

Initial Assessment of
The Impact of
“Everybody Loves Whales” on
Alaska’s Economy

Prepared for:
**Anchorage Economic
Development Corporation**



Research-Based Consulting

Juneau
Anchorage

February 2011

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Executive Summary

The Anchorage Economic Development Corporation contracted with McDowell Group, an Alaska research and consulting company, to assess the economic impacts of the 2010 filming in Anchorage, Barrow, and Seward of the Universal Studios motion picture *Everybody Loves Whales*. The production, which included several well-known actors and hundreds of cast and crew, had high visibility during the months of shooting, but there is likely little understanding about the full economic impact it had on the economy and the large number of vendors whose businesses were directly affected during the two-month filming effort.

Summary of Findings

Alaska's film Industry

- Based on data provided by the Alaska Film Office, \$14.9 million was spent in Alaska in FY2010 and FY2011 year-to-date on the production of feature films, documentaries, television programs, and commercials. It does not include *Everybody Loves Whales* or other production efforts this year that have not submitted spending data to the state for the state's film production tax credit.
- Filming or other production-related activities occurred in 35 Alaska communities over the past two years.

The U.S. Film Industry

- The motion picture industry's global box office revenue in 2009 totaled \$29.9 billion (U.S. dollars), an increase of 7.6 percent from 2008. Approximately one-third of that amount came from the U.S. and Canada (\$10.6 billion, up ten percent from 2008 and 20 percent from 2003).
- The U.S. film industry supported 2.4 million jobs and over \$140 billion in total wages in 2008. This included 296,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows, and 453,000 jobs in related businesses including theaters, rental stores, television broadcast companies, cable companies, and online ventures.
- In 2008, there were over 95,000 businesses in total related to the film industry, which made more than \$40 billion in purchases of goods and services. The industry paid an estimated \$15.7 billion in federal taxes.¹

Film-Based Tourism

Alaska tourism marketers are attempting to capitalize on movie and television program-generated publicity by running ads during the programs featuring Alaska wildlife, scenery, and activities including fishing, kayaking, and rafting. While it is difficult to quantify the effect on visitor travel of this type of exposure, experience elsewhere in the country suggests there is potential for it to help stimulate tourism growth.

¹ *The Economic Contributions of the Motion Picture and Television Industry to the U.S. Economy*, 2009

Economic impact of Everybody Loves Whales

The total economic impact of the filming of *Everybody Loves Whales* on the Alaska economy was an estimated \$16.5 million.² Of that amount, \$6.2 million consisted of labor income (payroll and benefits). In other words, Alaska workers earned an extra \$6.2 million because *Everybody Loves Whales* was filmed in the state, and the state as a whole generated \$16.5 million more in output than otherwise would have been the case. Specific economic impacts include:

- A total of over 1,300 Alaskans earned income directly related to filming of *Everybody Loves Whales*. This includes 175 crew, 48 Alaska resident cast members (with speaking parts), and 1,100 extras. Based on hours worked and wages earned, the *Everybody Loves Whales* workforce translates into the annual equivalent of 110 jobs.
- Alaskans (actors, extras, and crew) earned a total of \$4 million in wages during the 58-day filming effort, the equivalent of about \$70,000 for each day of production in Alaska.
- Filming of *Everybody Loves Whales* included spending with at least 80 different Alaska businesses and organizations. This spending on goods and services totaled \$7.7 million.
- A wide variety of businesses provided goods and services to the film production project, including hotels, rental car companies, restaurants, security firms, construction and engineering companies, realtors, boat charters, diving companies, sled dog operations, hardware stores, clothing stores, dumpster rental companies, plumbing and heating companies, caterers, grocery stores, seafood processing companies (ice), and dozens of other businesses.
- Including payroll earned by Alaska residents and purchases of goods and services from Alaska businesses, filming of *Everybody Loves Whales* directly accounted for \$11.7 million in Alaska spending.
- Most of the economic impact of filming was in Anchorage, but Barrow also benefitted from the week of filming that was done there. Impacts also extended specifically to the Kenai Peninsula, as well, as a result of brief filming in Seward and the significant purchases of ice from area seafood processing companies.
- Production company spending in Alaska on goods and services, coupled with local spending of new payroll dollars generated by the film project, supported additional jobs and income throughout the Alaska economy. Including indirect and induced effects (the multiplier effect), the economic impact of filming *Everybody Loves Whales* equaled the annual-equivalent of 180 jobs and \$6.2 million in labor income.

