

Economic Impacts of *Eyewitness*

Prepared for the Motion Picture Association – Canada

March 2017

TABLE OF CONTENTS

Introduction	1
Study Purpose	1
Season One Production Spending	2
Economic Impacts of Production Spending	3
Comparisons with Other Industries.....	4
Additional Impacts	4
Appendix A – Economic Impact Methodology	5
Appendix B – Production Spending by Community	6

INTRODUCTION

The television series *Eyewitness* premiered on October 16, 2016 on the USA Network.¹ The series focuses on two teenage boys who witness a triple homicide in the forest while trying to keep their relationship a secret.² Instead of reporting the murder, they stay silent out of fear that their relationship will be discovered and that they could become the next targets.³

NBCUniversal adapted the series based on a popular Norwegian crime drama of the same name, and was given a straight-to-series order of 10 episodes.⁴ The first season was primarily filmed in and around Parry Sound, Ontario⁵, creating significant economic impacts for local residents and businesses.

STUDY PURPOSE

MNP LLP (MNP) was engaged by the Motion Picture Association – Canada to conduct an independent economic impact assessment of the production of the series *Eyewitness* on the Ontario economy. For the study, MNP used data from NBCUniversal to estimate the economic impacts that occurred during Season One of production.

¹ Moylan, Brian (October 16, 2016). "Eyewitness review – a compelling and complex crime show remake". The Guardian. Retrieved from <https://www.theguardian.com/tv-and-radio/2016/oct/16/eyewitness-review-tv-show-usa-norway-remake-crime-drama>

² USA Network. Retrieved from <http://www.usanetwork.com/eyewitness/cast>

³ Ibid.

⁴ Ibid.

⁵ IMDB. Retrieved from: http://www.imdb.com/title/tt5369352/?ref_=nv_sr_1

SEASON ONE PRODUCTION SPENDING

Season One production spending engaged approximately 491 vendors from 74 communities across Ontario (see Table 1). This included vendors from 15 communities in the Greater Toronto Area (GTA) as well as from 59 communities in other regions of Ontario (including a number of vendors from Barrie, Bracebridge, McKellar, North Bay, Parry Sound, Rosseau, Seguin and Sudbury, to name a few).

Production of Season One required the engagement of a wide variety of Ontario businesses, including equipment and party rental companies, sign companies, production facilities and film studios, furniture and clothing retailers, resorts, hotels and restaurants, construction companies, vehicle rental and automotive service companies, plumbing and electrical contractors, and cleaning service companies.⁶ As indicated in Table 1, the majority of the businesses engaged by the production were located outside of the GTA.

Table 1: Season One Ontario Vendor Data

	Number
Ontario Businesses	329
<i>Businesses Located Within the GTA</i>	<i>154</i>
<i>Businesses Located Outside the GTA</i>	<i>175</i>
Ontario Individuals	162
Total	491

Source: NBCUniversal

As shown in Table 2, the Season One production of *Eyewitness* resulted in total spending in Ontario of approximately \$28.7 million. Of total Ontario expenditures, the majority (65 percent) was spent on purchases of Ontario goods and services, while the remaining 35 percent included payments made to Ontario production crew and other labour. A regional breakdown of spending on Ontario goods and services and production crew is provided in Appendix B.

Table 2: Season One Production Expenditures in Ontario

	Expenditures (in millions)	Share of Expenditures
Ontario Purchases (Spending on Goods and Services)	\$18.6	65%
Ontario Production Crew and Qualifying Labour ⁷	\$10.1	35%
Total Ontario Spending	\$28.7	100%

Source: NBCUniversal

⁶ Based on vendor data provided by NBCUniversal.

⁷ Please note that the analysis excludes production spending on non-resident labour.

ECONOMIC IMPACTS OF PRODUCTION SPENDING

Using Statistics Canada’s input-output multipliers for Ontario and the Season One production expenditure data provided by NBCUniversal, MNP estimated the total economic impacts (i.e. direct, indirect, and induced) in Ontario arising from the \$28.7 million in production spending for Season One. The results of this analysis are presented in Table 3. For more information on economic impact measures and the methodology used, please see Appendix A.

Table 3: Estimated Economic Impacts of Season One Production Spending in Ontario

	Production Impacts
Direct Production Expenditure in Ontario (in millions)	\$28.7
Total Output (in millions)	\$46.4
Total GDP (in millions)	\$32.0
Total Employment (in full-time equivalent positions or FTEs⁸)	436

According to NBCUniversal, Season One of *Eyewitness* benefited from approximately \$1.3 million in federal tax incentives and \$5.9 million in provincial tax incentives.⁹ The incentives provided by the Government of Ontario are estimated to have resulted in the following total impacts:

- \$7.86 in economic output for every dollar of Ontario tax incentive received by the production.
- \$5.42 in provincial GDP for every dollar of Ontario tax incentive received by the production.
- 74 full-time equivalent positions for every \$1 million of Ontario tax incentive received by the production.

⁸ One FTE is equivalent to one person-year of employment.

⁹ Provincial tax incentives comprise of the basic tax credit on eligible Ontario labour and production spending, the Ontario Computer Animation and Special Effects Tax Credit (OCASE) and a grant received through the Northern Ontario Heritage Fund Corporation.

COMPARISONS WITH OTHER INDUSTRIES

To provide perspective on the size of the economic impacts of the production of *Eyewitness* it is useful to compare the impacts with those created by other industries. Three examples of other industries are new home construction, agriculture and tourism.

