



Measuring and Communicating the Economic Impact of Film and Television Production

AFCI Workshop

7th October 2020

OLSBERG · SPI

Contents

- The Growth of the Global Screen Production Industry
- Screen Production and Government Policy
- How Screen Production Assists Economic Recovery from COVID-19
- What is an Economic Impact Study?
- The Process of Conducting an Economic Impact Study
- Typical Findings of an Economic Impact Study
- Final Thoughts



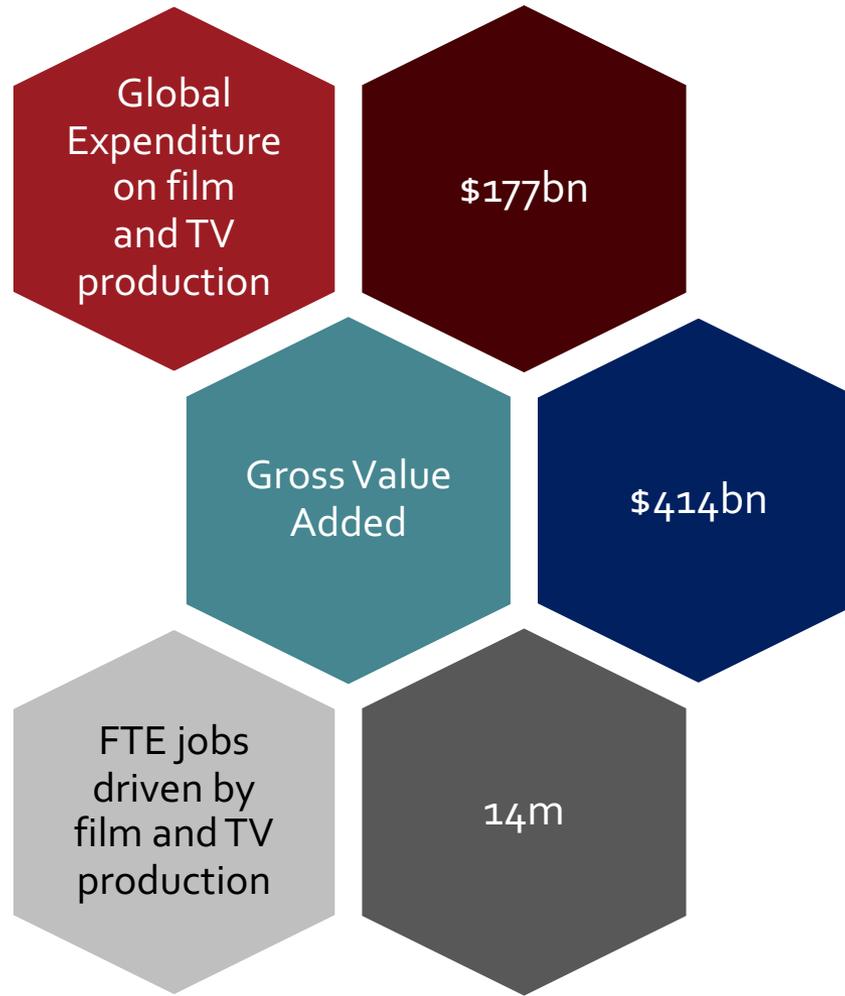
\$177 billion

Global value of screen production in 2019

- Until the COVID-19 pandemic, growth in film and television (“Screen”) production had been **ground-breaking**
- This is being driven by **increased investment** from streaming services, as well as established studios and broadcasters
- With spend of **\$177 billion**, 2019 was a watershed year. This is also a conservative total, as it includes features, scripted TV drama and documentaries only
- In direct output terms, Screen production is larger than sectors such as electric motor vehicles and book publishing globally
- In the US last year, according to calculations by UBS reported in the *Economist*, content spending by **16 companies was roughly equal to the sum invested in America’s oil industry in 2019**

The Global
Production Deluge

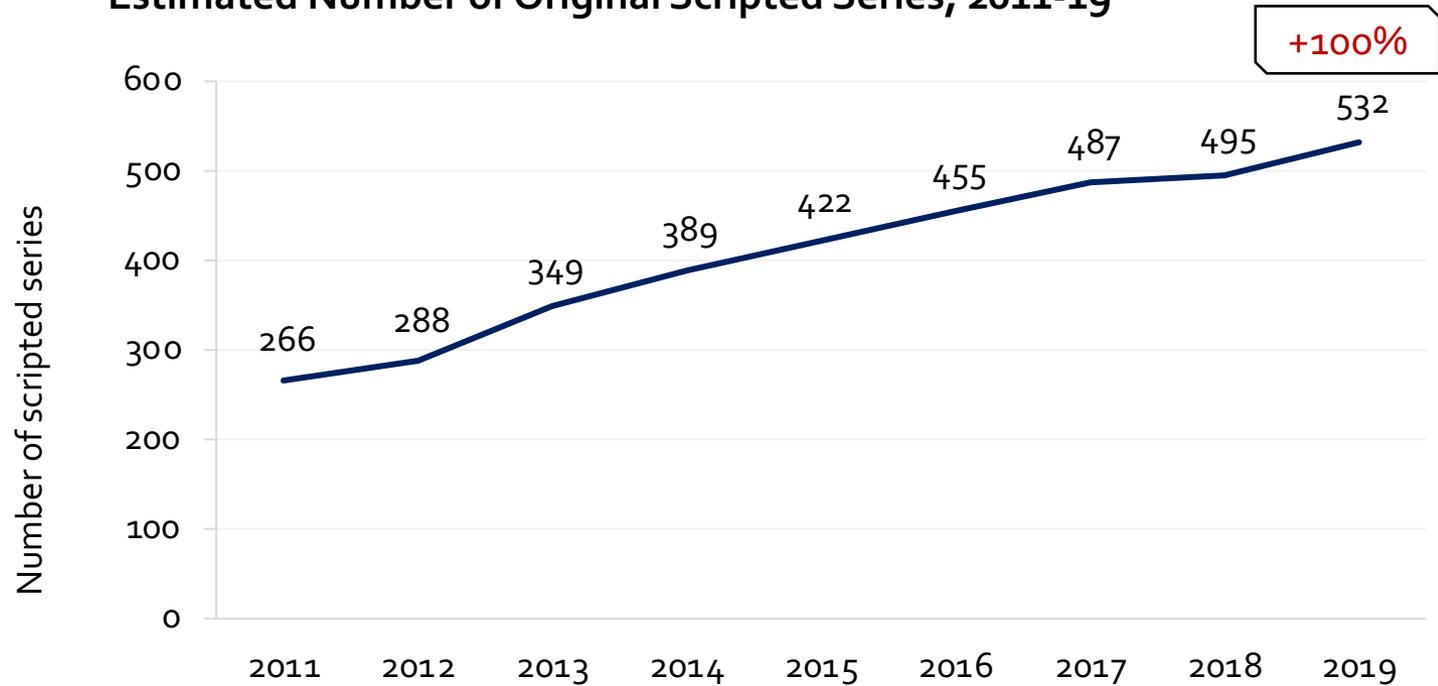
- The Screen production sector is now a **serious economic driver** in the global economy
- It is also providing a **strategic opportunity** for governments to build creative and digital industries and drive jobs of the future



- Until the COVID-19 pandemic, Screen production growth was being driven predominantly by television series