² These estimates are based on a preliminary analysis conducted prior to the filing of detailed financial documents required to obtain the film tax credit.

- Both the labor income and total output estimates are conservative to the extent they do not capture all of the spending by non-Alaskan cast and crew members. Spending on accommodations, transportation, and meals was captured, but incidental spending by non-resident cast and crew members while in Alaska was not. Anecdotally, at least some of the visiting cast and crew spent freely on visitor activities, entertainment, and cold-weather clothing while in Alaska.

Estimated Economic Impact of *Everybody Loves Whales*

	Direct	Indirect and Induced	Total
Employment	110	70	180
Labor Income	\$4,000,000	\$2,200,000	\$6,200,000
Spending on Goods and Services	\$7,700,000	\$2,600,000	\$10,300,000
Output	\$11,700,000	\$4,800,000	\$16,500,000

- Including direct and indirect labor income, filming of *Everybody Loves Whales* generated approximately \$107,000 in income for Alaskan workers for each day of filming.
- Total direct and indirect output (the sum of all direct and indirect payroll and non-payroll spending) related to filming *Everybody Loves Whales* in Alaska was approximately \$16.5 million.
- Filming of *Everybody Loves Whales* created approximately \$285,000 in economic activity for each day of filming in Alaska.

Methodology

Compared to other economic impact studies of this type, this study is unusual in its timing and, consequently, the amount of primary research required to gather the necessary information on direct spending related to filming of *Everybody Loves Whales*. Typically, studies are conducted after all of the accounting has been finalized and that information is available, either from the studio or production company itself or from state agencies that administer film tax credit or other incentive programs.

Eventually that detailed information regarding *Everybody Loves Whales* will be available from the Alaska Film Office, the state government entity that manages Alaska's tax film tax incentive programs, but in the interim, most of the information gathered for this study was collected from the various Alaska production services companies involved, and from direct contact with a large number of actual vendors. Most of the data used was collected directly from a vendor or production company, but in some cases the numbers were estimated based on conversations with industry professionals.

To calculate the multiplier effect of the direct spending – which included both wages and benefits to people hired to work on the film and direct vendor spending on everything from hotel rooms to security – the study team used IMPLAN³, a well-known input/output modeling program. Both direct spending and multiplier spending is calculated for Alaska as a whole, although the vast majority of the spending and economic impact was in Anchorage.

³ Minnesota IMPLAN Group, Inc.

Direct Economic Impacts of Everybody Loves Whales

Overview of the Movie

Everybody Loves Whales is set in 1988 and tells the story of a non-profit activist and a government employee working together to free three California gray whales trapped below the sea ice near Barrow, Alaska.⁴ The movie is directed by Ken Kwapis, and the cast includes Drew Barrymore as the nonprofit aid worker, John Krasinski as a local reporter, Stephen Root as the Alaska governor, and Kristen Bell, Ted Danson, and Dermot Mulroney in supporting roles. Distributed by Universal Pictures, a division of NBC Universal and subsidiary of the conglomerate General Electric/Vivendi SA, the film is slated for a 2012 release.

Filming began in Alaska on September 16, 2010 and concluded in November 2010. The film was shot in 58 days, had 48 speaking parts, and about 1,100 extras. The first unit location was in Anchorage, where a replication of parts of Barrow was built in the Ship Creek area. The second unit filmed in and around Barrow. Additional re-shoots are set to film in late February or early March with a small contingent of cast and crew.

Preparation and Shooting

The casting company began searching for the 48 speaking part actors and 1,000-1,200 non-speaking extras in Barrow in May 2010. They subsequently traveled around the state, holding casting calls in Kotzebue, Nome, Fairbanks, Juneau, Sitka, Homer, Seldovia, and Bethel. A total of twenty casting sessions were also held in Anchorage and the Mat-Su Valley.

The roles of the extras equated to 2,600 “man days” for those hired (approximately 2,500 in Anchorage). The term “man days” is an industry term used to track the demand and use of extras; “man days” are not necessarily eight hour days and are often longer because of the compressed timelines of movie making. All extras were paid union wages.

