

**PROJECT REPORT ASSESSMENT OF THE FLORIDA MOTION PICTURE INDUSTRY  
FEBRUARY 2003**

Prepared for The Governor's Office of Film & Entertainment

**Economics Research Associates**

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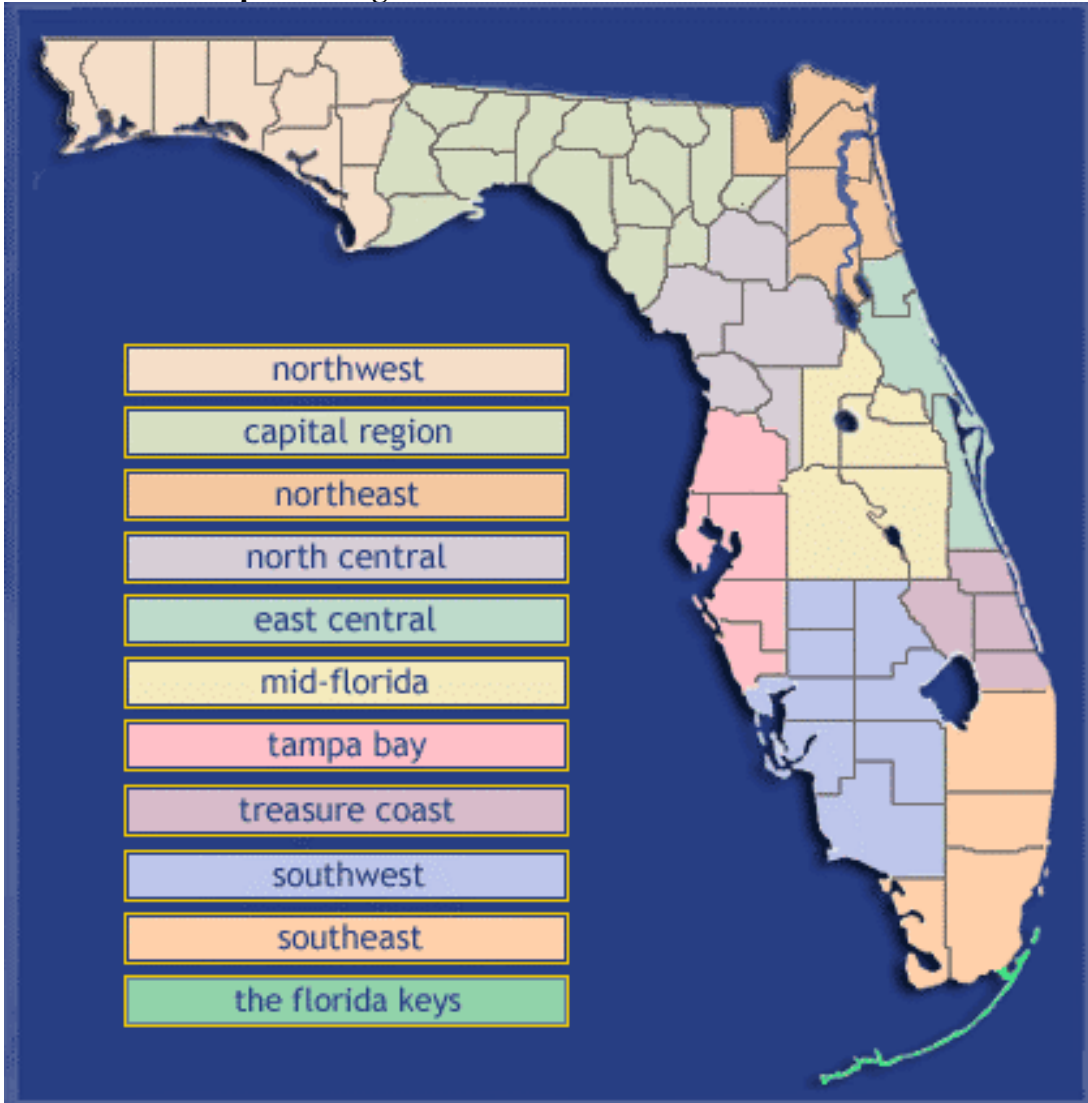
The Governor's Office of Film and Entertainment has commissioned Economics Research Associates (ERA) to assess the size and extent of the motion picture production industry in the State of Florida. The goal of this analysis was (1) to develop a baseline, or benchmark, describing the size and extent of the industry throughout the State for the purpose of measuring future changes in the industry; and (2) to outline regional conditions and suggest public policy responses which would be likely to lead to future growth of motion picture production output and employment in Florida. ERA's experience in conducting industry assessments for the motion picture production industry indicates that the industry represents an extremely difficult data environment. This is because of the combination of contingent employment and single-purpose corporations along with the high level of mobility and transient labor in the motion picture production industry. All of these combine to require a more creative approach to traditional methods of sector analysis. The Governor's Office of Film and Entertainment sought to analyze economic conditions in the industry for both the State as a whole and for 11 economic development regions. The regions which have been identified by the Governor's Office are: (1) the Capital Region, (2) East Central, (3) Florida Keys, (4) Mid Florida, (5) North Central, (6) Northeast, (7) Northwest, (8) Southeast, (9) Southwest, (10) Tampa Bay, and (11) Treasure Coast. These districts are shown on Figure II-1.

