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**U.S. RUNAWAY MAJOR FEATURE FILM
PRODUCTION HAS ACCELERATED SINCE CANADA
INTRODUCED FEDERAL TAX SUBSIDIES IN 1998,
COMPREHENSIVE NEW STUDY SHOWS**

A comprehensive new study by the **Center For Entertainment Industry Data and Research (CEIDR)** quantifies for the first time the shift in production of theatrical motion pictures from the U.S., showing it has dramatically accelerated since Canada introduced new production tax subsidies in 1998 – especially in the higher budget ranges.

Before Canada introduced these production subsidies, feature filming north of the U.S. border was actually in decline. Since the subsidies were introduced in June 1998, overall feature film production in Canada has more than doubled. In total dollar volume, the value of production in Canada grew by \$610 million while the U.S. suffered a \$560 million decline.

The loss to the U.S. economy over three years was \$1.8 billion and 22,400 jobs. “This is a wakeup call to everyone who works in U.S. production,” said Stephen Katz, co-founder of CEIDR. “The films that are going to Canada are the most coveted jobs in our industry.”

The biggest myth, says Katz, is that it is just smaller films have moved to Canada to save money. In fact, the study shows, films with budgets greater than \$50 million in Canada rose from 1 to 5 (400%), while in the U.S. they dropped from 31 to 26 (-16%).

In the critical \$5 to \$50 million mid budget range, there was a 94% increase in Canadian production over three years contrasted with a 35% reduction in the U.S. A complete copy of the study, “**The Migration of Feature Film Production From The U.S. To Canada Year 2000 Production Report**” is available on the CEIDR web site www.ceidr.org.

CEIDR was formed by Mark A. Rosenthal, President of Raleigh Enterprises and Academy Award winner, Stephen Katz, to track production data from around the world. “It is critical for the U.S. motion picture industry, our elected leaders and the general public to understand where films are produced, and why,” explained Katz. “Better understanding of how the production paradigm is changing is essential for our industry to aggressively market itself as a competitive production venue in an increasingly global economy.”

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“While some may argue that the growth of Canadian production is not a startling revelation, the implications of the rate of growth are profound,” said Mr. Rosenthal. “The United States has long been a leader in the field, but as countries throughout the world increasingly recognize the potential value of the industry to their economies, they can be expected to aggressively pursue measures to increase their participation in the production of entertainment product.”

Among the highlights of the report:

- In 2000, the first year for films released subsequent to the Canadian Tax Incentives, overall feature film production in Canada increased by 19 (106%) to a total of 37 – 92% of these films qualified for the rebate.
- The greatest rate of growth in Canada were films with budgets greater than \$50 million, which rose from 1 to 5 (400%), while in the U.S. they dropped from 31 to 26 (-16%).
- In the \$20 to \$50 million budget range films in Canada increased from 6 to 12 (100%), and in the U.S. they fell from 44 to 28 (-36%).
- In the \$5 to \$50 million budget range 31% of independently financed and 39% of studio financed films that shot in N. America were made in Canada, while in the U.S., studio financed productions decreased by an unprecedented 43%.
- Total estimated budgets for films shot in Canada increased by 610 million (149%) from 410 million in 1999 to 1.02 billion in ‘2000
- The average budget in Canada increased from \$18.7 to \$27.6 million (48%) compared to a slight rise in the U.S. of \$30.9 to \$31.2 million (1%).
- A production that shoots in Canada versus the U.S. saves on average 10% to 15% of the overall budget. The savings to a producer of \$3.5 to \$4.5 million on a \$30 million picture represents a loss to the U.S. economy of \$93 million and 900 to 1,200 jobs.
- Interviews with filmmakers and other industry sources reveal that following the dramatic increase in production levels in Canada there is significant evidence of difficulties in the production process that result in final film costs in excess of the original budgets along with talent, creative, technical and location problems.
- By looking at the ratio of domestic box office receipts to budget (BO:B) on average, feature films that shot in Canada have performed poorly at the U.S. box-office, well behind films shot in the U.S. and worldwide.

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Biographical and Contact Information for Mark A. Rosenthal

As President of Raleigh Enterprises, Mark A. Rosenthal is responsible for overseeing the diverse businesses owned or managed by the company including assets such as the Sunset Marquis Hotel and Villas, File Keepers, Malibu Hills Vineyards and Raleigh Film and Television Studios, Raleigh Studios, the largest independent film, television and commercial studio group in the country. The company also has significant commercial real estate, investments and joint venture holdings including Hollywood Rentals, the nations largest lighting and grip company.

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Biographical and Contact Information for Stephen Katz

Stephen Katz won an Academy Award for the co-development of Dolby Stereo. He has over thirty feature film credits including, *Star Wars*, *Close Encounters of the Third Kind*, and *Altered States*. For the last fifteen years he has been a consultant in the marketing of production equipment to the industry for companies including The Samuelson Group International, Victor Duncan Inc. and Hollywood Rental. In 2000 he authored the widely acclaimed 1999 “Motion Picture and Movie-of-the-Week Production Survey” and produced all the panels and seminars for Showbiz Expo, the seminal industry trade show.

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