TV Drama Production is Driving Global Growth

Estimated Number of Original Scripted Series, 2011-19

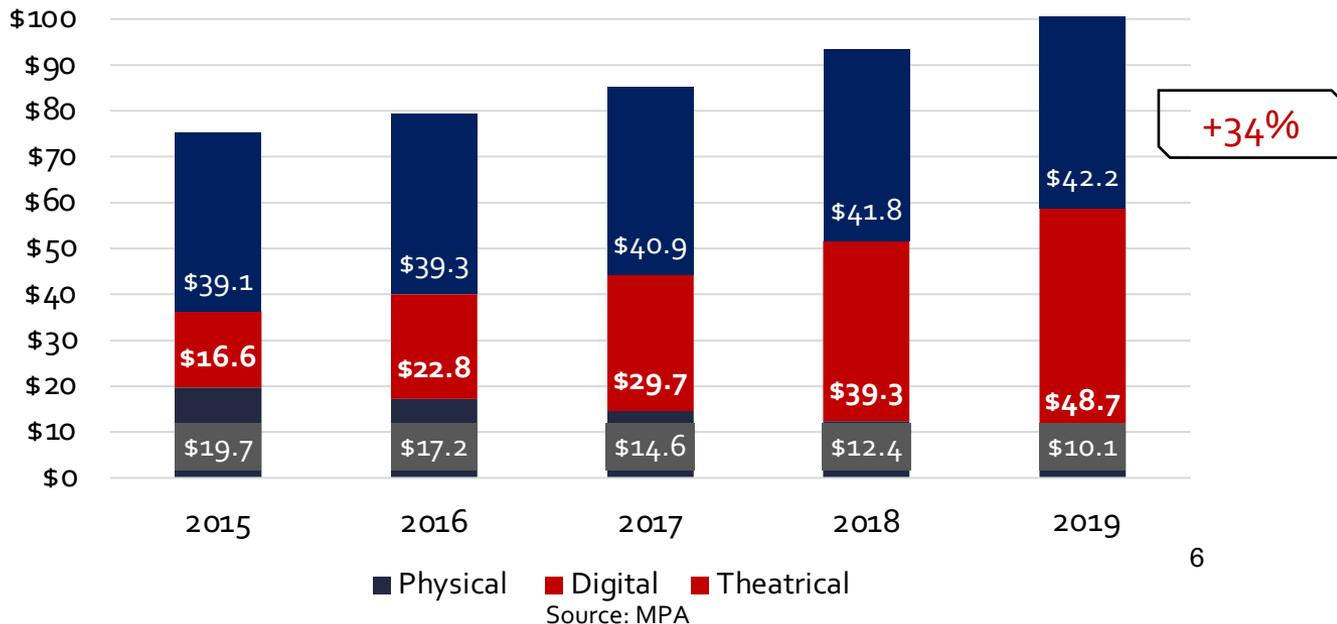


Source: FX Networks

Global Consumer Demand for Content

- The global production deluge has been underpinned by a **significant rise in consumer demand**
- This trend supported by broadband and internet services reaching millions more consumers in developed and developing nations.
- In 2019, combined consumer spend globally for theatrical and home entertainment **reached \$101.0 billion, a 34% increase on 2015**
- **Demand has risen through the pandemic.** Netflix added 10 million new subscribers in Q2 2020 while Disney+ had added 54.5 million subscribers by 4th May, less than six months after launch

Global Theatrical and Home Entertainment Consumer Spending, 2015-2019 (\$bn)



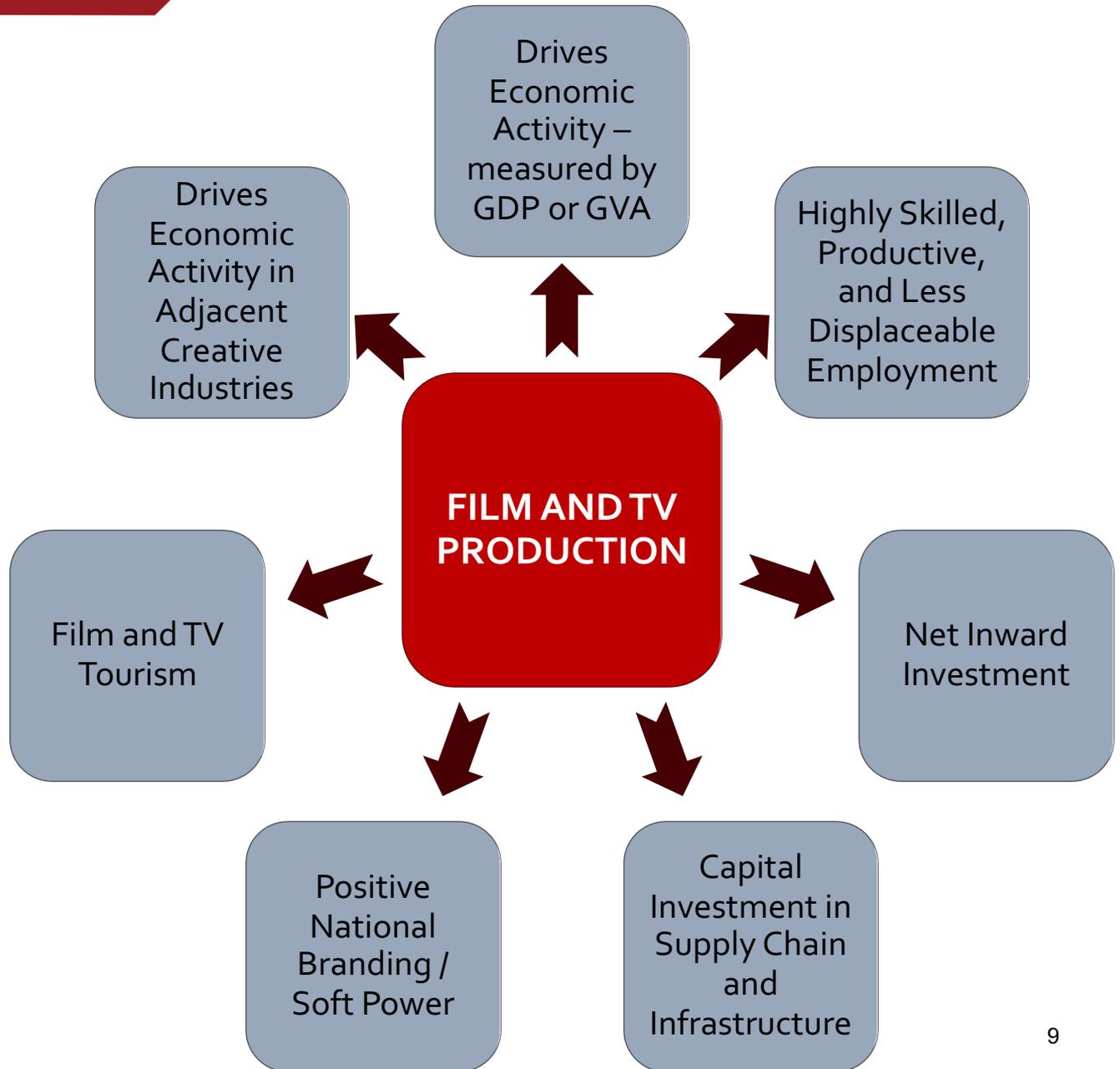
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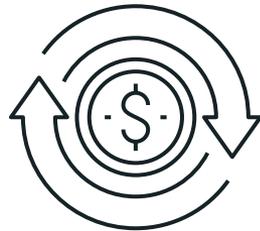


- **Governments of all sizes and descriptions have increasingly recognised and valued** the considerable economic benefits delivered by such activity
- As a type of **specialised and fleet-footed manufacturing activity**, it creates modern, highly skilled, productive and mobile employment
- It also typically delivers an attractive **return on public investment** as well as a variety of other economic measures
- Valuable economic benefits sit alongside the many **cultural impacts** – such as enriching a nation’s sense of itself – delivered by the screen ecosystem
- These cultural benefits have been recognised for decades, especially outside the USA, and have **often originally been the starting point for government policies** addressing the sector
- But in recent decades the increasing recognition of Screen production’s economic benefits has **solidified the sector’s importance**, even prior to the pandemic’s impacts

