

Economic Impacts of *Channel Zero*

Prepared for the Motion Picture Association – Canada

February 2018

TABLE OF CONTENTS

Introduction	2
Study Purpose	2
Season One and Two Production Spending	3
Economic Impacts of Season One and Two Production Spending	4
Economic Impacts of Total Production Spending.....	4
Comparisons with Other Industries.....	5
Additional Economic Impacts	5
Manitoba Cast and Crew Development	6
Appendix A – Economic Impact Methodology	7

INTRODUCTION

The television series *Channel Zero* premiered on October 11, 2016 on the Syfy Network. The show is inspired by *creepypasta*, user-created online horror stories passed around on forums and other sites to disturb and frighten readers. The stories are often posted under the premise that the events actually took place.¹ Creepypasta derives from the term “coppypasta,” which describes a piece of text that is repeatedly “copy-pasted” across the internet.²

Produced by Universal Cable Productions, a division of NBCUniversal, filming of Seasons One and Two of the series took place back-to-back during 2016. Season One premiered in the fall of 2016 and Season Two in the fall of 2017. Table 1 summarizes the premiere dates and number of episodes for *Channel Zero*.

Table 1: *Channel Zero* Production Pattern

	Season One	Season Two	Season Three	Season Four
Premiere Date	October 11, 2016	September 20, 2017	February 7, 2018	TBA, 2019
Number of Episodes	6	6	6	6

Source: NBCUniversal

Seasons One and Two of *Channel Zero* were primarily filmed in and around Winnipeg, Manitoba. The series has been renewed for Seasons Three and Four by the Syfy Network, with release dates in 2018 and 2019.³

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 *Channel Zero* on the economy of Manitoba and the rest of Canada. For the study, MNP used production data supplied by NBCUniversal for Seasons One and Two to estimate the economic impacts that occurred during the first 12 episodes of production. As the series will have completed 24 episodes by the end of Season Four, the impacts over the life of the series (i.e. Seasons One through Four) could be expected to be approximately twice the Season One and Two impacts.

¹ IMDb. Retrieved from: http://www.imdb.com/title/tt4820370/plotsummary?ref =tt_stry_pl.

² The New York Times, 2010. *Bored at Work? Try Creepypasta, or Web Scares*. Retrieved from: <http://www.nytimes.com/2010/11/14/fashion/14noticed.html>

³ Variety. Retrieved from: <http://variety.com/2017/tv/news/channel-zero-gets-two-season-pickup-at-syfy-showrunner-gets-overall-deal-at-ucp-1201983104/>

SEASON ONE AND TWO PRODUCTION SPENDING

Season One and Two production spending engaged approximately 645 individual vendors from 39 communities across Manitoba (Table 2). This included 498 vendors from 11 communities in the Winnipeg Capital Region and 147 vendors from 28 communities in other regions of Manitoba. In addition, *Channel Zero* production spending engaged approximately 92 vendors from 29 communities in other parts of the country.

Production of Season One and Two required the engagement of a wide variety of vendors, including vehicle and equipment rental agencies, production facilities, professional services firms, hair and make-up stylists, catering companies, accommodations and various types of retailers.⁴

Table 2: Season One and Two Vendor Data

Vendors	Number
Winnipeg Capital Region	498
Rest of Manitoba	147
Rest of Canada	92
Total Number of Vendors	737
Communities	
Winnipeg Capital Region	11
Rest of Manitoba	28
Rest of Canada	29
Total Number of Communities	68

Source: NBCUniversal

As shown in Table 3, the Season One and Two production of *Channel Zero* resulted in total spending in Manitoba of approximately \$14.9 million. Manitoba production crew and other labour received 66 percent of the total Manitoba expenditures, while the remaining 34 percent was spent on purchases of Manitoba goods and services. In addition, the production spent approximately \$3.9 million in other parts of Canada.

Table 3: Season One and Two Production and Post-Production Expenditures

	Manitoba Spending	Rest of Canada Spending	Total Canadian Spending
Production Crew and Qualifying Labour ⁵	\$9.9	\$1.4	\$11.3
Purchases (Spending on Goods and Services)	\$5.0	\$2.5	\$7.5
Total Spending	\$14.9	\$3.9	\$18.8

Source: NBCUniversal

⁴ Based on vendor data provided by NBCUniversal.

⁵ Please note that the analysis excludes production spending on non-resident labour.

ECONOMIC IMPACTS OF SEASON ONE AND TWO PRODUCTION SPENDING

Using Statistics Canada’s input-output multipliers and the Season One and Two production expenditure data provided by NBCUniversal, MNP estimated the total economic impacts (i.e. direct, indirect and induced) arising from the \$18.8 million in production spending for Seasons One and Two, including \$14.9 million spending in Manitoba and \$3.9 spending in the rest of Canada. The results of this analysis are presented in Table 4. For more information on economic impact measures and the methodology used, please see Appendix A.

