOL

There are currently over 350 animators in Trinidad and Tobago and at least another 50 will graduate yearly in 2D animation.

Animation programmes:

- Ministry of Tertiary Education and Skills Training – retraining programme
- More than 300 students retrained to date and 25% go onto the University of Trinidad and Tobago diploma programmes
- University of Trinidad and Tobago
- Certificate and diploma courses in animation
- Degree in Digital Media Studies
- Estimated Average Monthly Salaries (US\$):
 - CEO – \$4,600.00
 - Animators – \$1,120.00
 - Animation Director – \$3,100.00
 - Marketing Executive – \$3,100.00

9. OPPORTUNITIES FOR INNOVATION AND COLLABORATION

There is significant opportunity for collaboration with the University of Trinidad and Tobago for the development of training programmes that would allow Trinidad and Tobago to craft out a niche in the animation industry.



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