

Film Industry Profile of California/Los Angeles County

THE HEADLINES:

- ⌘ A public perception of glamour and wealth
- ⌘ Job growth, but...
- ⌘ Dealing with
 - ⌘ Run-away production
 - ⌘ Shifting audiences
 - ⌘ More militant unions
 - ⌘ New ways of delivering content
- ⌘ Time for a fresh look at this key industry



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Since 1995 through May 2005 the LAEDC has helped retain or create more than 100,000 jobs, providing \$3.5 billion in annual economic impact from salaries and \$65 million in annual tax revenue benefit to Los Angeles County.

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In conjunction with our World Trade Center Association Los Angeles-Long Beach subsidiary, the LAEDC facilitates international trade and investment in the region through a variety of strategic partnerships and initiatives, including facilitation of trade transactions and regular international missions for business opportunity development and external promotion of the region.

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The Motion Picture/TV Production Industry in California -- Facing Major Changes in Its Environment

This is a signature industry for California, especially the Los Angeles area. Unfortunately, the industry seems to be in a constant state of turmoil, and the stakes are rising. The challenges are both internally and externally generated. The internal issues include dealing with an array of guilds (or unions), with a new one just being organized (casting directors), and the level of militancy rising. The studios are all now parts of major media conglomerates whose focus is on the bottom line. There is growing concern that the boom days for DVDs are almost over. Finally, there is the rapid introduction of new technology to various segments of the industry, including new ways to deliver content.

The external challenges are fewer but no less significant. They include the threat of piracy and the ongoing issue of run-away production. The latter has mutated from going "off-shore" to make a film to going to other states that offer an attractive and growing array of incentives. Worse yet, there seem to be significant shifts in the way people want to consume filmed entertainment.

On the positive side, there is a growing demand for content, not just in the U.S. but worldwide. In addition, the definition of content is broader, ranging from short clips to be viewed on video devices to the standard big budget film.

A major challenge is the misperception of the industry by the general public and elected officials. Most people think of the industry consists of only major studios and highly paid stars. It's the Entertainment Tonight point of view, where everything is glamorous. But the film industry operates in unusual ways, with many independent production companies producing films (often these are one-film companies), which are released by the major studios. The net result is that many of the rank-and-file workers in the industry are scrambling to make a living.

Importance of the Industry

How important is the motion picture/TV production industry to Southern California's economy? On the basis of job counts, the industry ranks fifth in the Los Angeles five-county area, but third in Los Angeles County (see page 10 for detailed data).

For most people, the easiest way to convey an industry's importance is by dollar measures. According to the 1997 Economic Census, the U.S. motion picture & video production industry (NAICS 51211, 51212, 51219, 51224, 51229) had revenue of \$38.1 billion. In California, these industries had revenues of \$25.1 billion for a 65.8% share of the national total.

2002 Economic Census data for these industries is available only at the national level, and shows revenues of \$52.0 billion. This strong growth from five years earlier comes from new ways of making content available, most notably DVDs. Data at the state level unfortunately are not available, but assuming that California maintained a 65% share, this would yield revenues of \$34.0 billion for the state (but run-away production means that the state's share could be lower). (See page 13 for detailed data.)

*The Importance of the Film Industry**

(Billions of dollars)

	1997	2002
U.S.	\$ 38.1	\$ 52.0
California	25.1	34.0

* NAICS codes: 51211, 51212, 51219, 51224, 51229
Sources: U.S. Dept. of Commerce, Bureau of the Census;
California 2002 estimate by LAEDC

Another important aspect of the entertainment industry is its linkages with other key industries in the state. The obvious link is with tourism. The forecourt of Grauman's Chinese Theater is magical, while LA Inc. (the convention & visitor's bureau) uses stars to sell tourism to Los Angeles - the "See my LA" campaign. In addition, the entertainment industry has a halo effect on the County's apparel, jewelry and furniture design and manufacturing industries.

Key Industry Statistics

Box office results

U.S. domestic box office was in a growth trend from 1996 through 2002, when receipts reached \$9.5 billion. Since then, results have been moving sideways despite rising ticket prices. The international market has been about equal to the U.S. market, but spiked up in 2004. A consistent data set on international box office receipts are only available starting in 2000. The total for that year was \$8.3 billion, moving up to \$15.7 billion in 2004.

Domestic box office to date in 2005 is running about 6-7% below 2004. International box office has also come back to ground in 2005. Both trends have caused much consternation in both the industry and the media.

Admission trends had been in a growth mode through 2002, but then -- like box office receipts -- eased. This does not indicate a decline in interest in filmed entertainment, but the impact of new ways of delivering the product. The time between a film's opening and its availability on cable TV or release on DVD has shrunk. There is also a growing consumer market for elaborate "home theaters," with high definition screens. Another deterrent to going to the movies has been the run-up in ticket prices.

DVD sales

This brings us to a relatively new but quite spectacular revenue source for the film industry, sales and rentals of DVDs. Sales of DVDs in 2004 generated over \$15 billion. Feature films have been the mainstay so far (and the libraries of the studios have not been that deeply mined), while a new market is "classic" TV series (as well as some fairly new series). One of the more contentious issues in recent contract negotiations with the major industry guilds (or unions) was obtaining a bigger share of DVD revenues. The studios were able to hold the line on this, but the issue looms large in future negotiations.