Film and TV production delivers a suite of economic benefits

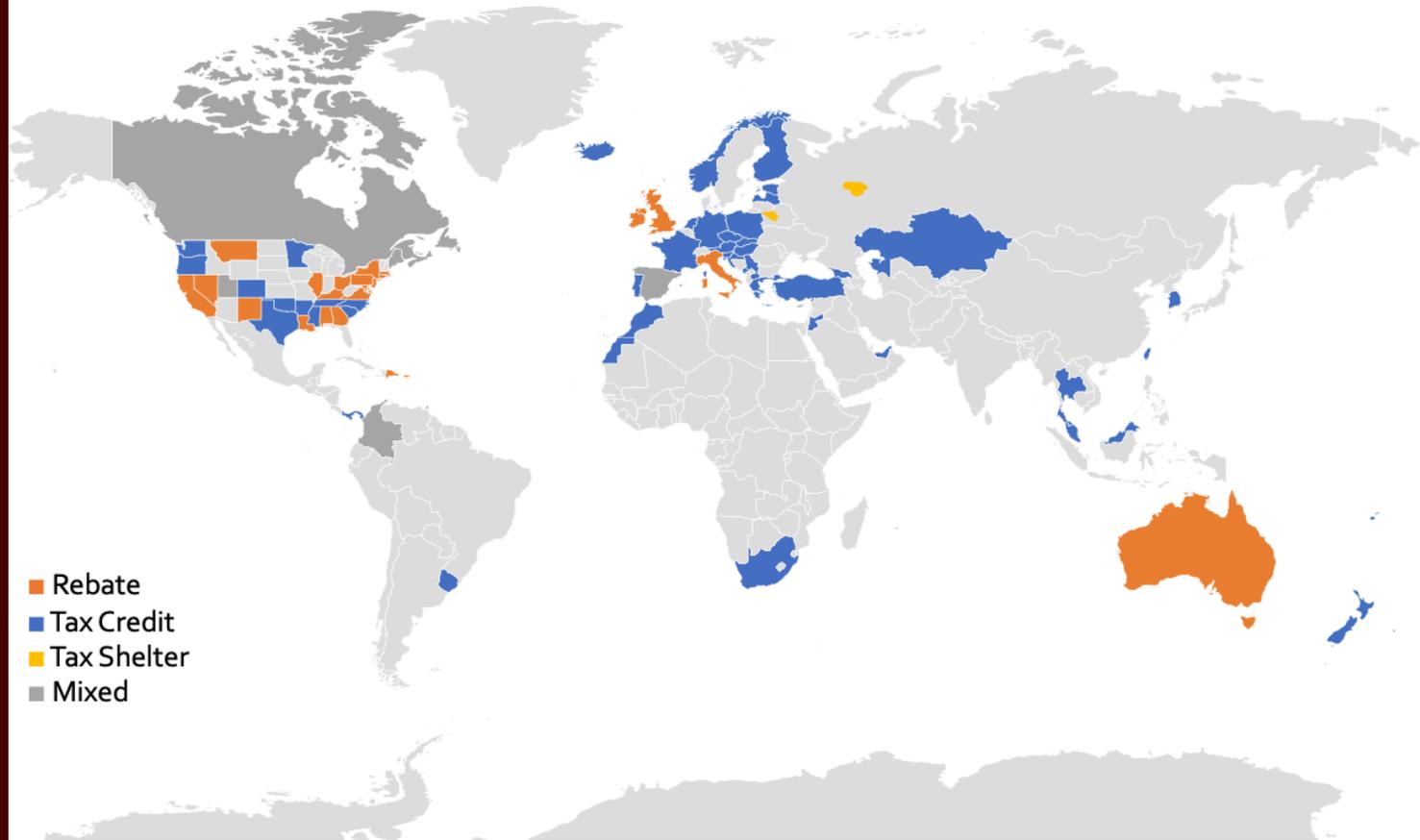


The Growth of
Automatic
Incentive Systems



- Evidence of government commitment to the sector is found in the volume of production incentives put in place globally aimed at attracting international and growing domestic production
- At this date there are almost 100 incentive systems in operation at national, state and province level according to SPI's Global Incentives Index
- Their usage is global, spanning both established and emerging production markets.

Overview of
Current Global
Film Production
Incentive Usage



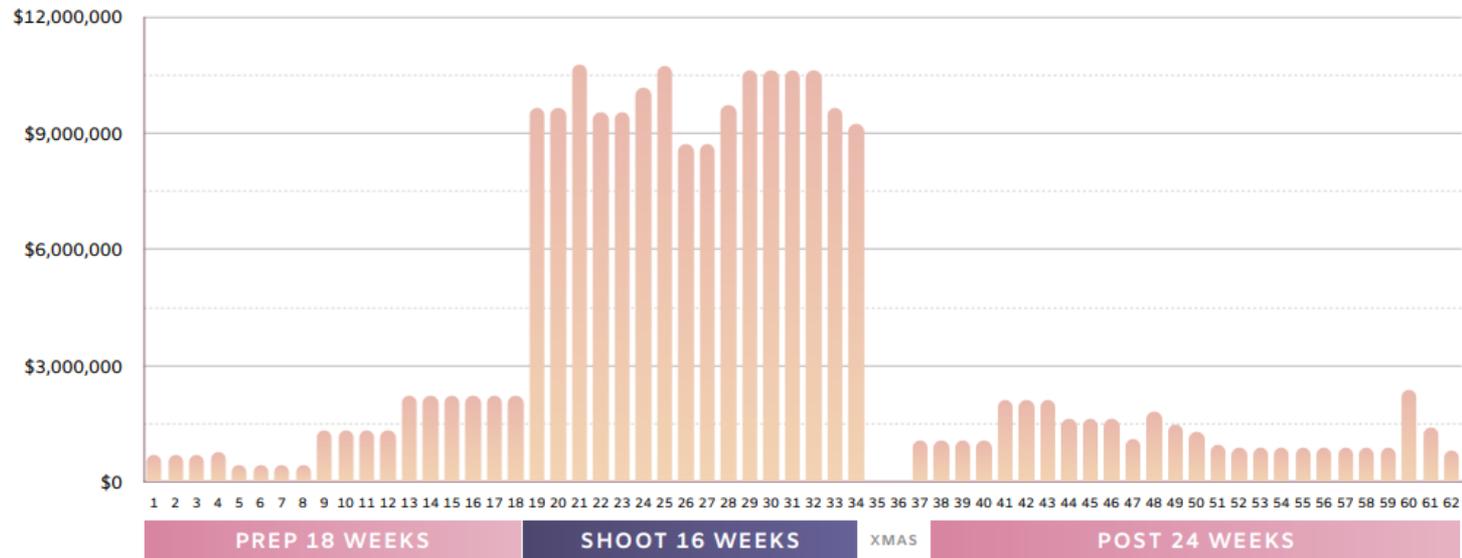
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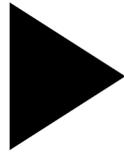
Screen Productions Inject Huge Amounts of Capital Very Rapidly

- Screen production has unique attributes that mean it is likely to be a **faster option for kickstarting economic recovery than most other sectors**
- The analysis in a recent SPI study shows how quickly the economic impact of Screen production is delivered
- For example, a major \$220 million budget film shows that an average of **\$10 million per week** was spent during the 16-week shoot

Major Film Weekly Cashflow (\$220 Million Budget)



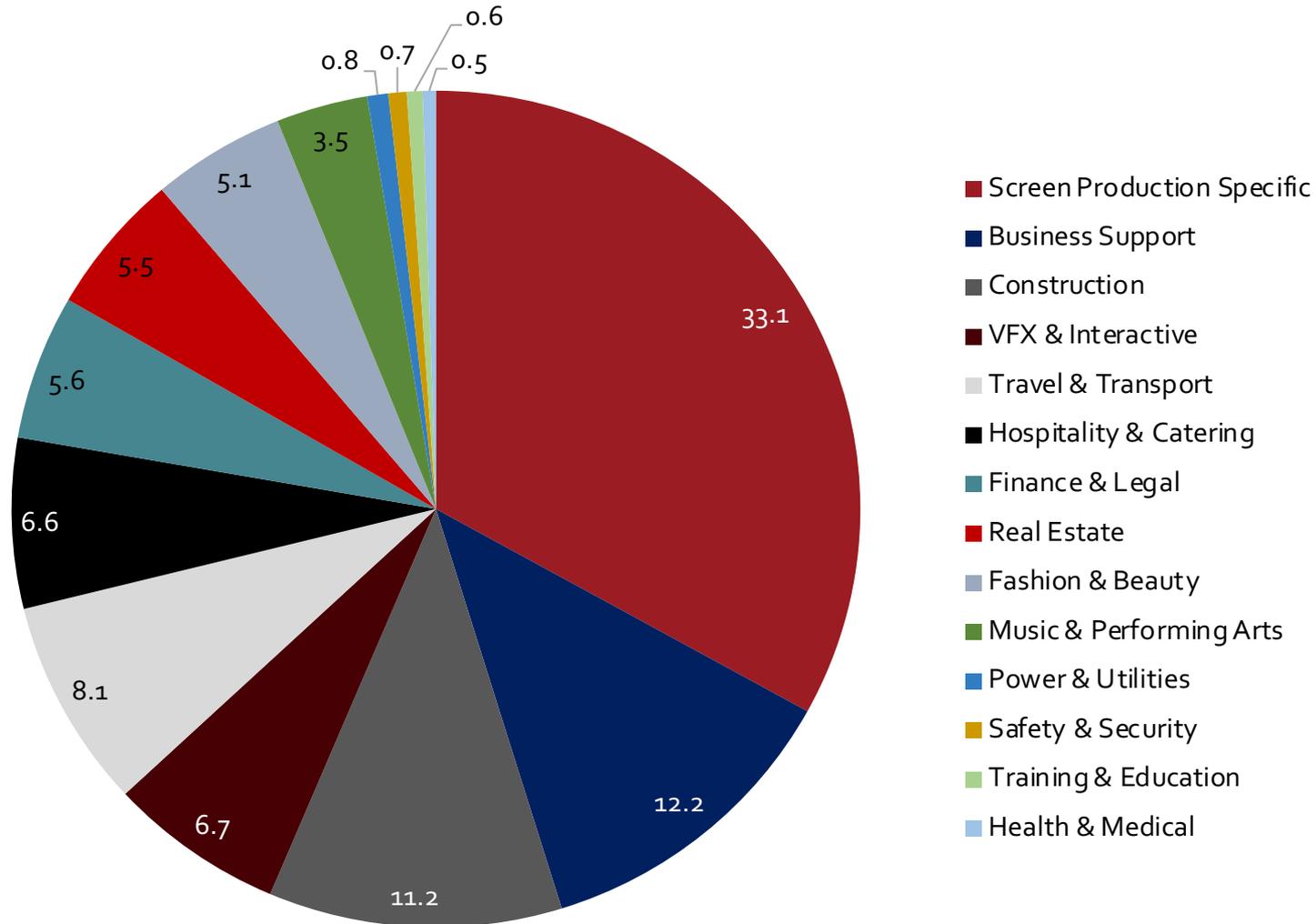
The Economic Reach of Screen Production



- The pipeline of projects waiting to resume or start shooting is filled with shows stopped during COVID-19 plus those that have been fast-tracked in development meanwhile
- And the breadth of the production supply chain also means the **economic benefits of production reach far and wide** throughout an economy
- On average, **67% of below-the-line production costs are spent in business sectors outside of the film and television production industry**
- Production spend also flows widely throughout an economy – **including to sectors hit particularly hard by the pandemic**