- **New Home Construction** – The employment supported by the Season One production of *Eyewitness* is equivalent to the direct and indirect employment supported by the construction of 241 new home starts in the City of Toronto¹⁰.
- **Agriculture** – The estimated GDP supported by the Season One production is roughly equivalent to the GDP supported by Ontario’s commercial fishing industry (\$35.4 million annually)¹¹.
- **Tourism/Education** – The estimated employment generated by the Season One production of *Eyewitness* is greater than the yearly tourism-based employment generated by Science North (337 FTEs)¹². Located in Sudbury, Ontario, Science North is reported to be the second largest science centre in Canada, and the largest visitor destination in Northern Ontario.¹³
- **Tourism/Major Events** – The estimated employment generated by the Season One production of *Eyewitness* is almost 2.5 times greater than the employment generated from the hosting of the 2015 FIFA Women’s World Cup in Ottawa, Ontario (188 FTEs)¹⁴.

ADDITIONAL IMPACTS

Television series such as *Eyewitness* produce additional economic impacts, as well as broader social and community benefits. In addition to economic impacts that arise through production spending, impacts can result from infrastructure spending, film induced tourism, and personal spending by non-residents:

- **Infrastructure Impacts.** Infrastructure spending includes expenditures associated with production facilities and equipment. While the economic impacts of infrastructure spending have not been assessed in this report, it is important to note that the economic impacts that arise from infrastructure spending can be significant.
- **Film Induced Tourism Impacts.** Film induced tourism (FIT) is the phenomenon of films and television programs encouraging viewers to visit the country or region where filming occurred.¹⁵ FIT and its related tourism concepts, which include the effects of TV, films, movies and media culture, has increasingly been viewed as an important component of tourism marketing. Television series are especially likely to reach much larger audiences than specifically targeted tourism promotion.¹⁶
- **Personal Spending by Non-resident Labour while in Ontario.** This may include spending by non-residents on vacations or other personal purchases while on location in Ontario.

While we have not identified the broader benefits of the production of *Eyewitness* in this study, it is worth noting that television series can generate additional economic, community, and social benefits. These may include the creation of opportunities for trainees or interns, the development of business partnerships, the creation of spin-off companies and contributions to community and culture.

¹⁰ Will Dunning Inc., *Economic Impacts of New Home Construction – Toronto 2015*. Retrieved from <http://chbafiles1.ca/impacts/111.%20Toronto,%20City.%20New%20Residential%20Construction.pdf>

¹¹ MNP, *Economic Impact Study of Ontario’s Commercial Fishing and Fish Processing Industries*, 2015.

¹² Science North Media Release. February 2016. Retrieved from: <http://media.sciencenorth.ca/2016/02/18/science-north-has-significant-impact-on-greater-sudbury-northern-ontario-and-provincial-economy>

¹³ Ibid.

¹⁴ Canadian Sport Tourism Alliance, *Economic Impact Assessment Fact Sheet*, November 2015.

¹⁵ Oxford Economics. *The Economic Impact of the UK Film Industry*. Oxford, 2007.

¹⁶ Croy, Glen W. Monash University. *The Lord of the Rings, New Zealand, and Tourism: Image Building with Film*. March 2004.

APPENDIX A – ECONOMIC IMPACT METHODOLOGY

The main goal of an economic impact study is to quantify the economic contributions that an organization, industry, or project makes to a region.

MNP estimated the economic impact of the production of *Eyewitness* using the 2010 Statistics Canada provincial input-output multipliers for Ontario (the latest multipliers available). Statistics Canada's input-output model is the most widely used system for measuring economic impacts in Canada, and provides a measure of the interdependence between an industry and the rest of the economy. The provincial economic multipliers show the direct, indirect and induced effects on economic metrics, and can be used to measure the quantitative impact of a change in the production or expenditure of a particular industry.

In general, economic impacts are viewed as being restricted to quantitative, well-established measures of economic activity. The most commonly used of these measures are output, GDP and employment:

- **Output** – the total gross value of all business revenue. This is the broadest measure of economic activity.
- **Gross Domestic Product (GDP)** – the “value added” to the economy (the unduplicated total value of goods and services).
- **Employment** – the number of jobs created or supported (in full-time equivalents or FTEs¹⁷).

Economic impacts may be estimated at the direct, indirect and induced levels:

- **Direct impacts** are due to changes to front-end businesses that receive expenses or operating revenue as a direct consequence of the activities of an industry or project.
- **Indirect impacts** are due to changes in the activity of suppliers of the front-end businesses.
- **Induced impacts** are due to shifts in spending on goods and services as a consequence of changes to the payroll of the directly and indirectly affected businesses.

In this analysis, MNP estimated the impact on the Ontario economy of a set of direct expenditures related to the filming of Season One of *Eyewitness*. The television series, like other productions, has an amount of direct expenditure, which in turn stimulates so-called indirect impacts across the industry supply chain. These expenditures also create or support jobs, as firms add or retain labour to meet rising demand. This, in turn, raises incomes and stimulates what are known as induced impacts, as higher incomes flow through to consumption. The total economic impact of the production spending is the sum of each of these direct, indirect and induced impacts.

¹⁷ One FTE is equivalent to one person-year of employment.

APPENDIX B – PRODUCTION SPENDING BY COMMUNITY

The following table illustrates the regional distribution of production spending on Season One of *Eyewitness*. Based on a review of payments made to suppliers and production crew, it is estimated that approximately \$18.0 million of production spending was made to individuals and businesses located in the Greater Toronto Area, \$7.1 million of production spending was made to individuals and businesses located in Northern Ontario (including the communities of Parry Sound and Sudbury) and the remaining \$3.6 million in spending was made to individuals and businesses located elsewhere in Ontario.

Table B-1: Production Spending by Community

	Total Spending (millions)
Greater Toronto Area (GTA)	\$18.0
Parry Sound	\$2.9
Sudbury	\$2.3
Other Northern Ontario Communities	\$1.9
Remainder of Ontario	\$3.6
Total	\$28.7

Source: NBCUniversal