Box Office Receipts (Billions of dollars)

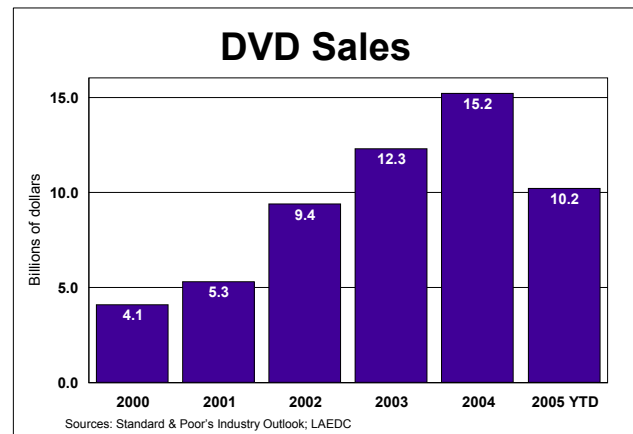
	U.S.	International
1990	5.0	--
1991	4.8	--
1992	4.9	--
1993	5.2	--
1994	5.4	--
1995	5.5	--
1996	5.9	--
1997	6.4	--
1998	6.9	--
1999	7.4	--
2000	7.7	8.3
2001	8.4	8.6
2002	9.5	10.2
2003	9.5	10.9
2004	9.5	15.7

Source: MPA

U.S. Admissions Trends (Thousands of tickets sold)

	Ticket Sales
1990	1,188.6
1991	1,140.6
1992	1,173.2
1993	1,244.0
1994	1,291.7
1995	1,262.6
1996	1,338.6
1997	1,387.7
1998	1,480.7
1999	1,465.2
2000	1,420.8
2001	1,487.3
2002	1,639.3
2003	1,574.0
2004e	1,536.1

Source: MPA



Unfortunately, sales of DVDs have slowed in 2005. This is attributed to several factors, including saturation of the "early adopters" market, the pending release of high definition DVDs, and the more aggressive stance taken by major retailers (Wal-Mart is a major player) in returning unsold stock. More disturbing is a recent study by Goldman Sachs that sees a leveling off in home video sales in 2006 and possible declines in 2007.

Why are the studios so protective of their DVD revenue? It is estimated that only one in ten feature films make back their costs from domestic release, and that only one in four makes money after all revenue streams come in – foreign box office, all types of TV, and DVD.

Employment trends

While most analysts follow employment trends in "motion picture & video production," a wider definition should be used for the industry. It includes sound recording, broadcasting (reflecting increased film production activity by the cable networks – there are now over 40 cable channels producing original content), independent artists/writers and performers (this group includes theatrical activity, but talent does go back and forth), and magnetic media manufacturing (VHS and DVDs).

Even this list does not include the many "independent contractors," who work in the industry, but are not captured by traditional government employment data. Also not captured are firms that rent equipment or cater food at location production sites, and companies that produce crew caps, shirts and jackets.

The current official data series (which is NAICS-based) starts in 1990 and reveals that employment in motion picture & TV production in the state started to grow significantly in 1994. This trend continued through 2000, when a peak of 212,200 jobs was reached (annual average). Employment then declined through 2002, reflecting both a "de facto" strike (facing a strike threat in 2000 by the major unions, the studios stockpiled production. There was no strike but there were very low levels of production in the subsequent months as the inventory was worked off) and run-away production.

However, employment recorded a sharp gain in 2004, and this trend should continue in 2005. It's driven by a significant increase in television production, in both reality and scripted series (the latter has been re-invigorated by Desperate Housewives and Lost), as well as more production of content by those 40+ cable TV networks. Also helping was the decline in the value of the U.S. dollar vis-à-vis the Canadian dollar and the Euro in 2004, which raised the dollar costs of producing in those locations.

There will be further job growth in 2006, but at a more moderate rate. Some studios are already cutting jobs in anticipation of the slowdown in DVD revenues.

As noted earlier, there is an undercount of employment in motion picture & video production. Using various surveys of the industry, the actual job count in 2004 for the state was probably closer to 243,000 workers.

The bulk of the movie production workforce is "below the line," being the production crews, as well as people in support services such as equipment rental, set storage, location catering, and transportation services. While key talent ("above the line" personnel) can afford to travel to out-of-state locations, the below the line workers normally cannot.

Wages

One of the attractions of the motion picture/TV production industry is the high wages paid to industry workers. This is why other states are trying to attract the industry with incentives. Data from two different sources are revealing. According to the 2003 "County Business Patterns" published by the U.S. Bureau of the Census, average wages for all industries in Los Angeles County during the year were \$38,715, while for motion picture/TV production they were \$104,686. This was the highest level in the County, followed at some distance by the \$76,305 earned in "arts, entertainment (performing arts) & recreation."

Validating these figures is information from the QCEW survey from the U.S. Bureau of Labor Statistics, which reported that in 2004 average annual wages in motion picture & video production in Los Angeles County were \$80,402, while in motion picture & video distribution they were a hefty \$189,830.