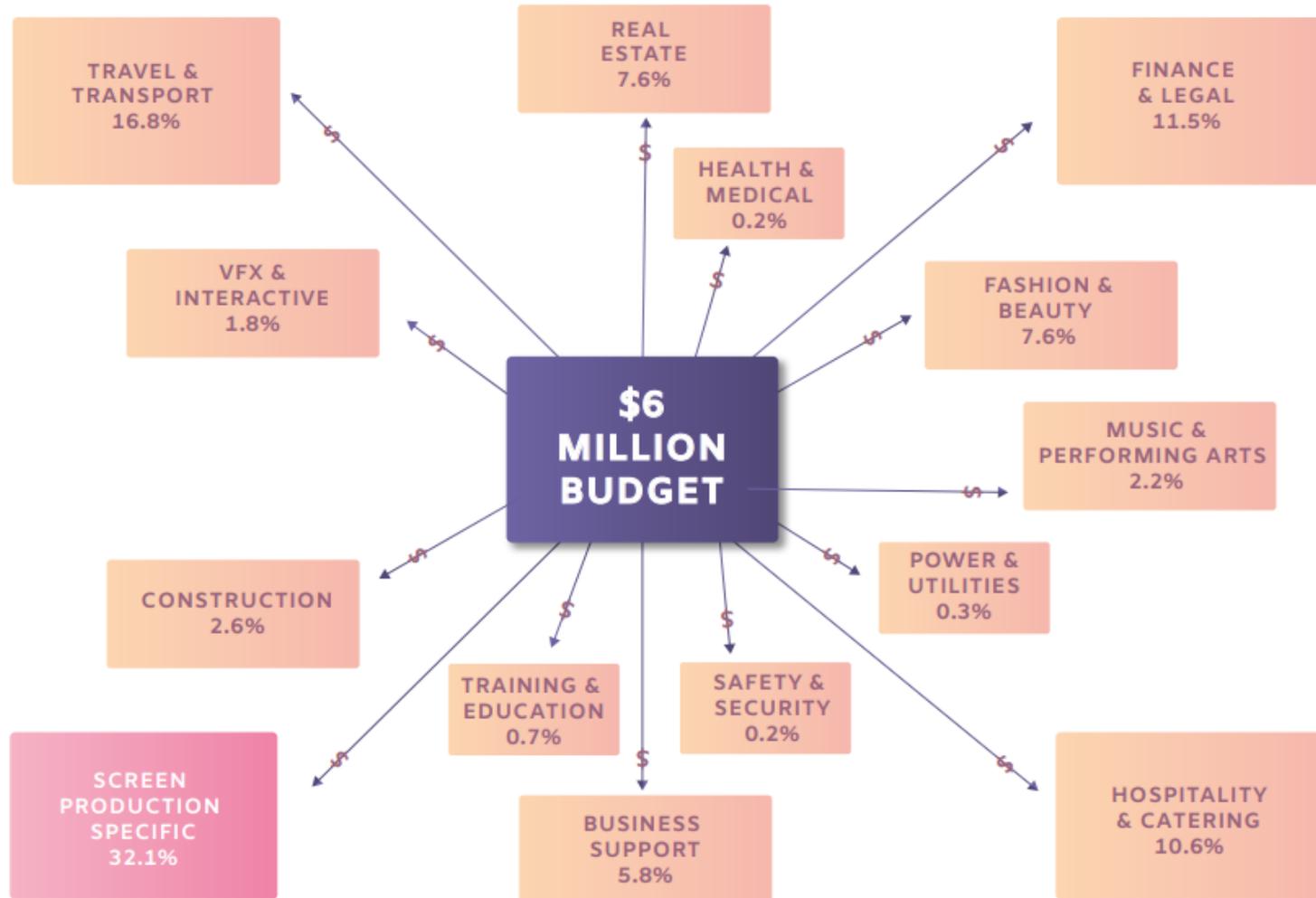
Screen Production Investment Positively Impacts Other Areas of the Economy

Average Proportion of Production Spend in Other Business Sectors (%)

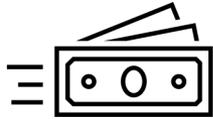


Supply Chain Analysis of a Low-Budget Film

- The example low budget feature below shows how expenditure is spread around the economy



Encouraging Production Restarts



- Governments have already identified Screen production as a **key component of economic recovery**, and many have created measures to encourage production to restart
- When other areas of the economy also need urgent support (welfare, health, unemployment) governments are deciding to invest further in the Screen production sector because of its **unique impacts and ability to help distressed economies recover quickly from the pandemic**

Screen Production and Economic Recovery

Examples of Public Measures to Stimulate the Recovery of Screen Production

State-backed insurance for independent Screen Production

France



The early release of development money to help ensure progress of that projects in the pipeline

Sweden



Increasing the % of incentives offered to stimulate production

Greece



Making costs relating to shut-down eligible expenses for incentive schemes

Austria



Temporarily reducing taxes such as VAT on production costs

China



Exempting cast and crew from standard quarantine requirements for foreign travellers

Iceland



Economic measures to support freelancers in the cultural sphere to ensure that they can remain in the workforce

United Kingdom



Accelerating payments due to independent production companies to address cash flow needs

Poland



A\$400m increase and extension to the Location Incentive, which provides a value increase to the Location Offset

Australia



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Providing Evidence of Impact



- When governments do decide to invest in the sector, **they want to see the evidence of the impact** of the measures
- The **most effective way of demonstrating** this is the economic impact study
- An economic impact study **quantitatively identifies the economic benefits a particular industry brings or could bring** to the surrounding nation or region
- Typically, researchers use financial and economic data to generate estimates of **employment, output, tax revenue and other measures** associated with change in economic activity resulting from the industry under study

Direct, Indirect and Induced Impacts

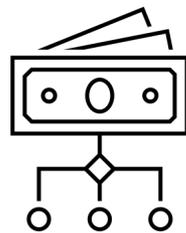
- Economic impact studies typically involve estimating the direct, indirect (suppliers), and induced (consumer spending) economic impacts of the activity

Direct Impact



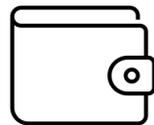
The output that is produced and employment that is generated by companies that are directly engaged in Screen Production

Indirect Impact



The output that is produced and employment that is generated by suppliers to Screen Production industry (for instance, increased activity by the film sector will drive demand for hotels, transportation, cameras, etc., which will in turn generate economic output and employment)