Actors cast in speaking parts were paid Screen Actors Guild (SAG) union rates. About half the actors with speaking parts were from Anchorage and the other half came from other parts of the state. The majority of the speaking parts cast worked an average of one day. One of Alaska’s Native corporations provided assistance to the production company by providing a database of shareholders who were interested in being cast in Alaska Native roles in the movie and artists who could create authentic Native artwork, clothing, and other elements of set design.

Crew members working with the actors and extras included hairdressers, makeup artists, and wardrobe experts, among a variety of other trade professionals. Supervisors for the various departments came from Los Angeles, but extra hairstylists and makeup people were hired locally. The specially outfitted hair, makeup, and wardrobe trailers were brought from California by barge.

⁴ Internet Movie Database (IMDb)

The cast, extras, and crew were all fed by catering and craft services companies. Warm meals prepared by the catering chefs included two or three entrees, salads, rolls, desserts, etc. The catering company fed an average of 225 people a day (cast and crew). Separate from catering services, craft services provided snacks such as coffee, soups, cheese and crackers, juice, and nuts – snacks that could be eaten while working – throughout the work day.

The production company sent staff to shop locally for 1980's wardrobe items, furniture, and accessories. What they could not find in town, construction crews built from scratch. For example, they hired Inupiat seamstresses to fabricate native costumes and artwork. Local laundry and dry cleaning businesses were frequented to clean wardrobe as well as the crew's own clothing items.

Alaska Vendors

Everybody Loves Whales directly generated business for hundreds of Alaska vendors of goods and services. In total, at least \$7.7 million was spent with Alaska businesses as part of the effort to film the movie. The major categories of vendor spending are detailed below.

Transportation

The small army involved in the filming of *Everybody Loves Whales* spent at least \$1.2 million on Alaska transportation companies including more than \$500,000 on car and motor home rentals (including rental car taxes), \$160,000 on fuel, and at least \$300,000 in transporting equipment and supplies.

Accommodations

One of the most obvious economic impacts of *Everybody Loves Whales* was the large demand it created for accommodations. An Anchorage hotel provided rooms to the cast and crew that totaled 12,100 room nights. Two Anchorage homes were also rented for six months each. During the production team's shooting in Seward and Barrow, local hotels provided rooms. Total spending on accommodations equaled \$1.1 million.

Construction

Another large beneficiary of big-budget movie making is the construction industry. Local vendors that participated in construction efforts related to *Everybody Loves Whales* included engineering firms, crane rental companies, fence builders, pavers, and renovating and restoration construction companies. An estimated \$850,000 was spent in Alaska on construction-related services.

Location Fees

At least 20 locations in Anchorage, Barrow, and Seward were leased or paid location fees during filming. Beneficiaries included the Municipality of Anchorage, Anchorage School District, Alaska Railroad, Merrill Field, the Alaska Sealife Center in Seward, the Anchorage Daily News, and several other private building owners. In all, at least \$730,000 was paid for locations used in filming.

Security/Safety

Over \$300,000 was spent on security and safety considerations, including over \$200,000 for security on the sets and at the Port of Anchorage, and an estimated \$100,000 for diving support and emergency services for scenes in and around the water (such as shooting at the Jewel Lake location). The production also paid about \$13,000 for police and fire department support (off-duty personnel signed up for the overtime).

Wardrobe and Props

An estimated \$200,000 was spent in the state, primarily in Anchorage, on wardrobe and costumes used in the movie. Alaska purchases for props and other items used on the various sets are estimated to have produced well over \$400,000 in Alaska spending.

Production Services

The producers of *Everybody Loves Whales* used several Alaska-based film production companies to assist in the filming of the movie. These companies earned an estimated combined total of \$350,000.

Ice and Miscellaneous

To produce the desired Barrow-like background in Anchorage, the production company spent an estimated \$500,000 on ice purchased from several seafood processing companies – which extended their season by a few months for some workers. The ability to produce ice in such large quantities was reportedly a surprise for the movie makers who were not aware of Alaska’s well-developed seafood processing industry and its industrial strength ice-making capacity. The production at first thought they would have to transport ice from a much farther distance at greater expense.