Table 4: Estimated Economic Impacts of Season One and Two Production Spending

	Manitoba Production Impacts	Rest of Canada Production Impacts	Total Canadian Production Impacts
Direct Production Expenditure in Manitoba (in millions)	\$14.9	\$3.9	\$18.8
Total Output (in millions)	\$21.2	\$7.2	\$28.4
Total GDP (in millions)	\$16.8	\$4.5	\$21.3
Total Employment (in full-time equivalent positions or FTEs⁶)	306	51	357

ECONOMIC IMPACTS OF TOTAL PRODUCTION SPENDING

Assuming that the level and pattern of production spending over the 12 episodes in Season One and Two of *Channel Zero* remain similar across the 12 episodes in Season Three and Four, the estimated economic impacts generated over the life of the series (i.e. Seasons One to Four) could be expected to total roughly two times that from Season One and Two. These impacts are presented in Table 5.

Table 5: Estimated Economic Impacts of Seasons One through Four Production Spending

	Manitoba Production Impacts	Rest of Canada Production Impacts	Total Canadian Production Impacts
Direct Production Expenditure in Manitoba (in millions)	\$29.8	\$7.8	\$37.6
Total Output (in millions)	\$42.4	\$14.4	\$56.8
Total GDP (in millions)	\$33.6	\$9.0	\$42.6
Total Employment (in FTEs)	612	102	714

⁶ One FTE is equivalent to one person-year of employment.

COMPARISONS WITH OTHER INDUSTRIES

To provide perspective on the size of the economic impacts of the production of *Channel Zero*, it is useful to compare the impacts with those created by other industries. Two examples of other industries are new home construction and culture/recreation.

- **New Home Construction** – The estimated employment of 306 FTEs supported by the Season One and Two production of *Channel Zero* is equivalent to the direct and indirect employment supported by the construction of about 180 new homes in Manitoba.⁷ The employment supported over Seasons One to Four of production is equivalent to that supported by the construction of about 360 new homes.
- **Culture/Recreation** – The estimated employment supported by the Season One and Two production of *Channel Zero* is roughly equivalent to the total employment supported by the annual operators of the Manitoba Museum. The museum, which is the largest heritage centre in Manitoba and includes a science gallery and planetarium, sees over 400,000 visitors annually and an estimated 333 jobs in the province.⁸

ADDITIONAL ECONOMIC IMPACTS

In addition to economic impacts that arise through production spending, television series such as *Channel Zero* can produce economic impacts that result from infrastructure spending, film induced tourism and personal spending by non-resident labour.

- **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 impacts 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.⁹ FIT and its related tourism concepts, which include the effects of TV, films, movies and media culture, have 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.¹⁰
- **Personal Spending by Non-resident Labour while in Manitoba** – This may include spending by non-resident labour on vacations or other personal purchases while on location in Manitoba.

While we have not quantified the broader benefits of the production of *Channel Zero* in this study, it is worth noting that television production can also generate additional economic, community and social benefits. These may include the development of business partnerships, the creation of spin-off companies and contributions to community and culture.

⁷ Will Dunning Inc., *Economic and Fiscal Impacts of Residential Construction – 2016*. Retrieved from: http://www.chba.ca/CHBA/Housing_in_Canada/Information_and_Statistics/impacts/1%20Manitoba%20Economic%20Impacts%20of%20New%20Home%20Construction%202016.pdf

⁸ Manitoba Museum. Retrieved from: <https://manitobamuseum.ca/main/about-us/value-benefit/>

⁹ Oxford Economics, *The Economic Impact of the UK Film Industry*, 2007.

¹⁰ Croy, Glen W, *The Lord of the Rings, New Zealand, and Tourism: Image Building with Film*, 2004.

MANITOBA CAST AND CREW DEVELOPMENT

The filming of *Channel Zero* has led to a number of opportunities for Manitoba-based cast and crew. According to information provided by Manitoba Film & Music (MFM),¹¹ these opportunities have included:

- **Actors and Stunt Personnel** – Approximately 166 Manitoba-based actors and stunt personnel have been employed by *Channel Zero*. On average, approximately 85% of the total number of Canadian cast were from Manitoba, and approximately 80% of the total number of all cast were from Manitoba.
- **New Manitoba Crew** – Approximately 60 individuals joined the film and television industry in Manitoba as a direct result of *Channel Zero*.
- **Crew Training** – The production created approximately 100 training opportunities between the IATSE 856 and 669 labour bodies. The participating departments included Camera, Art, Grip, Lighting, Hair and Makeup, SPFX, Carpentry, Costume and Sound.
- **Crew Union Upgrades** – Approximately 58 crew members between the IATSE 856 and 669, and DGC Manitoba labour bodies received on-set training to upgrade their skills and advance to more senior positions.

¹¹ *Channel Zero - Impact on Manitoba for seasons 1 to 3*, prepared for NBCUniversal by Manitoba Film & Music, December 2017.

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 *Channel Zero* using the 2013 Statistics Canada provincial input-output multipliers (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 FTEs¹²).

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 economy of Manitoba and the rest of Canada of a set of direct expenditures related to the filming of Season One and Two of *Channel Zero*. 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.

¹² One FTE is equivalent to one person-year of employment.