Induced Impact



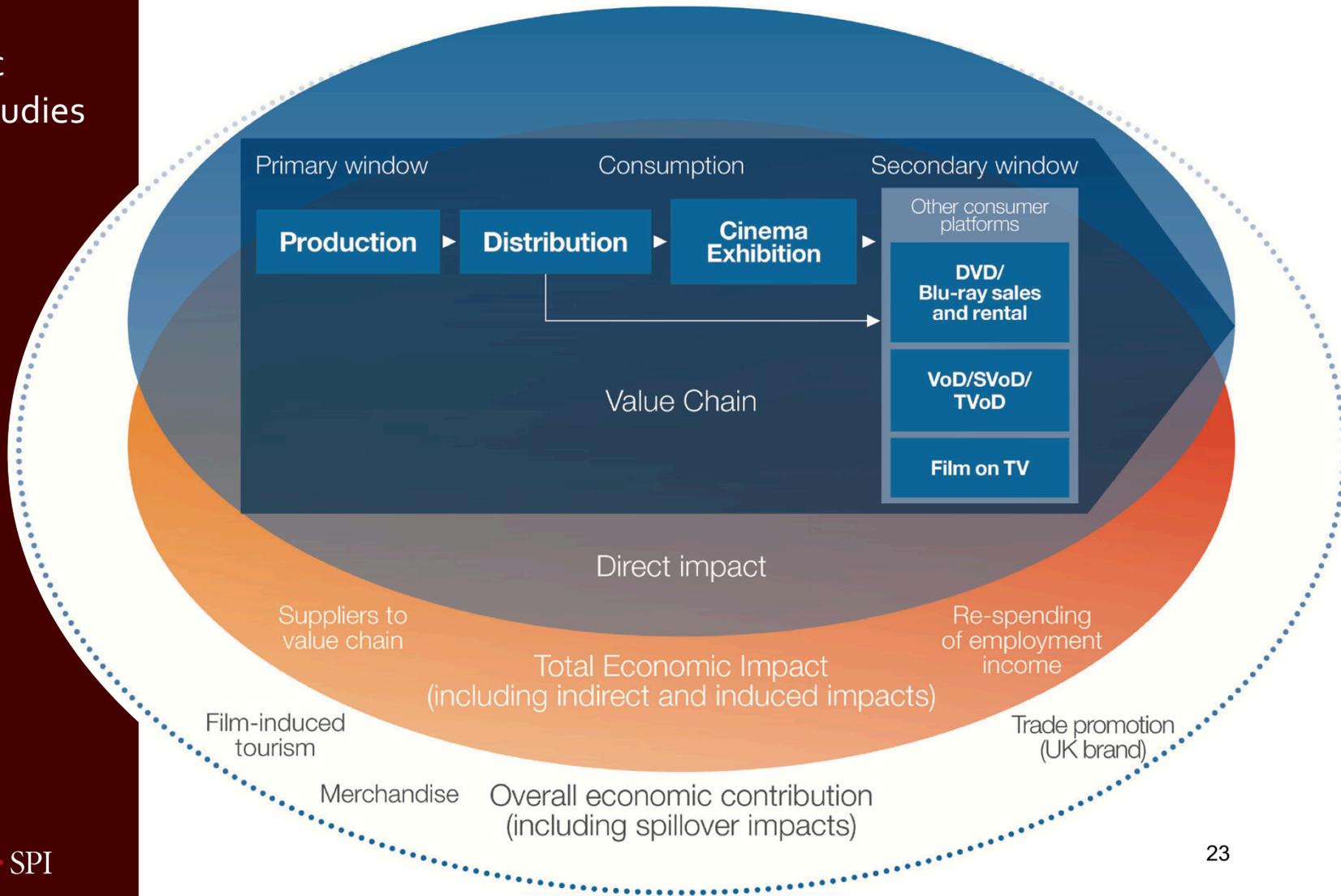
The output that is produced and employment that is generated because of the consumption triggered by the direct and indirect employees above spending their wages

- Summed, these components represent **total economic impact**

What is an Economic Impact Study?

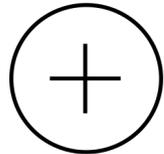
- Economic impact studies can focus on different areas, such as the production impact of an incentive, or a broader value chain analysis such as *Screen Business* in the UK. Film sector example:

Focus of Economic Impact Studies



Typical Metrics

- The individual measures that such studies produce tend to focus on are:



Gross Value Added to the economy – the main economic measure



Employment created in the sector – number of Full Time Equivalent jobs

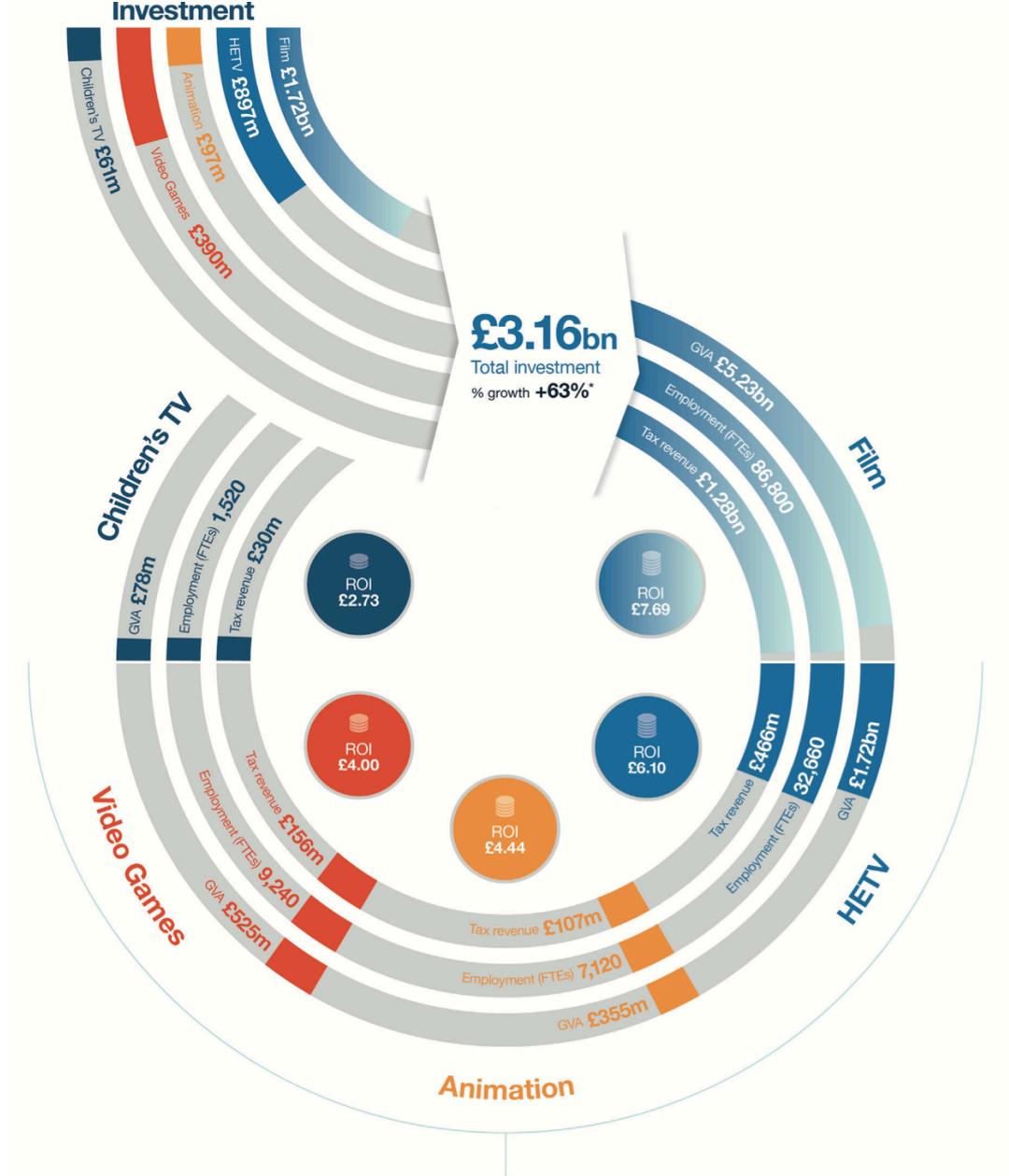


Taxes collected from activity generated



Return on investment (government investment such as through incentives)

Example of Study Outputs:
Screen Business



£7.91bn

Total GVA

% growth +73%*

£2.04bn

Tax Revenue

% growth +67%*

137,340

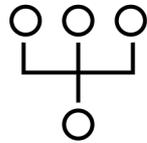
Employment FTE's

% growth +62%*

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Data Requirements



- In order to deliver any economic impact study, the first requirement is the **delivery of a robust and complete map of the activity which is occurring in the sector**
- Data required includes the **expenditure** on productions being undertaken
- Detailed production expenditure would ideally separate:
 - Feature film
 - Documentary film
 - Animation film
 - TV scripted drama
 - Children's TV
 - Possible other TV Formats, such as unscripted and factual content
 - Video games
- In addition to data on activity, a number of other data-points could also be collected such as:
 - Number and location of companies operating in the sector
 - Their turnover and profits