Other miscellaneous expenses to make *Everybody Loves Whales* included portable toilet rentals, electricity and other city utilities. Additionally, although much of the specialized equipment used to make movies was brought from outside Alaska, equipment rentals from Anchorage and other Alaska companies still totaled an estimated \$1 million.

Alaska Resident Participation

Aside from all of the Alaska vendors that sold goods or services to the production, an estimated 1,300 Alaskans participated directly as either cast or crew. The Alaska-based crew averaged about 175 people per day over the two months of shooting – typically 12 hours or more per day – which is considered normal when filming a movie or television program. The hundreds of Alaskans hired to be in the film as extras or for brief speaking roles generally worked only a few days each. In total, Alaskans earned an estimated \$4 million in wages and benefits.

Multiplier Effects of Everybody Loves Whales

Any infusion of new money into an economy, such as the wages and wide variety of vendor purchases associated with filming *Everybody Loves Whales*, circulates throughout the economy in additional rounds of spending and supports additional jobs and wages in the process. The total amount of this subsequent spending, hiring, and payment of wages is described as the multiplier effect.

One of the most frequently used methods for determining multiplier effects is the IMPLAN⁵ input/output model, which uses historical relationships between industries to assess the effects changes within one industry will have on the overall local economy. Typically, more developed industries have larger multipliers because supply chains tend to deepen and expand over time. Alaska's film industry multipliers are considerably smaller than they would be in Los Angeles or Vancouver, for instance, because those cities have well developed supply chains to provide much of what is required to make movies and television shows.

To the extent the film industry was to grow and expand in Anchorage and Alaska, the multiplier effects of the industry could also be expected to grow. To illustrate this point, a Michigan study of the economic impacts of the film industry found a 2008 employment multiplier of 1.66 could grow to 1.90 by 2012.⁶

There are two types of multiplier effects:

Indirect impacts are those generated by the businesses and individuals in the local economy that provided goods or services to *Everybody Loves Whales*. For example, the jobs and payroll created at the hotel where the non-resident cast and crew stayed are part of the indirect impacts.

Induced impacts are those created as a result of the subsequent spending by people who earned wages working directly on *Everybody Loves Whales*. An example of this would be the groceries purchased by someone hired to build sets for the movie.

Total Employment

Although an estimated 1,300 Alaskans worked and earned money during the filming of *Everybody Loves Whales*, the annualized job count⁷ is much smaller, since the 1,100 Alaskan cast members involved worked for very brief periods, on average, and had modest earnings. Direct employment was estimated to be 110 annualized jobs, which in turn generated 70 additional jobs for a total employment impact of 180 jobs.

⁵ Minnesota IMPLAN Group, Inc. produces the IMPLAN data and software. IMPLAN was developed in the 1970s as part of an effort by the U.S. Forest Service to assess the potential impacts of various resource management plans on local communities.

⁶ *The Economic Impact of Michigan's Motion Picture Production Industry and the Michigan Motion Picture Credit*, February 6, 2009.

⁷ IMPLAN uses annualized job numbers from federal and state labor statistics. An annualized job is one that is held for twelve months of the year. To convert the brief periods of work into annual equivalent employment, total payroll for the two different categories – cast and crew – was divided by typical annual earnings in Alaska for those types of jobs. That calculation produced an annualized job count of 20 cast jobs and 90 crew jobs. The employment multiplier was then added to that direct job count to produce the final estimated employment impact of 180 jobs.

Total Labor Income

Total labor income (payroll and benefits) generated by *Everybody Loves Whales* was \$6.2 million, including the \$4 million spent by the production directly, and an additional \$2.2 million generated as portions of the direct vendor spending and labor income was spent and re-spent in the Alaska and Anchorage economies.

Total Output

The filming of *Everybody Loves Whales* including total direct spending of \$11.7 million, including wages and purchases of goods and services. When the multiplier effects are added to these direct expenditures, the total economic impact of *Everybody Loves Whales* in terms of total output⁸ equaled \$16.5 million.

Both the labor income and total output estimates are conservative to the extent they do not capture all of the spending by non-Alaskan cast and crew members. Spending on accommodations, transportation, and meals was captured, but incidental spending they may have done while in Alaska was not.