Location production days

Besides employment, another way to monitor local filming activity is location (off-studio lot) production activity. This is tracked by the Entertainment Industry Development Corporation (EIDC), and includes location filming in the city of Los Angeles, unincorporated areas of Los Angeles County, and the cities of Diamond Bar, South Gate and West Hollywood. Activity is also tracked in the Angeles National Forest, and for facilities of the Los Angeles Unified School District.

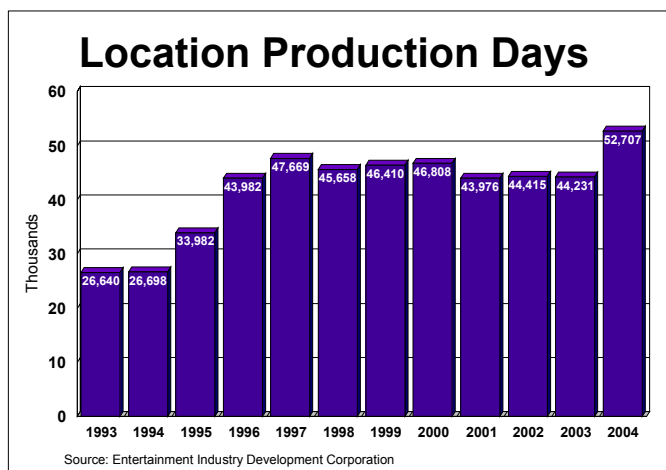
Location activity increased from 1993 (the first year that the EIDC started tracking this information) through 1997. Activity moved slowly down through 2003. In 2004, there was a jump in activity due to TV production (more TV shows, more year-around programming). So far in 2005, location production activity is up by 7.5% over the 2004 period, with much of the thrust continuing to be provided by TV.

TV production activity should remain strong. Ratings for reality series are lackluster, so there is a scramble for new concepts. Producers of scripted series are also rushing to come up with "edgy" new concepts (thank you again Desperate Housewives).

One ongoing challenge for the EIDC is coping with "location burn-out," i.e., residents or businesses in an attractive area say "enough!" While the first few times are exciting, there are inconveniences and unfortunately some film crews can be rude.

Industry Locations within California

The bulk of California's film industry employment is in Los Angeles County (87.5% according to "County Business Patterns"). Nevertheless, 10 other counties have enough motion picture production jobs to allow reporting without disclosure problems. The largest numbers are in Contra Costa, Marin, Orange, San Diego and Ventura counties.



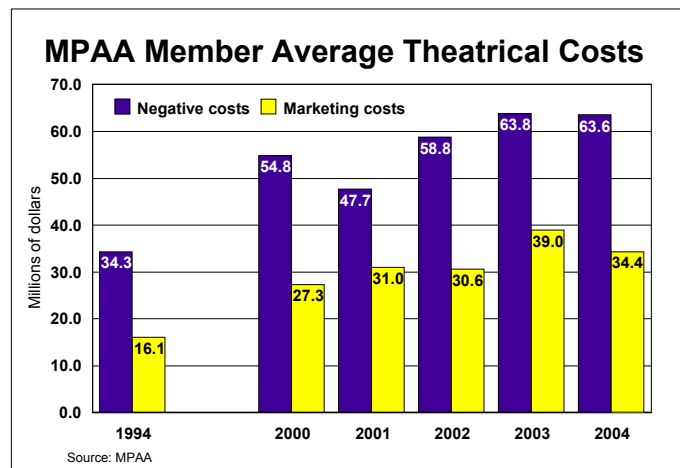
The Business Pulse -- Mergers & Marketing Costs

The roster of players in the film industry has seen a lot of change in 2005. Storied MGM was acquired by Sony Pictures. Some observers expected it to become a house "brand," though. However, MGM's new leadership seems to have more expansive ideas. Universal Pictures was acquired by General Electric and is now called NBC Universal. The Weinstein Brothers have left Disney-owned Miramax and have opened their own studio with rather ambitious plans. Viacom is splitting in two and has installed aggressive new management at Paramount Pictures. At this writing, NBC Universal is reportedly negotiating to acquire Dreamworks.

Despite all the turmoil, the entertainment industry has been physically expanding in Southern California. Since 2001 (and through the first half of 2005), there have been over \$1.2 billion in major leases or construction projects (not including the \$500 million MGM headquarters lease).

While many of these projects were for major entertainment companies, they also included a lot of the industry's nuts and bolts activities; for example, DVD production, post production, scenery moving and storage, trucking services, lighting and rigging equipment, and prop rental.

One important aspect of the movie business is production and marketing costs. Even though studios are trying to contain costs, making and marketing a movie is expensive. According to the Motion Picture Association (MPAA), the "negative cost" for a film made by member companies was \$63.6 million in 2004, down by 0.3% from 2003. There was a more dramatic reduction in marketing costs in 2004, down by 11.8% to \$34.4 million. The studios are cutting back TV and newspaper advertising and turning to the internet and blogs to build interest in their films. In 2004, 22.9% of advertising money was spend on network TV, 13.3% went to "spot" TV, while 12.8% was at newspapers. This shift to nontraditional marketing channels makes both TV and newspapers very nervous.