### **Data Sources**

Since no single data set for the motion picture production industry is comprehensive in and of itself, ERA has used multiple data sources to outline the parameters of the motion picture production industry in Florida. The four primary sources of data used in this report include:

- **ES202 Data.** The State of Florida's Agency for Workforce Advancement Labor Market Information Division collects data which include all of the wage and salary employment that is covered under unemployment insurance. These data are organized by standard industry classification (SIC code), and includes the number of firms, total employment, and total wages. All wage and salary labor is covered by ES202 including temporary workers and contingent labor. However, business enterprises that are owned and operated by sole proprietors are excluded from these data. Note that Economics Research Associates used annual average employment data from 2001. This was the most recent data that was available at the time that this research was undertaken. The State of Florida is currently undergoing a transition from SIC codes to North American Industrial Classification System (NAICS). This will allow for greater specificity of activities related to the entertainment activity and other elements of the information and service economy. Unfortunately, year-end 2002 data, which were the first to use NAICS codes for ES202 data, were not available at the time this research was undertaken.
- **Firm Level Data.** These data from Dun & Bradstreet (D&B), a private credit rating service, contains information on business enterprises that have applied for or undertaken a number of specified financial transactions, thus generating an evaluation

**Figure II-1**  
**Economic Development Regions of Florida**



Source: Governor's Office of Film and Entertainment

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of a firm's credit-worthiness. Unlike ES202 data, D&B data include business enterprises that are owned and operated by sole proprietors.

• **The Internet Movie Database.** This database consists of movie information that includes details on over 6.3 million feature film and television productions. The primary source of this information is for onscreen credits. ERA used this information for the types and number of annual productions shot in Florida.

### **Data Source Parameters**

Precise definition of the size of the industry in Florida is necessarily complicated by the diversity of the sources that are available. It is important to note that there are dissimilarities between the data sets that were used in this analysis and other sources, as well as amongst the data sets themselves. While each of these data sets offers a slightly different view and definition of the industry in terms of the source's coverage and completeness, key criteria were used in selecting data sources that would be used in the report.

1. **Comprehensiveness.** All the data sets used cover the entire State of Florida and include all of the industrial sectors and activities being investigated; and
2. **Consistency.** While each of the data sets has boundary and limitations, the type of information that is included follows predictable and describable patterns allowing for their interpretation.

For the purposes of this study, a narrow definition of the motion picture production industry has been used. The basis of this definition is the Standard Industrial Classification System (SIC) and the following four-digit sectors were analyzed:

- **SIC 7812** – Motion Picture and Videotape Production
- **SIC 7819** – Services Allied to Motion Picture Production
- **SIC 7822** – Motion Picture and Videotape Distribution
- **SIC 7829** – Services Allied to Motion Picture and Videotape Distribution

*Note that this set of industries does not include several important economic activities that many local film commissions have jurisdiction over and account for in their annual economic activities. Key examples include still photography, sound recording and music, broadcasting, performance and arts organizations.*

One issue that has affected economic development analyses of the motion picture production industry throughout the U.S. has been an overly broad definition of the constituent sectors. Previous studies concerning the economic impact of the motion picture industry have had a tendency to overstate the size of the industry in a region by including the entire output of secondary and tertiary inputs, such as dry cleaners, caterers, etc., as direct participants in the motion picture production industry. This is understandable given the significant constraints that arise from the coverage of available data. In this study,

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however, careful thought was taken towards a narrow specification of the core industry in order to identify the true economic base supported by motion picture production in the State. At the same time it is important to recognize that by specifying these four core sectors, other entertainment industry related economic activities have been excluded from this analysis, some of which make significant contributions to the economy of Florida.

Prominent among these activities are:

- Broadcasting
- Multimedia and digital communications
- Music recording and publishing
- Cable, satellite, and pay TV distribution

## **The Motion Picture Production Industry in Florida**

Based upon ERA's analysis, the following statements can be made about the size of the industry in Florida.

Based on ERA's analysis of ES202 data for the State as a whole, the following statements can be made about the combined economic contribution of the four film industry sectors analyzed in this report:

- The core motion picture production industry employed 8,492 wage and salary workers, and provided over \$372 million in wages to Florida workers in 2001.
- From 1995 to 2001, employment grew by 94 percent with a compound average annual growth rate of 11.7 percent.
- Employment peaked in 1999 at 9,243 wage and salary workers.
- Wage growth outpaced employment growth from 1995 to 2001, with wages growing over 121 percent with a compound annual average growth rate of 14.1 percent.