While not possible to measure this type of spending within the scope of this project, anecdotally, visiting cast and crew spent a significant amount on some of Alaska's unique visitor-industry experiences, including dog sled rides, fishing trips, and flight seeing. Cast and crew from outside Alaska also were reported to have spent freely on coats, boots, gloves and other cold-weather clothing. Although catered meals were provided for cast and crew, downtown restaurants reported a noticeable boost in sales that they attributed to the filming of *Everybody Loves Whales*. The timing of the increased business was also a benefit in that the summer visitor season was winding down in September when filming began.

Estimated Economic Impact of *Everybody Loves Whales*

	Direct	Indirect and Induced	Total
Employment	110	70	180
Labor Income	\$4,000,000	\$2,200,000	\$6,200,000
Spending on Goods and Services	\$7,700,000	\$2,600,000	\$10,300,000
Output	\$11,700,000	\$4,800,000	\$16,500,000

⁸ Output is defined in IMPLAN as the value of industry production. For service providers, this equates to sales, for retailers, their gross margin (rather than their gross sales), and for manufacturers, their sales plus or minus changes to their inventories.

Profile of Alaska's Film Industry

Based on data provided by the Alaska Film Office, \$14.9 million was spent in Alaska in FY2010 and FY2011 year-to-date on the production of feature films, documentaries, television programs, and commercials. This tally includes productions that have submitted detailed accounting to the state for the state's film production tax credit. It does not include *Everybody Loves Whales* or other production efforts this year that have not submitted spending data. Filming or other production-related activities occurred in 35 Alaska communities.

Alaska Film Productions, FY 2010 and FY 2011 to Date*

Type	Fiscal Year	Qualified Spending	# Alaska Jobs Created	Total # Days Filming	Total # AK Filming Days	AK Communities Involved
Feature Film						
Beyond	2011	\$6,602,752	38	20	20	Anchorage and surrounding areas
On the Ice	2011	\$524,628	8	25	25	Anchorage, Barrow
The Proposal	2010	\$179,407	15	52	2	Sitka
Documentary						
Survive and Thrive	2011	\$109,217	-	7	7	Anchorage and Homer
Television Show						
Top Gear	2011	\$260,798	12	52	6	Anchorage, Fairbanks, Healy, and various wilderness areas
Ice Road Truckers	2011	\$2,692,293	9	65	65	Fairbanks, Anchorage, Coldfoot, Bettles, Eagle, Nuiqsut, Prudhoe Bay
Alaska State Troopers	2011	\$100,676	0	88	88	Sitka, Nome, Gambell, Savoogna, Paxon, Fairbanks, Delta Junction, Soldotna, St. Marys, Bethel, Palmer, Wasilla, Cantell
Deadliest Catch	2011	\$1,747,965	4	122	122	Anchorage, Dutch Harbor, Kodiak, Cold Bay, St. Paul, King Cove
R5Sons	2011	\$421,049	5	129	123	-
Man vs. Wild	2011	\$223,143	3	6	6	Anchorage, Seward
Ice Road Truckers	2010	\$1,187,933	5	84	84	Fairbanks, Anchorage, Deadhorse, Coldfoot, Prudhoe Bay
Disaster on K2	2010	\$122,153	17	7	7	Anchorage, Girdwood, Chugach Mountains
Grizzly Land	2010	\$178,394	3	72	72	Homer, Katmai National Park, Hallo Bay
Alaska's Most Extreme	2010	\$233,737	12	50	47	Anchorage, Bettles, Girdwood, Bethel, Glenallen, Haines, Homer, Juneau, Kaktovik, Palmer, Portage, Seward, Sitka, Soldotna, Talkeetna, Valdez, Wasilla, Willow
Commercial						
Prilosec Commercial	2011	\$326,664	12	7	7	Anchorage, Fairbanks
Total		\$14,910,809	143	786	781	

Source: Alaska Film Office

* Table does not include *Everybody Loves Whales* because spending data has not yet been submitted.

In 2009, Alaska had 34 companies with employees operating in the motion picture and sound recording business. Combined, these companies provided 367 jobs and paid \$4.7 million in salaries.⁹ An additional 112 sole proprietors (self-employed workers or companies without employees) earned \$2 million.¹⁰ The numbers have not changed significantly either up or down for the last five years.

