



LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION



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News Release

IMMEDIATE RELEASE

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LAEDC's Entertainment Report Sees Modest Increase in Industry Employment, Another Strong Year at Box Office

*Despite a boost from California's film incentive program, runaway
TV/film production remains a significant threat*

Los Angeles, CA — A new study released today by the Los Angeles County Economic Development Corporation's (LAEDC) Kyser Center for Economic Research predicts a modest increase in industry employment in 2010. The report also forecasts another strong year at the box office, no foreseeable labor issues, and a boost in production from California's film incentive program.

Other pluses include NBC's programming of scripted series in the 10:00 p.m. primetime spot being vacated by Jay Leno and the ongoing investment in the entertainment industry's infrastructure such as NBC Universal's Evolution Project and the Disney/ABC Studios at the Ranch. However, key issues include changes in the business model, with an intense focus on costs. Run-away production remains a significant threat and changing technology, distribution, exhibition and marketing models are noted. The media industry will continue to struggle, reflecting a slow rebound in advertising and changes in the way consumers access information.

The LAEDC study recommends a renewed focus on entertainment as a serious business because it is a high-wage, high-multiplier activity. The study cited efforts by the cities of Los Angeles and Santa Clarita to become more "film-friendly." It also recommends watching the state's film incentive plan that has helped boost employment in this sector.

"The coming changes in how the industry operates also need to be monitored," said LAEDC

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Founding Economist Jack Kyser. “At the end of the day, content is still king and leaders need to be alert so that much of it is still produced in the County.”

Entertainment: The TV/film production industry had a good year at both the domestic and international box office in 2009. However, this box office bonus did not translate into jobs. In 2009, there were an estimated 9,000 industry job cuts, reducing the total from 141,400 in 2008 to 132,400 jobs. The slump was blamed on the economic impact of lingering labor issues, run-away production and major changes in the industry’s business model.

Television (broadcast & cable): This sector is facing major challenges in its business model, due to changes in the way consumers access content and their willingness to pay for it. A declining pool of advertising dollars compounds the problem. According to the LAEDC study, broadcast TV employed 9,185 people in the County in 2008, while the cable and subscription TV industry had a local work force of 6,707 people. Employment in both sectors declined during 2009. A significant challenge for both broadcast and cable TV is the growing audience appetite for on-demand TV, and their unwillingness to pay for the content.

Radio: While the Los Angeles radio market is quite large, the number of workers is quite small (3,409 jobs in 2008). This reflects a sharp decline from the employment count of 5,074 workers in 1991. While there is considerable local demand for radio content, this industry has also been hammered by the decline in advertising revenues.

Newspapers: The woes of this important sector have been well documented. A look at employment in this industry in Los Angeles County provides a stunning synopsis. In 1990, 16,911 people worked for newspapers in the County. By 2008, the count fell to just 4,698 people. Newspapers remain the largest source of news coverage and analysis in the nation, but the sharp decline in advertising and changes in the way people obtain their news are taking a toll on both jobs and print content. Young people are only four to seven percent of newspaper readers, preferring to get their information from the internet and new media.

The roster of newspapers published in the Los Angeles area is quite diverse, ranging from the Los Angeles Times, the Los Angeles Newspaper Group, and Investor’s Business Daily to the “trades,” Daily Variety and the Hollywood Reporter, which are the bibles of the entertainment industry. Even the latter two are also feeling the sting of online information sources, most notably TMZ.

The task ahead for this media sector is to find new ways to underwrite the gathering and

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dissemination of news and analysis.

Magazines: While not something that people generally associate with Los Angeles, this industry does have a presence in the County. Locally published magazines range from the Auto Club's "Westways" (the tenth largest magazine published in the U.S.) to automotive magazines such as "Motor Trend" and "Hot Rod." In 2008, nearly 5,900 people were employed in this sector in the County.

The magazine sector has been hurt by the slump in advertising revenue and is trying to craft a viable strategy to cope with emerging technologies such as the Kindle and E-reader, an electronic standalone, refreshable device designed for the display of content, such as books, newspapers and documents. Surveys indicate that readers like the internet content, but still place a high value on the printed document.

Advertising: More than 20,000 people are employed by this industry in L.A. County. Local businesses range from classic agencies (think "Mad Men") to media buying agencies and display advertising. The LAEDC study shows that the advertising industry is also coping with client's desires to move from traditional methods to new ways such as the internet and event marketing.

While a slow recovery in advertising spending is expected, the industry will have to scramble to break through the noise and clutter of the new media environment. For California advertising firms, there should be a boost in business in the second half of 2010, reflecting the governor's race and a slew of initiatives on the November ballot.

About the LAEDC

The LAEDC, the region's premier business leadership organization is a private, non-profit organization established in 1981 under section 501(c) (3). Its mission is to attract, retain, and grow business and jobs for the regions of Los Angeles County. Since 1996, the LAEDC has helped retain or attract more than 156,000 jobs, providing \$7.5 billion in direct economic impact from salaries and \$128 million in annual tax revenue benefit to local governments and education in Los Angeles County. Visit www.laedc.org or call (888) 4-LAEDC-1.

[**Editors:** For media interviews with Jack Kyser and Dr. Nancy Sidhu, authors of the study, contact George McQuade, MAYO Communications, Publicity@MayoCommunications.com, 818-340-5300. Visit www.laedc.org/reports for the complete study.]

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