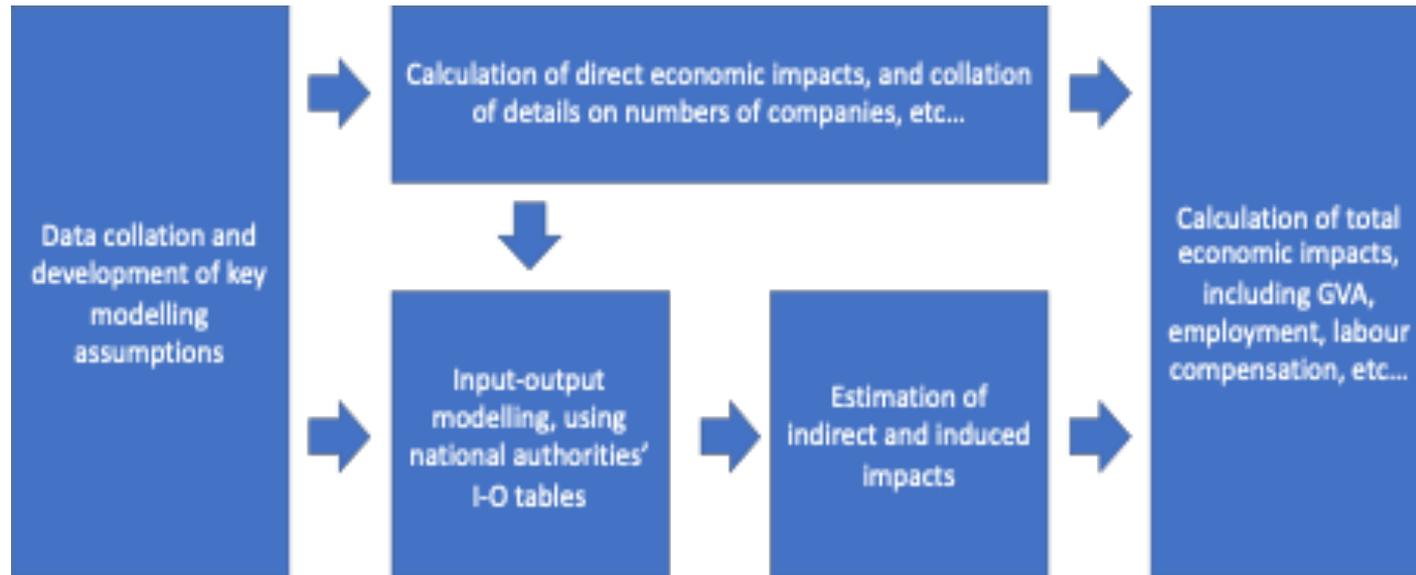
Sources of Data

- Typical data sources are industry, funders, government and primary research
- The result of this will be the generation of a comprehensive, detailed, and complete dataset of Direct Impact i.e. the impact of the activities of the sector, broken down to sub-national or regional levels where appropriate



- After the data is assembled, the next task is to calculate the **total impacts** (including indirect and induced) and this is normally done through the use of Input-Output tables
- **I-O tables are produced by the national, or sub-national jurisdictions', statistical authority**
- These tables are collated on a **regular basis by a majority of countries**, and provide details of how different sectors of the economies interact
- If such I-O tables are not available, a model of how the sector works would instead be generated, through consultations, desk research, and survey data to understand how the film and television industry works in an individual market
- The principal metrics generated will include:
 - Gross Value Added, the economic activity related to the production spend, which is the equivalent for a sector or region of Gross Domestic Product at a national level
 - Employment, expressed in terms of Full-Time Equivalents, which is standard for largely freelance occupations such as film and television production
 - Labour compensation, which includes wages, payroll taxes, social security, and pension contributions

Overview of
Economic
Impact Study



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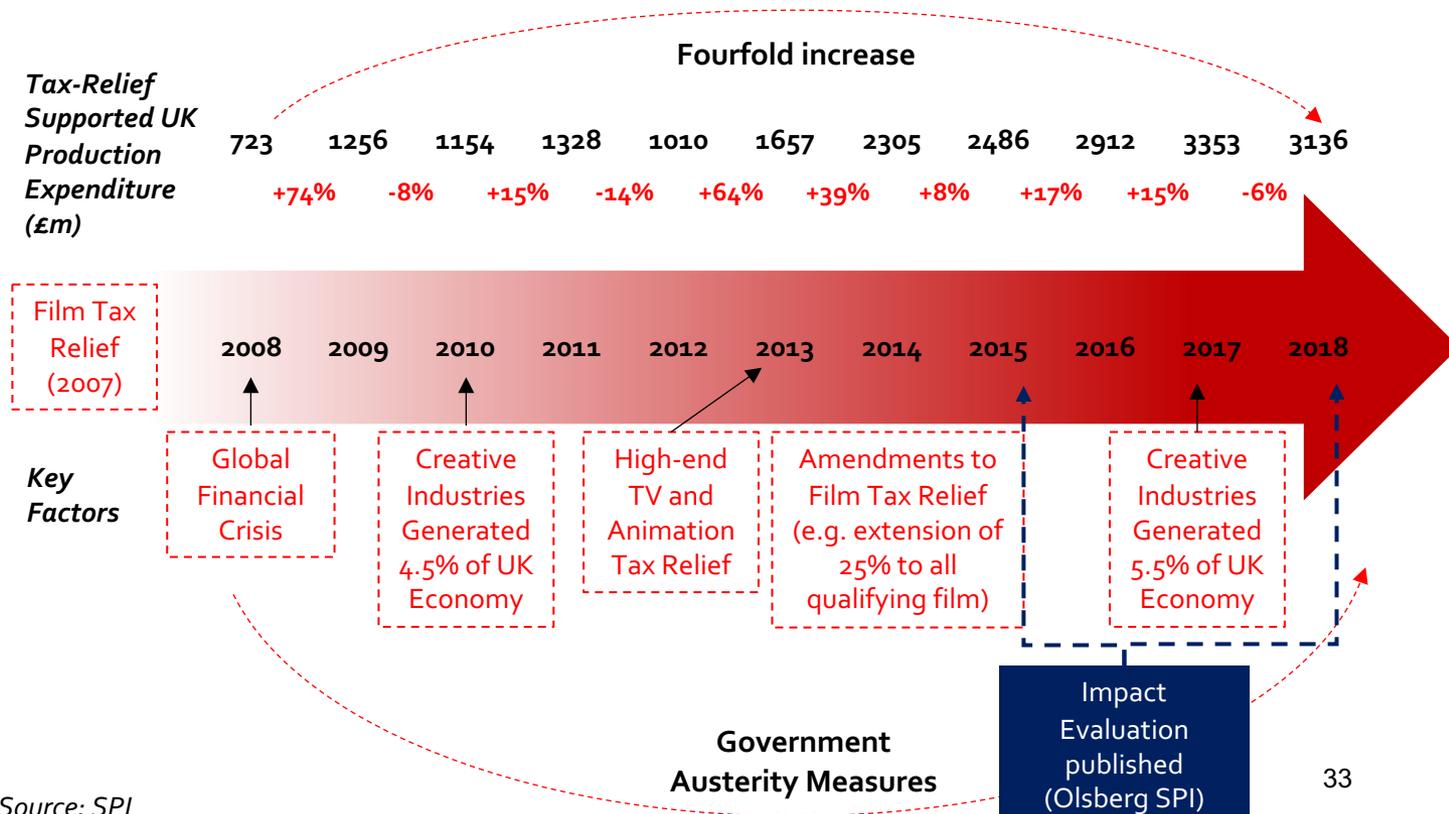
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Assessing Macro and Micro Impacts

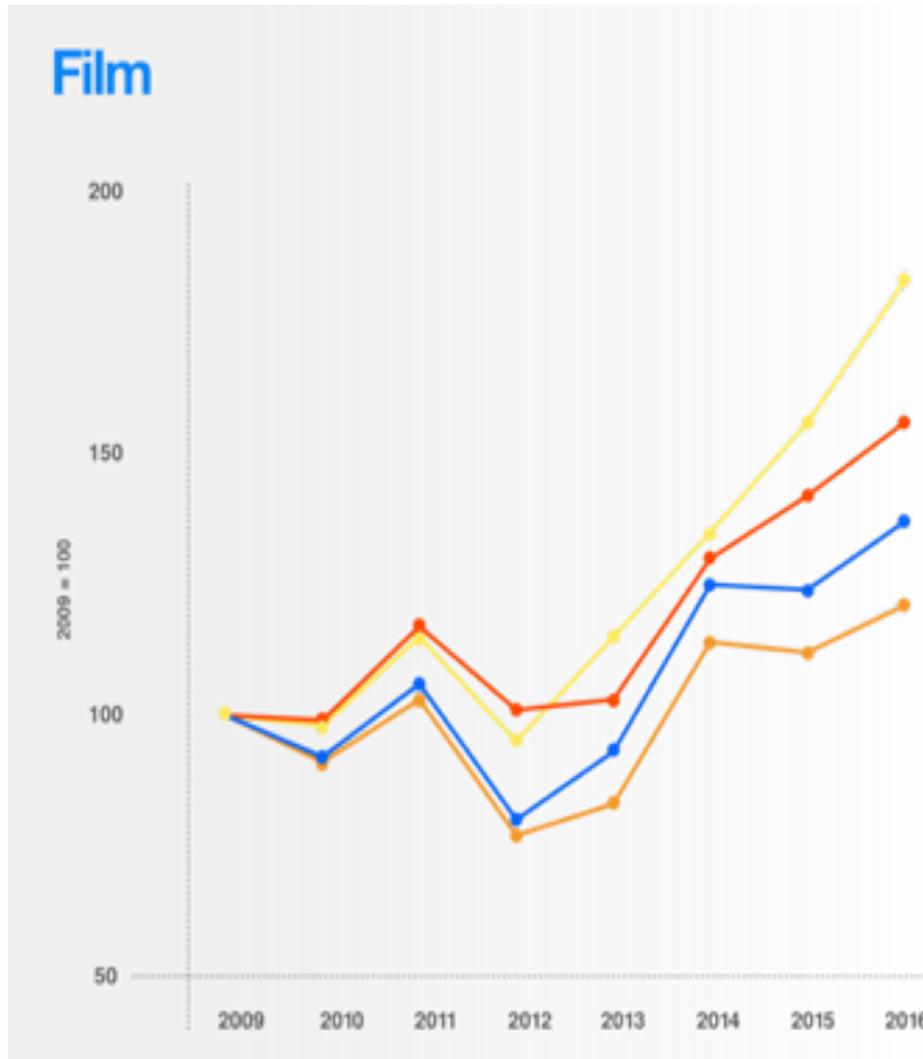
- The following slides include examples of the economic impact of Screen production in line with the approach outlined above, taken from a section of SPI's several published reports
- They include macro impacts (i.e. assessing the whole production sector) and micro impacts (i.e. when individual productions deliver economic value across a variety of individual business sectors)