By occupational classification, 52 Alaskans worked as camera operators in television, video, or motion picture productions in 2008.¹¹ An additional 26 worked as film and video editors, and 11 worked as sound engineering technicians. Many of the employees of motion picture and sound recording businesses are classified occupationally under more general categories such as administrative support workers, which explains why the number of people working in film-related occupations is significantly smaller than the number of jobs in the industry.

⁹ Alaska Department of Labor and Workforce Development

¹⁰ U.S. Census, Non-employer Statistics

¹¹ Alaska Department of Labor and Workforce Development, Occupational Database

Alaska Film Industry Infrastructure Needs

To the extent Alaska can deepen its supply chain in the film industry and develop a trained and experienced workforce, it can increase the impact the industry has on the state's economy. In other words, it can create bigger multiplier effects from the initial round of direct spending.

Hawaii's film office, for example, divides its history of film making into two parts: the first 70 years, then everything since 1968 when the television show "Hawaii Five-O" filmed its first of 12 seasons.¹² During the pre-Hawaii Five-O years, Hawaii provided beautiful locations and memorable settings, but little else. After Hawaii Five-O, the state had a production infrastructure that both helped attract additional films and helped increase the economic impact that movies and television shows had on the state's economy. The production facilities and experienced workforce created a legacy that includes television programs such as Magnum P-I and a modern version of Hawaii 5-O, but also a whole host of movies and a mature movie-making industry as an important part of the state's economy.

In Alaska, the most obvious enhancements to the state's movie-making infrastructure would include a sound stage, customized film-making equipment for lighting, filming, and support of cast and crew (specialized trailers for makeup, wardrobe, and catering, for example), and a trained and experienced workforce.

Sound Stage

A sound stage is a sound-proof building, ranging in size from a room or small building to 50,000 square feet. Soundstages are multi-purpose buildings that provide a customizable location for indoor filming in addition to offices, dressing and make-up rooms, mill shops (carpentry and set design), and various rooms to store props and other equipment. Soundstages allow sets to be built to exact specifications, sometimes negating the need for multiple physical filming locations. Production costs can be cut significantly by reducing the number of locations where filming is done.

Due to the extensive soundproofing required for a soundstage, and the fact that older buildings sometimes cannot bear the extra load, it is sometimes cheaper to build a new building designed to take the weight of soundproof walls and ceilings. The building must be able to take massive amounts of stress on its power, as it will be providing electricity to the cameras, lights, and sound equipment.

The primary benefit of sound stages is the increased flexibility they provide in a shooting schedule. Especially in a state like Alaska, where weather is often inclement and unpredictable, and with varying hours of daylight, the lack of sound stages can be a significant impediment to large productions. In the absence of sound stages, the *Everybody Loves Whales* production team used a variety of small sets and warehouses scattered throughout the city, which added to production costs and took extra time.

Light, Sound, and Other Customized Equipment

Research interviews for this study revealed that much of the customized equipment needed to film *Everybody Loves Whales* was barged to Alaska because it was not available locally. Specialized film-making equipment

¹² *Hawaii's Film & Television Legacy*, Hawaii Film Office

includes a vast array of grip (electrical) equipment and a variety of cranes and dollies (moving camera platforms). In addition, film making on this scale requires a fleet of specialized trailers for wardrobe, makeup, and catering, among other things.

Trained and Experienced Industry Professionals

A skilled, experienced workforce is a key element in attracting companies to an economy for any industry, including the film industry. A film-making workforce includes technical crew and specialized support service companies as well as the actual cast members and extras that appear on camera.

COLLEGE AND UNIVERSITY PROGRAMS

Currently, Alaska does not have a dedicated film school or program, although efforts are underway at University of Alaska Fairbanks (UAF) to start a film degree program that will focus on providing students with the skills necessary to start a career in cinema and other media. The Journalism and Communications Department at the University of Alaska Anchorage (UAA) is also in discussions with a local film studio regarding the placement of interns on an upcoming production.

CREW TRAINING

Having trained professionals in lighting, sound, and film production in place means a production does not have to transport and house the necessary professionals while in production. Among Alaska's current efforts to address the shortfall of trained crew members is a series of educational workshops provided by a nonprofit film advocacy group. Training is available at both the introductory and more advanced levels and a film degree or other specialized training is not required to participate in the workshops. So far, over 100 Alaskans have participated.