Major issues for the industry

This list has become rather lengthy, and could have some unpleasant implications for the industry.

Piracy

The motion picture industry has watched with horror all the grief that the music industry has endured due to piracy. Both the movie industry and the U.S. government have continued to push for remedies, but this is a problem that will not go away. It has changed the way that feature films are released in international markets – the same "day and date" as the domestic release. The industry would prefer to release films in international markets after the U.S. in hopes that positive reviews will pique audience interest.

The industry has become more aggressive in fighting back. They continue to support diplomatic pressure by the U.S. government. Six major studios have also formed "Movielabs." This is a nonprofit research and development entity to create technologies to protect distribution of content from electronic theft.

Run-away production

Most people think of production running away to Canada, though Europe was a quite popular destination for a while (and Romania is currently in). Australia and New Zealand also are vigorous competitors for filming projects. The decline in the value of the U.S. dollar put a major dent in business for Canada, and the segment of its industry that catered to American productions fell into a state of depression. In response, several provinces raised their incentives and production has returned.

However, run-away production to other states has become a more significant challenge to California's film industry. This trend impacts not only production activities in the Los Angeles area, but film commissions around the state that have also been facing this competition.

The LAEDC has been tracking the location of major photography on feature film production since October 2003 (using data obtained from the Tuesday edition of the Hollywood Reporter). This data is shown on page 14 of this report.

Two things stand out from this informal survey. One, when they leave California, the major studios still tend to go offshore rather than to other states. In many cases, these decisions are due to story considerations, but the financial benefits are still important components of the decision.

The second trend is that independent producers are increasingly going elsewhere in the U.S. Other states have been busy offering new incentives or increasing the level of existing incentives for filming in their jurisdictions. More worrisome are the efforts to develop production facilities to lure more of the production process. For example, in New Mexico there are plans to build a \$60 million film, TV, and digital media production facility in Albuquerque. New York is working on a studio complex. All these states recognize the economic impacts of filming, especially the tax generation potential.

Many of the independent films will probably never see the inside of a theater complex, but some recent high-profile films (Sideways and Million Dollar Baby) started life as independent productions. For these films, costs of production are very important (yes, films do get financed by a personal credit card).

Lack of film production incentives in California

The Governor and the Speaker of the state assembly proposed an incentive package for low-budget films in late 2005, but it quickly ran into a buzz saw in Sacramento and was not passed. Opponents called it "corporate welfare" or fretted about state tax revenue going to an industry that has had accounting issues. Overlooked in the uproar were both the jobs and state tax revenues lost to a film being shot in another state.

The LAEDC conducted research for the California Film Commission on the job and state tax revenue implications of run-away production. On a "mid-budget" film (\$17 million), 304 direct and indirect jobs were created and \$1.2 million state sales and income taxes were generated. For a "large budget" film (\$70 million), 928 direct and indirect jobs were created, while \$10.6 million in state taxes were generated. These were conservative estimates.

Given the current level of run-away production, the California incentive package would probably have paid for itself. The incentive proposal is slated to be re-introduced in 2006.

Loss of a key audience

The weak domestic box office has unleashed a blizzard of theories about the cause. One camp points to poor movies. Others note that comparisons with 2004 are not accurate since that year was boosted by the Passion of the Christ which brought out a lot of nontraditional movie goers. Still others fret about the overall cost of going to the movies.

A recent study by OTX reported that that one prime audience segment, males ages 13-25, are going to the movies less often due to the cost of tickets, poor film quality, and a growing interest in video games, surfing the web, and instant messaging with friends. One commentator noted that this could be a delicate balance, and that the industry will have to work hard to re-capture this audience segment.

As noted above, the window between a theatrical release and a DVD release has been narrowing. The theater owner's hackles have been raised by suggestions that it might be best (at least for the studios) to have a simultaneous release in theaters and on DVD (this would lower marketing costs). At year-end 2005, Rainbow Media Holdings (owned by Cablevision) announced that they were moving toward "day and date" release of independent films in U.S. theaters and by video-on-demand.

The movie-going environment

This all harks back to the movie-going experience. The list of gripes is long -- the high cost of a ticket, the cost of parking, cost of concessions, the annoyance of having to sit through a string of advertisements before the feature begins, and rude behavior in the audience. And yes, there are complaints about sticky floors.

With the narrowing gap between theatrical and DVD releases, the rapid fall in prices and improving quality of home theater equipment, plus the potential for video pod casting, theater owners may have to revisit their business model. This will trickle down to urban development strategy, as the centerpiece of many retail developments is a multiplex.

Union militancy

In the recent round of guild or union elections, more militant leaders have been elected, most notably by the Screen Actors Guild (SAG) and the Writers Guild West (WGA). In the meantime, the latter has been busy organizing writers on reality TV shows (no, all that dialogue is not spontaneous -- writers work long hours to produce the scripts). All of the entertainment industry unions are looking to get a larger share of DVD revenue. The recent introduction of video iPods with content to be provided by ABC-TV has already sparked a call for revenue sharing on this technology. Moreover, there are several other issues with which the guilds want to deal.

