

Economic Impacts of *Suits*

Prepared for the Motion Picture Association – Canada

October 2015

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INTRODUCTION

The television series *Suits* premiered on June 23, 2011 on the cable network USA and is currently in its fifth season of production. The series tells the story of a talented college dropout who, despite never attending law school, is hired by a top corporate law firm in New York City¹. The *Suits* pilot was filmed in New York City, however the remainder of the series has been filmed in Toronto, Ontario, creating significant economic impacts for local residents and businesses.

The table below summarizes the premiere dates and number of episodes by season².

Table 1: *Suits* Production Timeline

<i>Suits</i> Production Pattern					
	Season 1	Season 2	Season 3	Season 4	Season 5
Premiere Date	June 23, 2011	June 14, 2012	July 16, 2013	June 11, 2014	June 24, 2015
Number of Episodes	12	16	16	16	16

STUDY PURPOSE

MNP LLP (MNP) was engaged by the Motion Picture Association – Canada to conduct an independent economic impact assessment of the production of *Suits* on the Ontario economy. For the study MNP relied on data from Season 5 to estimate the economic impacts that occurred during that season of production. The economic impacts over the entire life of the production to date could be expected to be roughly four times the Season 5 impacts (that is, proportional to the number of episodes filmed in Ontario over the life of the production).

¹ Retrieved from <http://www.usanetwork.com/suits/cast>.

² Retrieved from http://www.imdb.com/title/tt1632701/?ref_=ttep_ep_tt

SEASON 5 PRODUCTION SPENDING

Season 5 production spending engaged approximately 272 vendors from 40 communities across the province (Table 2). Twenty-nine of these communities are located within the Greater Toronto Area (GTA), while the remaining 11 included communities located across other southern regions of Ontario. These communities included: Cambridge, Grimsby, Guelph, Hamilton, Niagara Falls, St. Catherines, and Windsor. The television series engaged a wide variety of vendors, including film and television production facilities, catering companies, hotels, vehicle and equipment rental agencies, retailers (furniture, clothing), cleaners and alteration companies, landscapers, storage companies, audio and video companies, infrastructure companies (waste management, electrical), professional services firms (including law firms and accounting), and automobile shops.³

Table 2: Season 5 Vendor Expenditure Data

	Number
Ontario Businesses	187
<i>Businesses Located Within the GTA</i>	180
<i>Businesses Located Outside the GTA</i>	7
Ontario Individuals	85
Total	272

Based on a spending breakdown provided to MNP by NBCUniversal, it is estimated that the Season 5 production of *Suits* resulted in total spending in Ontario of over \$25.7 million. Of total Ontario expenditures, the majority (62 percent) were payments made to production crew and other labour, while the remaining 38 percent was spent on purchases of goods and services.

Table 3: Season 5 Production Expenditures in Ontario

	Expenditures (millions)	Share of Total Expenditures
Crew and Other Labour ⁴	\$15.85	61.6%
Purchases (Spending on Goods and Services)	\$9.89	38.4%
Total Estimated Spending in Ontario	\$25.74	100.0%

³ Vendor list provided by NBCUniversal.

⁴ Please note that direct production expenditures in Ontario excludes spending on non-resident labour.

ECONOMIC IMPACTS OF PRODUCTION SPENDING

Using Statistics Canada’s input-output multipliers for Ontario and the expenditure pattern provided for the production, MNP estimated the total economic impacts (i.e. direct, indirect and induced) arising from the \$25.7 million in production spending in Ontario to produce Season 5 of *Suits*. The results of this analysis are presented in Table 4.

Table 4: Estimated Economic Impacts of Season 5 Production Spending in Ontario

	Production Impacts
Direct Production Expenditure in Ontario (in millions)	\$25.7
Output (in millions)	\$56.0
GDP (in millions)	\$39.8
Employment (FTEs)	576

According to NBCUniversal, Season 5 of *Suits* attracted approximately \$6.7 million in provincial tax incentives and an additional \$1.9 million in federal tax incentives. The incentives provided by the Government of Ontario are estimated to have resulted in the following impacts:

- \$8.36 in economic output for every dollar of Ontario tax incentive received by the production.
- \$5.94 in provincial GDP for every dollar of Ontario tax incentive received by the production.
- 86 full-time equivalent positions for every \$1 million of Ontario tax incentive received by the production.

As the series has now filmed four seasons in Ontario and each season had the same number of episodes, the impacts over the entire life of the production could be expected to be roughly four times the Season 5 impacts. This assumes that the level and pattern of production spending in previous seasons was similar to that in Season 5. The estimated economic impacts generated in Ontario over all seasons of production are presented in Table 5.

Table 5: Total Estimated Economic Impacts of *Suits* Production Spending in Ontario

	Production Impacts
Direct Production Expenditure in Ontario (in millions)	\$102.8
Output (in millions)	\$224.0
GDP (in millions)	\$159.2
Employment (in FTEs)	2,304

COMPARISONS WITH OTHER INDUSTRIES

To provide perspective on the size of the economic impacts of the production of *Suits* 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 5 production of *Suits* is equivalent to the direct and indirect employment supported by the construction of 322 new home starts in the City of Toronto⁵. The employment supported over all five seasons of production is equivalent to that supported by the construction of 1,528 new homes.
- **Agriculture** – The estimated GDP supported by the Season 5 production is greater than the GDP supported by Ontario's commercial fishing industry (\$35.4 million annually)⁶.
- **Tourism/Major Events** – The employment supported by the Season 5 production of *Suits* is roughly equivalent to the direct, indirect and induced employment generated within the City of Toronto by the 2012 Grey Cup Festival⁷ (596 FTEs).

ADDITIONAL IMPACTS

Television series such as *Suits* 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.⁸ 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.⁹
- **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 *Suits* 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.

⁵ Will Dunning Inc., *Economic Impacts of New Home Construction – Toronto 2014*. Retrieved from <http://www.chba.ca/uploads/Economic%20Impacts/Toronto%20New%20Construction%20Impact,%202014.pdf>

⁶ MNP, *Economic Impact Study of Ontario's Commercial Fishing and Fish Processing Industries*, 2015.

⁷ Retrieved from <http://www.toronto.ca/legdocs/mmis/2013/ed/bgrd/backgroundfile-58473.pdf>

⁸ Oxford Economics. *The Economic Impact of the UK Film Industry*. Oxford, 2007.

⁹ 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 *Suits* using the 2010 Statistics Canada provincial input-output model for Ontario (the latest model available). The Statistics Canada 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 additional jobs created (in full-time equivalents).

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 an industry or project.
- **Indirect impacts** are due to changes in the activity of suppliers.
- **Induced impacts** are due to shifts in spending on goods and services as a consequence of 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 *Suits*. This 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 new jobs, as firms add 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.