ERA's analysis of the Dun & Bradstreet firm level data indicates the following key points for the State of Florida as a whole:

- In 2002, a total of 1,554 firms, which include sole proprietorships (which are excluded from the ES202 data), were operating in Florida. These firms employed a total of 10,083 persons.
- Using an annual average wage of \$311,675 per firm, ERA estimates that the total 1,554 firms generated wages of over \$484 million in 2002 to workers and owner proprietors in Florida.
- Total sales for all four sectors (SIC 7812, 7819, 7822, and 7829) in 2002 were over \$1.16 billion.

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It is important to contextualize these figures with events that were going on in the broader economy and in the motion picture industry in 2001 and 2002. The year 2001 represented a low year for motion picture production across the United States. There were a number of important reasons for this including the attacks of September 11 which had an immediate affect of shutting down production on location throughout the U.S. and reduced the propensity of projects to move forward in locations outside of Los Angeles and New York. Another important factor influencing the decline in overall business in 2001 was a front loading of production that was experienced in 2000 in anticipation of a strike by the Writers' Guild of America (WGA), and the Screen Actors' Guild (SAG). In fact, the SAG commercial actors had previously been engaged in a brutal work stoppage which affected the commercial production sector the previous year. This also had on going chilling effect on production of commercials and shifted a significant amount of commercial production out of the U.S. on a more or less permanent basis. These factors, combined with an overall slowing of the national economy, a decline of advertising sales in the wake of the dot.com bust made 2001, and by extension, 2002 very difficult years for the production industry both in Florida and nationwide.

## **Regional Conditions**

Of all of the 11 economic development regions, Southeast Florida leads the State in nearly every economic measure used in this analysis. It is unambiguously the leading region in the State for motion picture production. Key findings on a regional basis are as follows:

- Southeast Florida leads the State in total employment and accounts for 56 percent of total State employment at 4,745 wage and salary workers in 2001. Mid Florida and Tampa Bay are the next largest, with 18 percent and 16 percent respectively. All other regions had less than 1,000 wage and salary workers in the motion picture production industry in 2001.
- Southeast Florida generated over 50 percent of the total estimated annual wages for the motion picture industry within the State in 2001 at approximately \$200 million. This is similar to the region's percentage of total employment that year.
- By contrast, Tampa Bay region generated over 20 percent of the State's total wages in 2001 followed by Mid Florida. Collectively, these three regions account for nearly 95 percent of the State's total estimated annual wages in 2001.
- The D&B data for 2002 indicates that the motion picture production industry in the State generated an estimated \$1.2 billion in total sales by firms in the four SIC codes. Of this amount, motion picture and videotape production (SIC 7812) generated nearly 72 percent of the total.
- An analysis of sales by region shows that the Southeast region of Florida was the predominant leader with over 50 percent of total sales for the entire industry in 2002. Mid Florida generated approximately 21 percent of sales activity, and Tampa Bay

followed with 11 percent. The remaining 8 region together generated 18 percent of total annual sales.

## **Economics Research Associates *Section II – Executive Summary***

### **Qualitative Analysis**

As part of this work, ERA conducted a series of stakeholder interviews with individual film commissioners, liaisons, business operators, union officials, economic development agencies, crew members, and other industry representatives during the months of November and December 2002. The purpose of these discussions was to gain a more detailed understanding of the structure of the industry in the State and to help form economic development recommendations. ERA staff interviewed over 150 individuals. A list of these interviews is presented in Table A of the Appendix to Volume 1 of this report. Each of these regions were analyzed in terms of their general economic structure and economy, as well as the following film industry features:

- Local production
- Infrastructure (including schools, soundstages, and specialized support institutions)
- External production classified by type of production (i.e., feature films, movies of the week, television productions, commercial industrial production, etc.)

### **Conclusions**

With the increasing globalization of motion picture production Florida's regions face a variety of opportunities and threats. Globalization has opened up new markets to producers where significant cost savings can be obtained. This has put regions in Florida that have traditionally competed on the basis of price at a disadvantage.

At the same time the opening of global markets has offered an opportunity for Florida, and Southeast Florida in particular to be a leading center for motion picture distribution, finance and other higher order activities within the industry. Aggressive pursuit of these global market opportunities should be an important part of the State's and regions economic diversification strategy and efforts at growing the regional export base.

Also, many of the attributes that make Florida attractive to both visitors and residents alike can form the basis of a competitive industry in smaller markets. The landscapes and cultural environments of the State represent an important source of attractiveness for the industry and as such can serve the continued development of the industry in smaller markets and rural areas.