Success of UK Screen Sector Tax Reliefs

- Since 1997 the UK has had **consistent, predictable and focused policies** to support production primarily through tax reliefs
- It is notable that during 10 years of severe government austerity policies across all UK sectors due to the global financial crisis one area selected for continued investment was Screen production
- This policy was rewarded with an **unprecedented, more than four-fold increase in production activity** from £0.7 billion in 2008 reaching £3.136 billion in 2018. It also underlines the importance of economic impact studies



GVA Growth in UK Film Sector Since Tax Reliefs Introduced



Since 2012:

Overall GVA contribution
▲91%

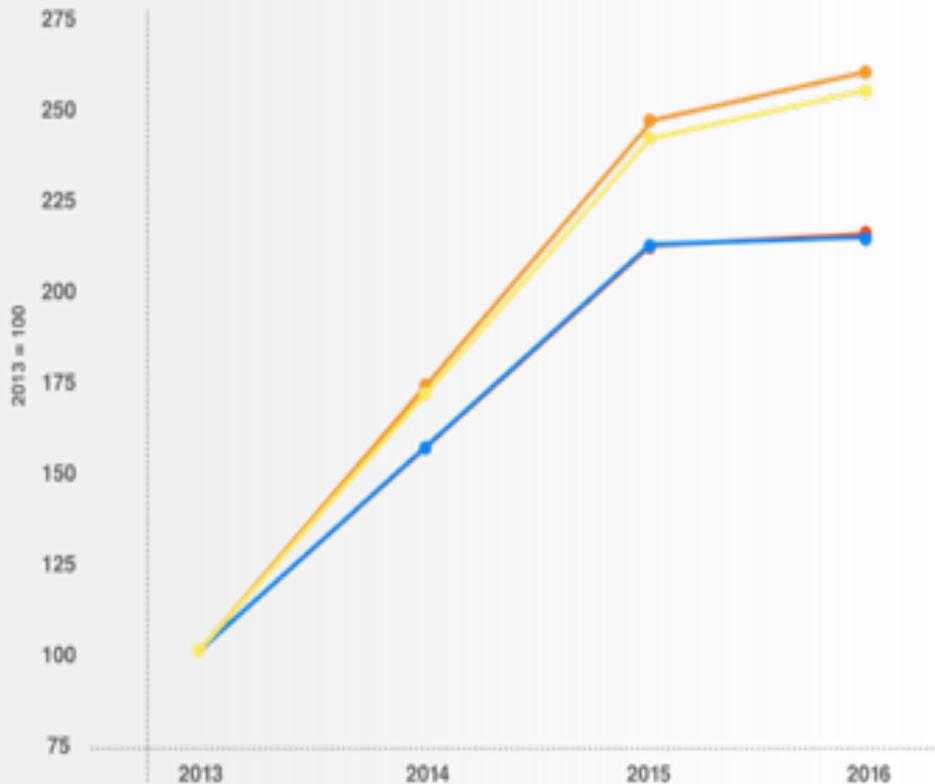
UK production spend
▲70%

Direct employment in production
▲57%

Overall employment contribution
▲55%

GVA Growth in UK HETV Sector Since Tax Reliefs Introduced

HETV



Since 2013:

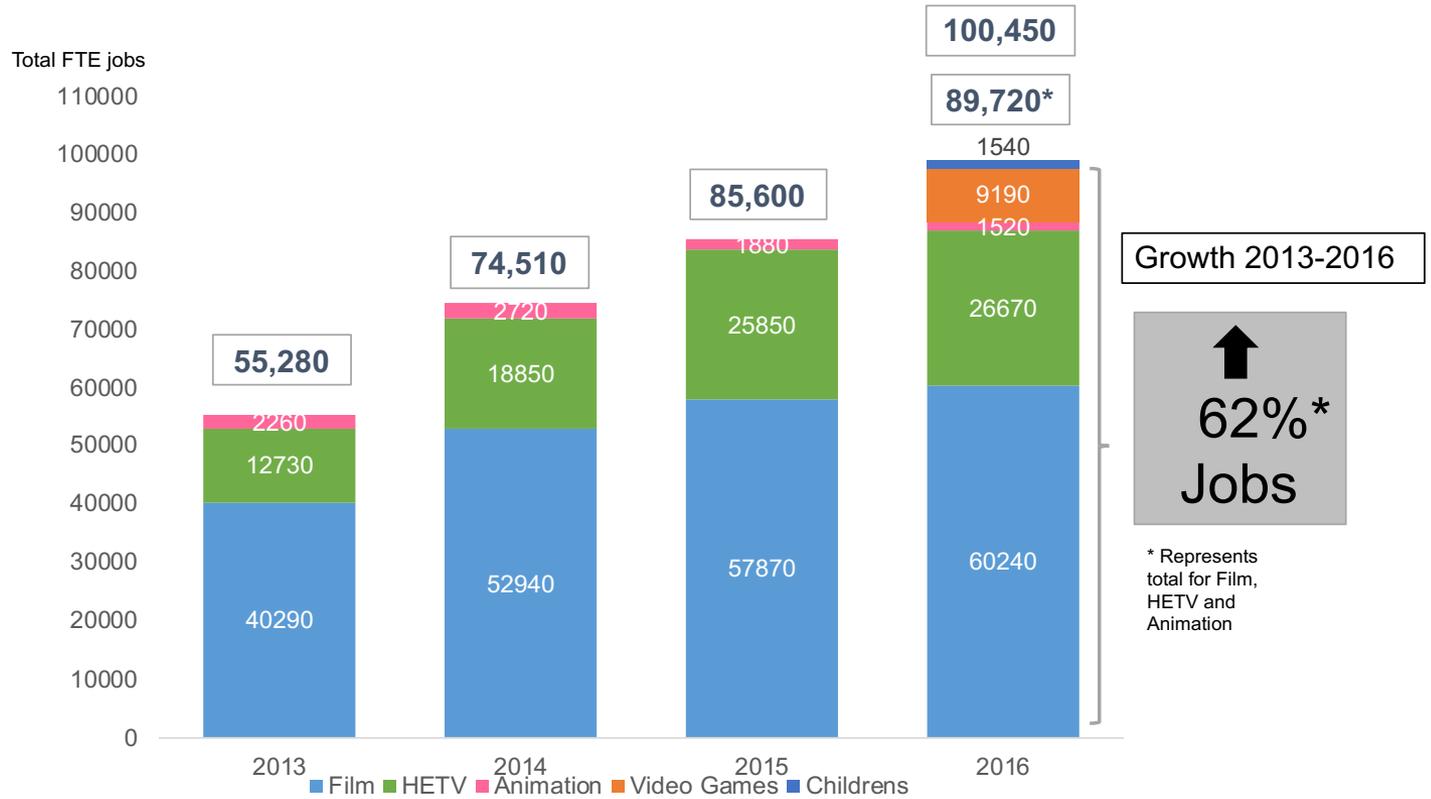
Overall employment contribution
▲ 156%

Overall GVA contribution
▲ 149%

UK production spend
▲ 116%

Direct employment in production
▲ 114%

Growth in UK Screen Production Employment



Source: BFI: Screen Business 2018

Return on Investment

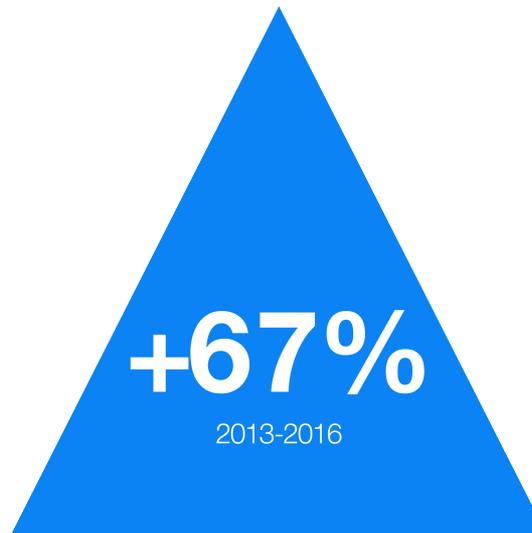
- Annual Return on Each £1 of Investment per UK Tax Relief Scheme 2009-2016