This all speaks to the future potential for strikes -- real or "de facto" -- over the next few years. The SAG contract with advertising agencies expires at the end of October 2006 (they want higher residuals), while the overall WGA contract with studios is up for re-negotiation in November 2007. In June, 2008, the SAG and Director's Guild contracts with the studios come up. The Alliance of Motion Picture & Television Producers (the negotiating arm for the major studios) is so concerned that they are already developing strategies to deal with any potential event.

The April 2001 - March 2002 "de facto" strike did have an economic impact on the Los Angeles area. The income loss is estimated at \$526 million, and there was a ripple impact on the residential real estate market and the hospitality industry, especially on the Westside of Los Angeles. For

example, hotel occupancy rates in the West Los Angeles "luxury" market slipped from 72.5% in 2000 to 60.3% in 2001 and held at a low level in 2002.

It would be ironic if there were future labor disruptions over a shrinking DVD pie.

One thing to acknowledge is that internal union politics, especially at SAG, have been brutal. People wonder if the current spirit of cooperation can hang together. Moreover, there are fears that relations between SAG and AFTRA could deteriorate.

Digital technology

The entertainment industry has been a big user of digital technology, but this technology also represents a threat. New ways of delivering content (such as the video iPod) mean new markets, but also increased risk of piracy. In addition, the content providers could lose control. Some industry observers feel that the major studios are not moving rapidly enough to adapt. The recent Apple/ABC TV deal for content has started the ball rolling. CBS has reached a deal with Comcast and NBC Universal with DirecTV to offer network series on demand at \$0.99 a show. This could have significant implications for the network TV model.

Video-on-Demand -- The Next Breakthrough?

Video-on-Demand (VoD) is considered the next breakthrough in the entertainment business. Unlike some services that offer only certain titles at a given time (e.g., Pay-per-View and HBO On Demand), one could get any available title at any time using their broadband Internet. CinemaNow, Movielink, and GreenCine are a few of the sites currently in operation. They work the best with TVs that are connected to a personal computer or a digital video recorder. Basically these services save you trips to the video rental store, while the cost is comparable to in-store rental.

Studios and movie distributors are still evaluating the potential impacts of the VoD technology. The fear is that VoD may cannibalize their lucrative (up-to-now) DVD sales. Therefore, VoD is seen as in the same league as Pay-per-View -- to be made available sometime after the video release. With the proper technology, movies distributed through VoD cannot be copied and re-distributed, unlike a DVD. But studios are concerned about the impact on box office sales. If new movies are distributed through the VoD technology at the same time as the theatrical release, would viewers be willing to pay a high enough price so VoD does not kill the movie theater business? With more and more people having home theater equipment, the living room is both a challenge and an opportunity.

The VoD technology, however, may revolutionize the film business in other ways. The VoD technology could also open up the global market for TV and film. Currently Americans can only see foreign films backed by a major distributor (e.g., *Hero* by Miramax). Even English-speaking products are not always available in the U.S. With English subtitles (if needed), many more foreign films could be made available in the U.S. With VoD, distribution of less-demanded programming can become economical.

Another big market is the non-English population scattered all over the U.S. Ethnic video rental stores can only carry limited selections, and thus far domestic online video rental companies have not targeted the non-English population. Imagine being able to watch all of Bruce Lee's kung-fu movies without trips to Chinatown or the hottest drama series from Korea at the same time as your relatives in Seoul.

VoD could also open the door for independent filmmakers to showcase their work without the backing of a major distributor and the support of movie chains. Most of the VoD services currently carry some indie products. Just as the Internet and MP3s allowed garage rock bands to get exposure, VoD could propel some unknown artists and more independent products into the spotlight.

Is There Any Positive News?

At the end of the day, content will still be king. In fact, content is being developed especially for cell phones (cell phone serial dramas, though tiny screens present a challenge), while DVDs are being produced strictly for the DVD market -- there will be no feature film coattails.

With 32 college or university level degree programs, Los Angeles County can certainly turn out content developers. Allied to all this is the video game industry, and as that product gets more elaborate, game producers have opened design facilities in the County to take advantage of the synergies and local talent (music, dance, etc.)

What Does This All Mean?

The entertainment industry in California and Los Angeles County is in a period of rapid change, and the uncertainty level is rising. A real challenge is that various parties have conflicting views of the industry.

- The Governor: sees an important industry facing a serious competitive challenge from run-away production.
- The legislators in Sacramento: see a rich industry trying to get some unwarranted incentives. However, support for the incentive program by entertainment industry unions does somewhat confound them.
- The unions: see an industry that needs help in dealing with run-away production, but also an industry that is hoarding its DVD riches.
- Other states (and countries): see a clean industry that generates both jobs and taxes (they're not fools for offering those incentives).
- Industry experts: see a rapidly changing business model that will be significantly impacted by technology. Some "old line" media companies do not comprehend what this might mean to them.
- The general public: sees glamorous celebrities living the good life, and can't seem to get enough information about them (if they only knew how tough the business can be).

The Los Angeles area has an industry that delivers an abundance of economic benefits, though many residents don't quite understand. These benefits include good jobs, significant tax generation in the production process, and a significant halo effect on other key industries, most notably tourism.

