

# The Motion Picture Industry in Los Angeles

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# Outline

- The context
- Employment and organizational features of the industry
- Economic impact of the sector in the area of Los Angeles
- The runaway film production issue
- Challenges and stakes of the sector

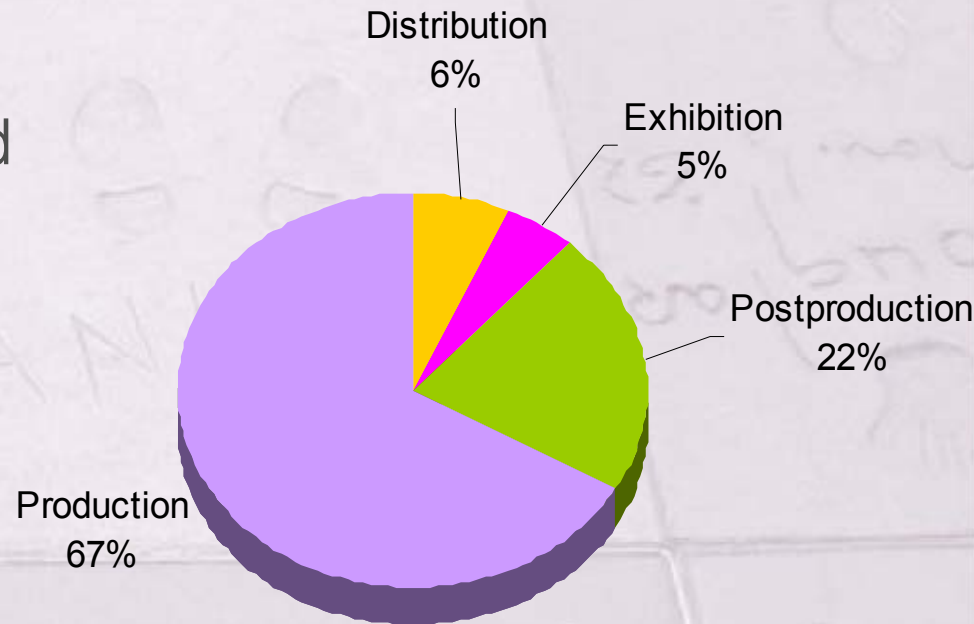
# The context

- The study, sponsored by the regional Council of Paris Ile-de-France, aims to widen our understanding of the Motion Picture Industry.
- It was made possible through a partnership with the University of California, Los Angeles (School of Public Affairs, Department of Urban Planning).
- Objectives of the study:
  - To demonstrate the industry's impact on local employment and regional economic development
  - To understand the phenomenon of the runaway productions
  - To situate the structural changes in the sector with the arrival of digital media

# Employment and structural features

- A sector difficult to quantify : about 30% of the US Motion Picture Industry employment
- Jobs evaluated between 71 000 and 135 900 according to the source
- The production activities concern 2 jobs out of 3

*Distribution of the establishments by function*



# Employment and structural features

- The 7 majors of Hollywood :

Walt Disney, Sony Pictures, MGM, Paramount, 20th Century Fox, Universal Studios, Warner Bros.

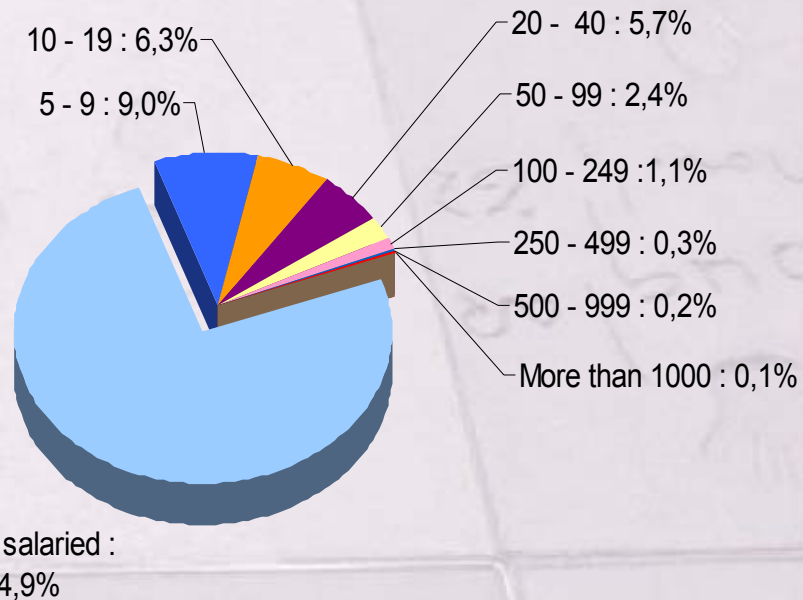
- A vast number of subcontractors

- Among the 459 movies released in 2003 in the USA:

194 are produced by the majors,  
75% of the box office income.

265 are produced by independants  
25% of the box office income.

*Share of the establishments by size*

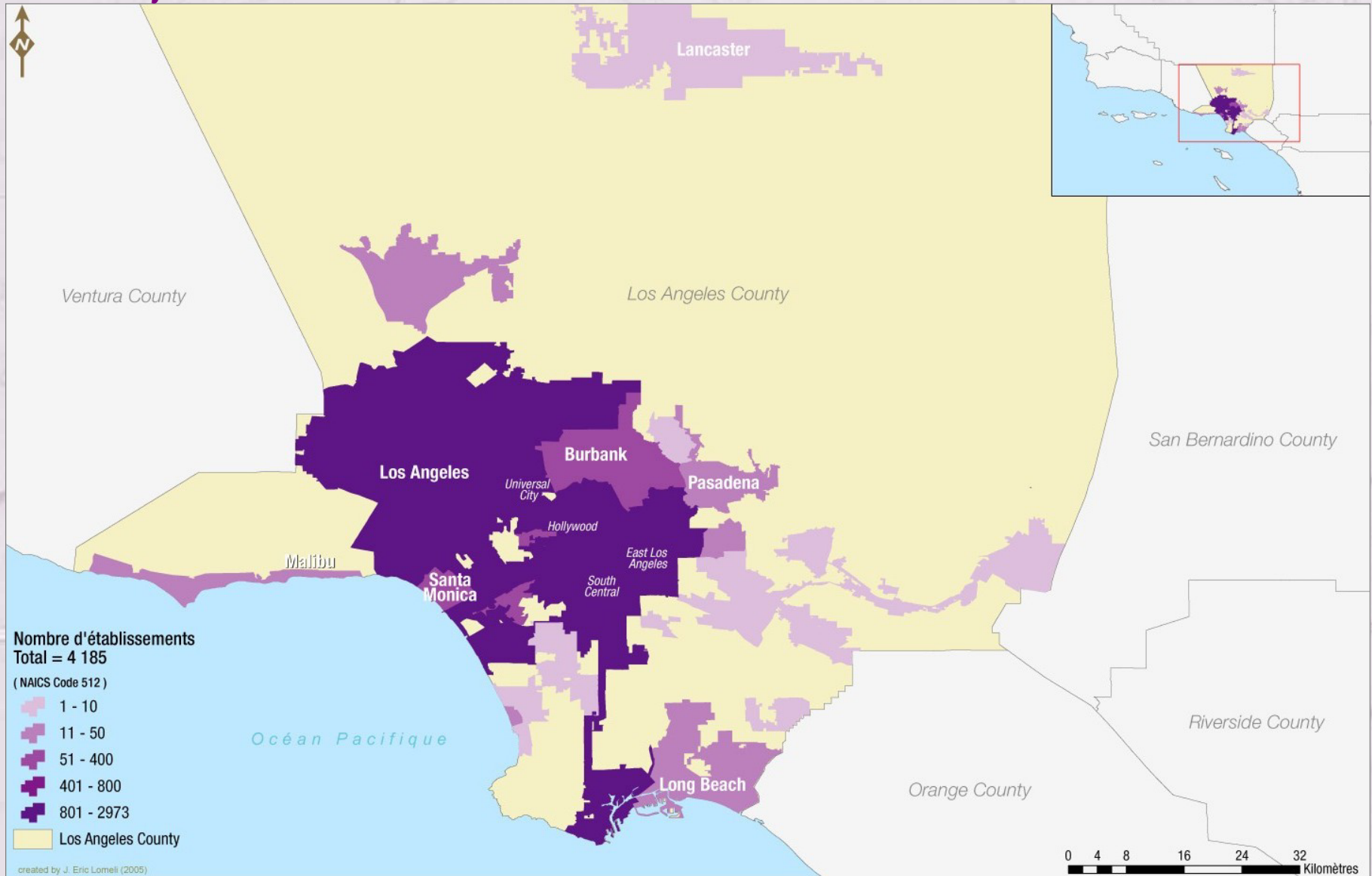


# Employment and structural features

- Since the beginning of the Nineties there has been a **Capital-intensive concentration** of major groups
- **Strategy of vertical integration**: the major groups tend to consolidate with the broadcasters (TV channels, movie theaters owners, Internet providers...).
- This process makes it possible to **integrate the whole of the sector** from design to broadcasting.
- Current mergers take place between **the producers of "contents"** (films, music, information) and the **distributors of "container"** (broadcasting cables, Internet network, TV, Telecoms).

# Employment and structural features

## Film industry Establishments in 1997



# Economic impact of the sector on regional development

3 indicators make it possible to evaluate the income generated by the film industry:

- The **box office revenues** increased by 60% over the 10 last years.
- The **turnover** generated by the film industry in Los Angeles reaches 34 billion \$, that is to say 44% of the American turnover
- The **production cost** reaches 31 billion \$, that is to say 10 times more than in New York



# Economic impact of the sector on regional development

The multiplier effect measures the impact of the production cost of a film on other "adjacent sectors".

A report of the *Monitor* estimated the impact of the expenses of the film industry in the American territory:

- ▶ Immediate impact: the runaway of filming from the United States involves a loss of profit of 2,8 billion \$ for the economy.
- ▶ Indirect impact: this "loss" indirectly impacts other sectors growth (Hotel trade, catering, trade, car rental...). The expenses not incurred on the territory are estimated at 3 billion \$.

# Runaway Film Production

- The phenomenon of the runaway productions or relocation of filming away from the United States has been intensifying since the beginning of the Nineties.
- Canada has set up for 15 years an aid programme in favour of the film sector to attract Hollywood shootings.
- Today, Vancouver and Toronto are the principal destinations of the "runaways productions".