Annual ROI (£)	2009	2010	2011	2012	2013	2014	2015	2016
Film	£6.81	£6.71	£6.96	£7.43	£7.18	£7.13	£7.39	£7.69
High End TV					£5.55	£5.73	£5.81	£6.10
Animation					£4.50	£4.44	£4.60	£4.44
Video Games								£3.89
Children's								£2.73

Source: BFI: Screen Business 2018

Inward Investment Leveraged by UK Tax Reliefs

- The tax reliefs have not only helped to attract billions of pounds of inward investment to the UK, they have also protected and repatriated millions of pounds of domestic production



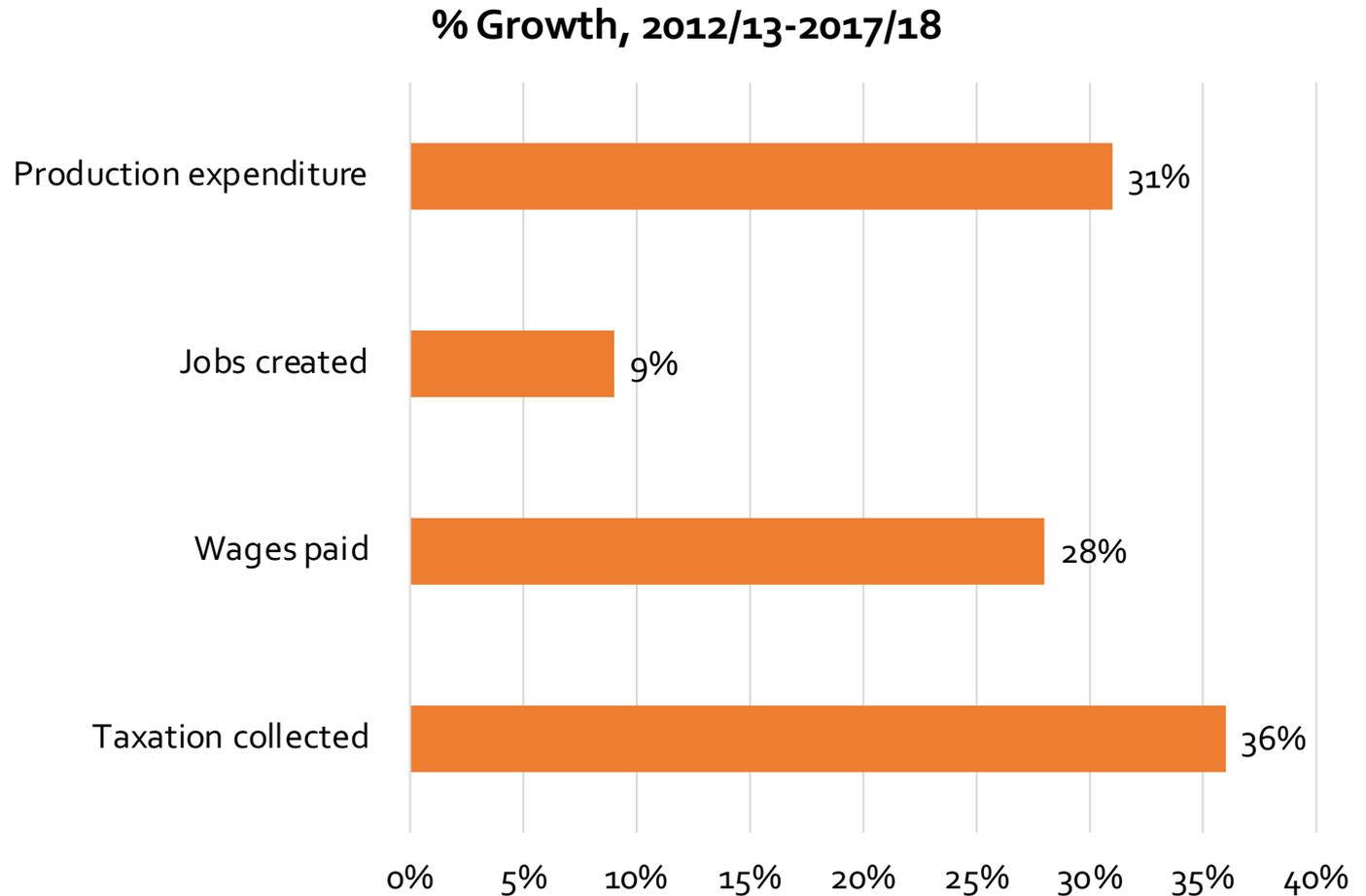
Inward investment
and co-production



UK Domestic
production

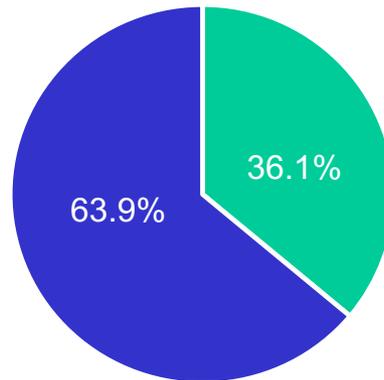
Only includes data for tax reliefs (ie FTR, HETR and ATR) available since 2013

- In the 5 years from 2012/13 to 2017/18 the Screen production sector grew as follows:

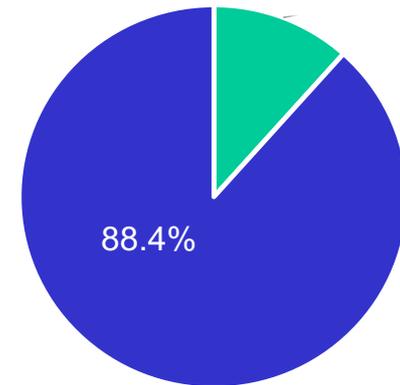


Screen Tourism

- A 2014 study by SPI analysed screen tourism in England (outside London) and found that **36.1% of all international visitors at 6 sites surveyed were core screen tourists**
- These are visitors who would not have visited the sites without having seen the relevant screen content, or who said the screen content was the main reason
- The total value of screen tourism in England outside London for 2014 was estimated at up to £140 million



- Core international screen tourists
- General international tourists

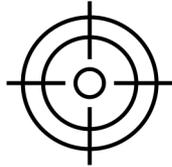


- Core domestic screen tourists
- General domestic tourists

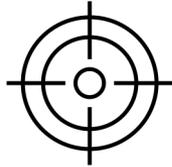
Source: SPI: Quantifying Film & TV Tourism in England, 2014

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- In the **COVID-19 era, the pressures on government and other public stakeholders are unprecedented**
- There are now acute difficulties in many global economies and governments will be reviewing spending closely
- The economic case for public support for Screen production is therefore **more critical than ever**
- In communicating this, it is important to understand the perspective of key government departments and other key stakeholders. **Where does Screen production fit strategically within a jurisdiction's economy?**
- Engagement with government advisors and economists as **early in the study process as possible** to explain the methodology and enable input to be provided, as well as underlining the independence of the approach
- Dialogue should also be maintained through the process. This helps build buy-in when the final results are available



- Economic impact studies involve large amounts of data and analysis. However, it is also important to be able to **condense findings for busy government readers**
- Usually, this is achieved through the use of an **infographic** which shows key metrics and impacts
- Summarising in this way is also helpful for getting the results across to news media, who can focus on the red carpet elements of Screen production and overlook its economic impacts
- Beyond these metrics, **qualitative analysis** is also important to provide depth to a study and to position the Screen sector strategically
- The Screen production **sector aligns closely with many government priorities** – i.e. it is a future-facing global growth industry with strong job creation potential
- Government support therefore a **strategic investment**

Data – collection and quality



- Data, and data quality, is fundamental to an economic impact study
- Managers of incentive systems should be receiving all relevant expenditure data, most likely though initial and final audited applications
- Incentive regulations should ideally include an economic assessment at regular annual points to ensure the system is delivering. Regulations should also clarify for applicants that, by accessing the incentive, their data will be available for study – and publicly reported only in aggregate
- Film commissions which do not manage incentives or are not party to this data should ensure relationships are built with competent authorities
- Data quality is also critical. Reports should be kept up to date on a digital system with regular reviews to ensure data is being collected and processed correctly



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