There will be job growth in this industry during 2005 in both the state and Los Angeles area, but will it continue in the following years? The corporate headquarters and the top talent will stay in Los Angeles, since the industry has created its own unique culture. But for all the workers in the region who are "below the line," times could become even more difficult. The industry should do a better job promoting itself to its benefactors (not just on the Westside), and articulate the many challenges it faces.

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Statistical Appendices

The Economic Base of Southern California, 2004

The "Export" Industries¹

(Annual average nonfarm employment in 000s; based on NAICS; March 2004 benchmark)

Industry \ County or Area	Los Angeles	Orange	Riv.-S'Bdo.	Ventura	5-Co. Total	San Diego
Tourism	260.0	119.8	90.2	19.3	489.3	112.4
Direct international trade (2)	261.0	---	---	---	404.6	37.2
Technology (3)	202.7	100.8	16.0	15.1	334.6	88.2
Business & professional services (4)	177.6	72.2	21.2	10.3	281.3	56.6
Motion picture/TV production	249.0	4.6	3.4	4.2	261.2	4.3
Wholesale trade/logistics (5)	135.2	53.5	29.4	8.7	226.8	28.3
Health services/bio-medicine	118.7	45.7	34.7	23.1	222.2	41.0
Agric./food products manufacturing	67.6	17.0	29.0	27.3	140.9	18.7
Apparel/textiles design, manufacturing & wholesaling	104.5	18.6	15.0	1.6	139.7	6.1
Fabricated metal products	58.3	25.2	19.7	1.8	105.0	14.2
Financial services (6)	53.5	22.7	8.7	12.2	97.1	35.3
Furniture manufacturing & wholesaling	54.6	10.4	12.0	1.1	78.1	5.7
Higher education (7)	47.1	15.5	---	---	62.6	21.3
Auto parts manufacturing & wholesaling	25.9	12.3	15.4	2.0	55.6	4.6
U.S. Department of Defense (8)	3.4	1.1	5.3	5.4	15.2	19.6
Indian gaming	0.0	0.0	14.4	0.0	14.4	7.8
Jewelry manufacturing & wholesaling	9.7	0.9	0.0	0.0	10.6	0.5
Petroleum production & refining	7.1	0.5	0.3	0.2	8.1	0.1
Toy manufacturing & wholesaling	4.5	0.9	0.6	0.0	6.0	0.5

Notes:

(A) Due to the way data is gathered, it is difficult to rank basic or "export" industries by dollar volumes.

(B) 2003 data are based on the new NAICS data, which allows us to better define the included industries. Some industries (such as professional business services) have very different definitions under this new system. Therefore we advise against comparing this data with previous years' data.

Industry-specific notes:

- (1) Industries that sell goods & services outside the region, bringing in new money to the local economy
- (2) Includes activities related to moving commodities in and out of the customs district. Does not include any manufacturing activities.
- (3) Includes computer & electronics manufacturing; aerospace products manufacturing; software publishing; Internet services; computer system design; and wholesale electronic markets, agents, and brokers
- (4) Includes law, accounting, architecture & engineering, specialized design services, management of scientific and technical consulting
- (5) Excludes apparel, auto, food, furniture, jewelry, toys, and electronics
- (6) Excludes insurance
- (7) Includes colleges & universities that attract both international students and students from elsewhere in the U.S.
- (8) Excludes enlisted personnel and reserves

Sources: LAEDC based on data from California Employment Development Department and Bureau of the Census

California Motion Picture/TV Production Employment

(In thousands, 2004 benchmark, based on NAICS)

	Motion Picture & Video Production	Sound Recording Industries	Broadcasting (Radio, TV & Cable)	Magnetic Media Manufacturing & Reproducing	Independent Artists, Writers, & Performers	Total of These Industries
1990	63.5	8.8	32.6	14.3	11.6	130.8
1991	67.0	7.9	33.3	14.7	10.7	133.6
1992	75.2	7.4	34.2	13.4	10.6	140.8
1993	75.0	7.4	33.6	13.6	11.8	141.4
1994	84.8	7.9	33.5	16.0	10.7	152.9
1995	96.5	8.2	34.0	17.4	11.4	167.5
1996	107.0	8.4	35.3	19.5	11.9	182.1
1997	116.6	8.5	35.7	19.8	12.2	192.8
1998	111.8	9.8	38.1	18.8	11.9	190.4
1999	127.4	9.9	41.6	16.9	13.2	209.0
2000	125.5	10.0	46.3	16.0	14.4	212.2
2001	112.3	8.5	45.9	13.8	14.1	194.6
2002	105.8	6.8	45.0	10.9	15.4	183.9
2003	106.3	5.7	45.2	11.5	15.9	184.6
2004	118.6	4.9	46.9	10.9	16.0	197.3
2005e	123.8	5.0	48.7	10.6	16.9	205.0
2006f	128.3	5.1	50.3	10.2	17.7	211.6

Sources: California Employment Development Department; all estimates and forecasts by LAEDC

Average Annual Earnings for Major Employment Sectors, 2003

(Data as of the week including March 12)

