

MINISTRY OF CITIZENS' SERVICES AND OPEN GOVERNMENT

BRIEFING NOTE

Ref: 97712

Date: January 24, 2013

I PREPARED FOR: Honourable Ben Stewart, Minister
FOR INFORMATION

TOPIC: Film Industry Statistics

II ISSUE:

Economic impacts of the Film Industry (the industry) in British Columbia.

III BACKGROUND:

The validity of film industry data reported by BC Stats has been questioned.

Film industry data, reported by BC Stats, is based on information provided by Statistics Canada. This information is categorized using the North American Industry Classification System (NAICS). The Motion Picture and Video Production Industry (NAICS category 51211) includes all establishments *primarily engaged* in producing or producing and distributing motion picture, videos, television programs or commercials.

Estimates of Gross Domestic Product (GDP) are based on information from tax records and industry surveys. GDP is derived using internationally accepted methods for economic accounting and are consistent across industries and regions.

The data published by Statistics Canada only includes direct impacts. Employment and GDP in industries supplying goods and services used in production are attributed to the supplier industries. This approach avoids double-counting issues, and ensures that the economic impact of all industries is measured in a consistent manner.

The industry information produced by Statistics Canada indicates that the direct contribution of the film production industry to British Columbia's real GDP in 2011 as \$423 Million, accounting for 0.2 percent of the Province's total real GDP (\$188 Billion). Data from the Labour Force Survey indicates that the industry directly employed 9,900 people in 2011.

IV DISCUSSION:

The Film Industry has argued that using data based on NAICS categories is not appropriate because it underestimates the industry's contribution to British Columbia's economy.

For example, the employment data reported by the Film Industry is considerably higher than the information based on the NAICS data. One reason for this discrepancy is that the industry includes some ancillary activities (i.e., indirect employment) in its employment estimates, while the economic accounting framework used by Statistics Canada only includes direct employment.

The film tax credit is based on all employment directly related to film production. This includes those who are directly employed by either the production company or its suppliers (e.g., a catering firm contracted by the production company). The standard industry measures for film production used by Statistics Canada would only include direct employees of the production company. Activities of the catering firm and its employees would be counted as part of the Food Services and Drinking Places Industry, and therefore would be treated as an indirect effect.

Some employment measures cited by the industry also include estimates of employment in industries further back in the supply chain, as well as induced impacts associated with spending by workers. As a result, the employment numbers are significantly higher than the direct employment data produced by Statistics Canada.

Production expenditures of \$1.2 Billion (widely quoted as the Film Industry's contribution to the economy) include purchases of many goods and services produced by other industries, as well as the wages, salaries, and mixed income (the main components of GDP) associated with industry activities. While this accurately represents expenditure or outlay by the industry, it does not equate to value added in the economy. Value added, or GDP, does not include the expenditures associated with the purchases of goods and services used in production.

Because the Statistics Canada data is based on a more narrow (NAICS) definition of the industry, and only includes value added, the numbers are considerably lower than those produced by the industry.

It is important to note that the same approach is applied to all industries in the B.C. economy. For example, Construction Industry measures of GDP do not include other activities such as the manufacture of wood products used by the Construction Industry.

V CONCLUSION

BC Stats uses data based on internationally accepted economic accounting principles to measure the size of the film (and all other) industries. The industry is assessed in a manner that is consistent with that used by Statistics Canada and other provincial/territorial statistics agencies.

The data used by BC Stats to measure the size of the Film Industry only includes direct activities, and does not take into account non-economic benefits associated with film production.

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MINISTRY OF CITIZENS' SERVICES AND OPEN GOVERNMENT

BRIEFING NOTE

Ref: 97852

Date: February 27, 2013

I **PREPARED FOR:** Honourable Ben Stewart, Minister

FOR INFORMATION

TOPIC: BC Stats - Motion Picture Industry in BC

II **ISSUE:**

Minister Stewart will be attending a luncheon to discuss the Motion Picture Industry in B.C. on March 4, 2013.

III **BACKGROUND:**

BC Stats had been engaged by the Ministry of Finance to undertake independent analysis and validation of economic estimates related to film industry activity in British Columbia. The focus of BC Stats' effort related to estimates of Gross Domestic Product (GDP) and employment.

The validity of BC Stats' analysis and reporting of film industry employment had been called into question by film industry representatives. At the initiation of Minister Stewart, a meeting was held in Vancouver on January 30, 2013 to bring the involved parties together to discuss the range of employment estimates associated with the film industry in BC, as well as the methodologies used to obtain these estimates.

IV **DISCUSSION:**

There is a range of estimates of film industry employment available from industry representatives as well as from BC Stats. This range of estimates arises, to a significant extent, because of divergence between the 'relevance' of inputs and the 'reliability' of analysis.

Relevance relates to the availability of detailed and current information about actual expenditures by the BC film industry, information used in analysis. Reliability relates to the quality and detail of the analytical framework used to derive estimates of film industry economic impact.

Industry representatives have access to highly relevant information about film industry expenditures in the province, but they only have access to publicly available analytical tools such as economic multipliers, which have low reliability because multipliers are produced at an aggregate level and lack detail. Conversely, BC Stats has access to the highly reliable provincial input-output model, the most detailed analytical framework available to examine industry inter-relationships and economic impacts, but it only has access to published, high-level expenditure information about the film industry – i.e., low relevance inputs.

It was suggested at the Vancouver meeting that a cooperative effort between film industry representatives and BC Stats would leverage the relative strengths of each party to bring together relevant industry information with a reliable analytical framework. The objective of this cooperative effort would be agreement on estimates of film industry employment in BC; this would elevate the on-going discussion, beyond competing methodologies and estimates, to focus on the economic benefit of the film industry in the province.

Future cooperation regarding other measures of economic impact and a scope of activity beyond film industry (i.e., the Motion Picture and Video Industries) is possible once success is achieved through this initial cooperative effort.

Since the Vancouver meeting, BC Stats and representatives from the BC film industry have connected and taken initial action to develop an agenda for cooperation. The agenda will lay out the scope of the work to be undertaken as well as the process for how the parties will work together to reach the intended objective with the highest probability of success. It is expected that the actual cooperative analytical effort will commence in April 2013.

V CONCLUSION:

Suggested Response:

- BC Stats and representatives from the BC film industry have connected and taken initial action to develop an agenda for cooperation.
- It is expected that the actual cooperative analytical effort will commence in April 2013.
- This cooperation is based on the specific strengths that each party brings to the joint effort:
 - The film industry has access to highly relevant, industry specific information that presents a timely and specific insight regarding the expenditure profile of the BC film industry; and
 - BC Stats has access to a highly reliable, detailed analytical framework designed to produce objective, consistent and comparable economic statistics.
- The main objective of this cooperation is to reach agreement on estimates of film industry employment in BC.
- Future cooperation, beyond this narrowly focussed effort, is possible once initial success is achieved.

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