- The value of the American productions in Canada was multiplied by 4 in 10 years. (0,5 million \$ in 1995 against 2 million \$ in 2004).

# Runaway Film Production

Runaway film production from the United States to other countries is due to:

- ➊ Infrastructure construction and the development of local film expertise outside the United States
- ➋ Rising production costs in the United States
- ➌ Exchange rates: increase in the value of the US dollar against the Canadian or Australian dollars between 1990 and 2000
- ➍ Wage, tax, and financing incentives

# Challenges and stakes of the sector

## The diversification of the distribution process

- Multiplication of the channels of diffusion (box office, TV, cable, DVD)
- The film release represents a minority share of the box office of a film.

## Digitisation : new tools for production

- New spaces of creativity (Digital Video, HDTV, video on request, computer-generated images).
- Improvement of the productivity at each step of the production (filming, post production, and in the end showing).
- New outlets in the field of the special effects (animation, 3D) and of the video games.

# Challenges and stakes of the sector

## The threat of piracy

- The film industry faces the illegal copies of films, as does the whole cultural industry (music, videos, publishing).
- The piracy of videos or DVD is a threat for the sector (downloading via Kazaa, Emule...).
- The subject of the copyright is sensitive and constitutes a major axis of lobbying with the American Congress

# Challenges and stakes of the sector

## Future of the sector in Los Angeles

- Pressure of the lobbies in order to increase the budget of the programme "Film California First".
- Financial crisis of the State of California: budget deficit of 34 million \$ in 2004.
- But the future of the sector seems unthreatened: prominent role of Hollywood on the international scene

### *Prospects for growth 2002-2007*

	Growth average annual rate
International market	+ 6,0%
American market	+ 6,7%
European market	+ 7,0%
Latin american market	+ 4,3%

**Coming soon :**

- French and American Motion Picture Industry's comparisons
- The Cultural Industries (Motion Picture, Broadcasting, Disc Industry, Publishing) in the Paris Ile-de-France Region

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