NAICS	Industry Sector	Los Angeles	California
11	Agriculture & related services	\$ 23,239	\$ 29,494
21	Mining	51,806	55,832
22	Utilities	72,752	67,593
23	Construction	39,042	41,218
31-33	Manufacturing	38,285	44,867
42	Wholesale trade	42,915	51,174
44-45	Retail trade	23,942	24,738
48-49	Transportation & warehousing	40,053	37,699
51	Information	76,627	73,308
51211	Motion pictures, TV, & video production	104,686	102,669
52	Finance & insurance	71,826	69,468
53	Real estate & rental & leasing	39,228	38,180
54	Professional, scientific, & technical services	41,114	55,523
55	Management of companies & enterprises	75,963	79,727
56	Admin., support, waste mgmt, remediation svcs.	24,278	27,172
61	Educational services	32,001	30,040
62	Health care & social assistance	38,391	38,072
71	Arts, entertainment & recreation	76,305	38,129
72	Accommodation & food services	14,698	14,582
81	Other services (except public administration)	22,998	24,057
99	Unclassified establishments	19,811	22,095
Total		\$ 38,715	\$ 40,071

Source: U.S. Dept. of Commerce, Bureau of Census, 2003 County Business Patterns

Los Angeles County Entertainment Industry Employment & Wages

51211 -- Motion picture and video production

	Emp.	Estab.	Payroll (\$000)	Avg. Annual Wage (\$)
2001	76,500	4,782	6,857,479	89,640
2002	101,778	4,721	8,359,406	82,134
2003	99,197	4,447	8,136,335	82,022
2004	118,172	4,268	9,501,274	80,402

51212 -- Motion picture and video distribution

	Emp.	Estab.	Payroll (\$000)	Avg. Annual Wage (\$)
2001	2,400	150	230,200	95,917
2002	2,049	141	237,622	115,970
2003	1,902	126	258,213	135,759
2004	1,934	119	367,131	189,830

51213 -- Motion picture and video exhibition

	Emp.	Estab.	Payroll (\$000)	Avg. Annual Wage (\$)
2001	6,247	125	79,410	12,712
2002	6,259	149	81,514	13,023
2003	5,955	147	92,141	15,473
2004	5,440	135	84,491	15,531

51219 -- Postproduction and other related industries

	Emp.	Estab.	Payroll (\$000)	Avg. Annual Wage (\$)
2001	9,141	701	740,096	80,964
2002	9,452	694	707,592	74,862
2003	8,384	666	707,798	84,422
2004	8,457	667	719,215	85,044

51224 -- Sound recording studios

	Emp.	Estab.	Payroll (\$000)	Avg. Annual Wage (\$)
2001	1,776	239	90,124	50,745
2002	1,371	226	76,803	56,020
2003	1,146	205	54,433	47,498
2004	1,048	201	53,087	50,656

51229 -- Other sound recording studios

	Emp.	Estab.	Payroll (\$000)	Avg. Annual Wage (\$)
2001	1,268	88	55,748	43,965
2002	1,810	78	51,843	28,643
2003	1,900	64	54,955	28,924
2004	754	58	49,910	66,194

Source: US Dept. of Labor, Bureau of Labor Statistics, QCEW data

Motion Picture/TV Production & Distribution Industry in Los Angeles County, 2002

California

NAICS	Industry	No. of Establishments	Employment	Payroll (\$000s)	Receipts (\$000s)	Avg. Annual Wage (\$)
512	Motion picture & sound recording	6,645	117,901	\$ 7,320,701	not disclosed	62,092
5121	Motion picture & video industries	5,850	108,073	6,498,700	not disclosed	60,133
51211	Motion picture & video production	4,148	69,820	5,186,938	n/a	74,290
51212	Motion picture & video distribution	202	1,519	87,030	n/a	57,294
51213	Motion picture & video exhibition	648	20,951	227,639	1,939,056	10,865
51219	Post production & other MP&V	852	15,783	997,093	2,829,440	63,175
5151	Radio & television broadcasting	806	30,991	1,707,973	8,136,580	55,112
51512	Television broadcasting	223	16,868	1,051,745	5,736,558	62,351
5152	Cable networks & program distribution	93	5,357	388,333	3,978,270	72,491
7114	Agents/managers for artists, athletes, & other public figures	972	7,192	723,122	1,607,360	100,545
7115	Independent artists, writers & performers	6,649	29,255	3,037,982	5,806,102	103,845

Los Angeles County

NAICS	Industry	No. of Establishments	Employment	Payroll (\$000s)	Receipts (\$000s)	Avg. Annual Wage (\$)	Emp. as % of State	Receipts as % of State
512	Motion picture & sound recording	5,080	93,527	\$ 6,334,117	not disclosed	67,725	79.3%	n/c
5121	Motion picture & video industries	4,528	85,383	5,579,699	not disclosed	65,349	79.0%	n/c
51211	Motion picture & video production	3,425	64,131	4,647,852	n/a	72,474	91.9%	n/c
51212	Motion picture & video distribution	170	1000-2499		n/a	n/c	n/c	n/c
51213	Motion picture & video exhibition	224	5000-9999		not disclosed	n/c	n/c	n/c
51219	Post production & other MP&V	709	12,947	783,804	2,342,146	60,539	82.0%	82.8%
5151	Radio & television broadcasting	221	13,850	914,733	5,403,419	66,046	44.7%	66.4%
51512	Television broadcasting	89	8,876	613,781	4,160,477	69,151	52.6%	72.5%
5152	Cable networks & program distribution	54	4,449	339,398	3,772,533	76,286	83.1%	94.8%
7114	Agents/managers for artists, athletes, & other public figures	766	6,358	676,730	1,446,020	106,438	88.4%	90.0%
7115	Independent artists, writers & performers	5,660	25,797	2,859,514	5,299,887	110,847	88.2%	91.3%

Source: US Dept. of Commerce, Bureau of the Census, 2002 Economic Census

Film Production by Location

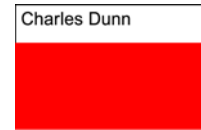
(Average number of weekly numbers)

Month	Major Studios					Independent Producers					All Productions				
	LA County	Rest of Calif.	Rest of U.S.	Outside the U.S.	Total	LA County	Rest of Calif.	Rest of U.S.	Outside the U.S.	Total	LA County	Rest of Calif.	Rest of U.S.	Outside the U.S.	Total
Oct. '03	7.0		13.0	13.0	33.0	8.0		27.0	13.0	48.0	15.0	0.0	40.0	26.0	81.0
Nov. '03	8.0		7.3	12.3	27.5	6.8		19.8	16.0	42.5	14.8	0.0	27.0	28.3	70.0
Dec. '03	8.3		3.5	10.8	22.5	8.8		13.0	11.0	32.8	17.0	0.0	16.5	21.8	55.3
Jan. '04	7.2		2.6	11.0	20.8	8.0		15.2	10.0	33.2	15.2	0.0	17.8	21.0	54.0
Feb. '04	7.8		4.5	8.0	20.3	7.8		17.5	9.0	34.3	15.5	0.0	22.0	17.0	55.0
Mar. '04	9.3		4.3	9.3	22.8	10.3	2.8	20.0	11.5	44.5	19.5	2.8	24.3	20.8	67.3
Apr. '04	12.4		2.6	14.2	29.2	18.8	4.6	25.8	14.4	63.6	31.2	4.6	28.4	28.6	92.8
May. '04	12.5		5.3	16.8	34.5	15.8	8.5	30.5	15.8	70.5	28.3	8.5	35.8	32.5	105.0
Jun. '04	11.0		5.5	14.5	31.0	12.0	7.0	32.0	7.8	58.8	23.0	7.0	37.5	22.3	89.8
Jul. '04	8.0		6.2	12.6	26.8	18.6	1.8	29.6	11.4	61.4	26.6	1.8	35.8	24.0	88.2
Aug. '04	7.3		6.8	13.3	27.3	19.8	2.3	24.8	9.0	55.8	27.0	2.3	31.5	22.3	83.0
Sep. '04	6.8		7.3	14.5	28.5	14.5	4.3	23.0	6.8	48.5	21.3	4.3	30.3	21.3	77.0
Oct. '04	11.2		7.2	14.4	32.8	16.0	7.0	31.0	6.0	60.0	27.2	7.0	38.2	20.4	92.8
Nov. '04	14.5		3.0	13.0	30.5	16.8	3.3	29.0	7.5	56.5	31.3	3.3	32.0	20.5	87.0
Dec. '04	13.5	1.0	3.3	5.5	23.3	11.8	3.3	23.5	6.5	45.0	25.3	4.3	26.8	12.0	67.8
Jan. '05	9.0	1.0	4.8	5.0	19.8	11.4	3.8	21.0	5.6	41.8	20.4	4.8	25.8	10.6	61.6
Feb. '05	6.0	1.0	5.7	8.0	20.7	16.0	4.0	22.7	7.0	49.7	22.0	5.0	28.3	15.0	70.3
Mar. '05	4.8	0.2	6.4	9.0	20.4	19.4	4.6	28.4	11.0	63.4	24.2	4.8	34.8	20.0	83.8
Apr. '05	5.5	0.0	8.0	11.8	25.3	18.5	7.0	29.0	9.8	64.3	24.0	7.0	37.0	21.5	89.5
May. '05	5.4	0.0	6.6	16.6	28.6	20.0	9.2	33.2	13.2	75.6	25.4	9.2	39.8	29.8	104.2
Jun. '05	5.0	0.0	4.5	18.0	27.5	18.3	9.3	28.5	15.3	71.3	23.3	9.3	33.0	33.3	98.8
Jul. '05	6.0	0.0	6.8	18.0	30.8	18.3	9.8	27.5	18.0	73.5	24.3	9.8	34.3	36.0	104.3
Aug. '05	5.4	0.0	9.6	16.4	31.4	15.8	8.0	22.8	13.4	60.0	21.2	8.0	32.4	29.8	91.4
Sep. '05	5.0	0.3	10.0	12.8	28.0	19.8	5.0	29.5	13.5	67.8	24.8	5.3	39.5	26.3	95.8
Oct. '05	6.8	1.0	9.8	10.0	27.5	11.8	4.8	28.0	20.3	64.8	18.5	5.8	37.8	30.3	92.3

Source: Hollywood Reporter



The LAEDC thanks the following Business Leaders for their generous support:



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