Obviously, the best way to get and keep a trained and experienced film crew workforce is to generate a regular stream of work in the industry and offer on-the-job training. As noted above, much of Hawaii's success in attracting both movie and television productions is traced back to the trained crew and infrastructure that was the legacy of Hawaii 5-O's successful 12-year run. Similarly, a major benefit to New Zealand from the filming of three *Lord of the Rings* movies there was the large supply of trained crew members that it generated.

Potential for Film-Induced Tourism

The Film Industry's Connection to Tourism

Research on “film tourism” is one of the newer areas of study in the tourism industry and falls into several broad categories, including:

1. How does a movie or television program impact decisions to travel?
2. What are the profiles of movie or television program tourists?
3. How can a state or region market destinations through their connections to movies and television?

In some cases, the link between a movie or television program and a destination's success as a tourist destination is obvious. For example, it is safe to assume the 1995 movie *Braveheart* was largely responsible for a 300 percent increase in visitors to the William Wallace Monument in Scotland in the years immediately following its release (William Wallace's stylized history was the subject of the movie). Similarly, the baseball field built in the middle of Iowa cornfields for the 1988 baseball movie *Field of Dreams* can safely trace the source of its more than one million tourist visits to the successful movie for which it was constructed.

Often the link is less obvious, but plausible. Tourism visits to Fort Hayes, Kansas increased by 25 percent after the 1990 movie *Dances with Wolves* was partly filmed there. Another example of this type is the 1991 movie *Thelma and Louise*, which featured Utah's Arches National Park prominently in its climactic scenes. The movie was released in the spring and that same year the park saw a 19 percent increase in visitors.¹³

Two movies among many that highlight Alaska's wilderness and natural beauty and raise awareness for the state are the 1991 film *White Fang*, and the 2007 film *Into the Wild*. More recently, *On the Ice*, one of 16 feature-length films selected to compete in the 2011 Sundance Film Festival, is set in and around Barrow and joins *Everybody Loves Whales* as a film that could generate tourism interest in Alaska's far north.

Another example is the 2009 film *The Proposal* starring Sandra Bullock. The film was set in Sitka, but was actually filmed in Massachusetts. The fact that the movie was set in an actual Alaska location generated name recognition for Sitka and likely some tourism interest (unlike the fictional town of Cicely, Alaska where the successful television program *Northern Exposure* was set though filmed in Washington.)

Alaska's spectacular natural scenery and iconic status as The Last Frontier create significant opportunity for film-induced tourism. People who visit the state because of a connection to movies or television may come to see a specific featured location or because they are more broadly attracted by mountain ranges, glaciers, wildlife, or expanses of wilderness of the type that first captured their imagination on the big or small screen.

¹³ *Promoting Destinations via Film Tourism: An Empirical Identification of Supporting Marketing Initiatives*, Journal of Travel Research, May 2006.

Television Programs in Alaska

The last several years have brought growing interest in reality television series based in Alaska. “Deadliest Catch” and “Ice Road Truckers” tap into the Alaska mystique of extreme weather conditions and work environments and “Sarah Palin’s Alaska” showcases the state’s wildlife and rugged beauty as Alaska’s former governor and 2008 vice presidential candidate travels around the state with her family.

“Gold Rush Alaska” documents a group of men from Oregon who prospect for gold in Southeast Alaska after they lose their jobs and businesses during the recession. “Out of the Wild: The Alaska Experiment” follows small groups of people with urban backgrounds as they try to live in back-country Alaska locations during fall and winter months.

Alaska tourism marketers are attempting to capitalize on the publicity by running ads during the programs featuring Alaska wildlife, scenery, and activities including fishing, kayaking, and rafting. Kathy Dunn, the Alaska Travel Industry Association’s marketing director, has been quoted as saying, “Obviously, any time you put Alaska in front of people, no matter the context, it’s a good thing.”¹⁴ As with movie-based tourism, it will be difficult to quantify the effect of this type of exposure with precision, but there is significant potential for it to help stimulate tourism growth.

¹⁴ *Alaska Looks to Cash in on Palin, ‘Deadliest Catch,’* Associated Press, December 29, 2010

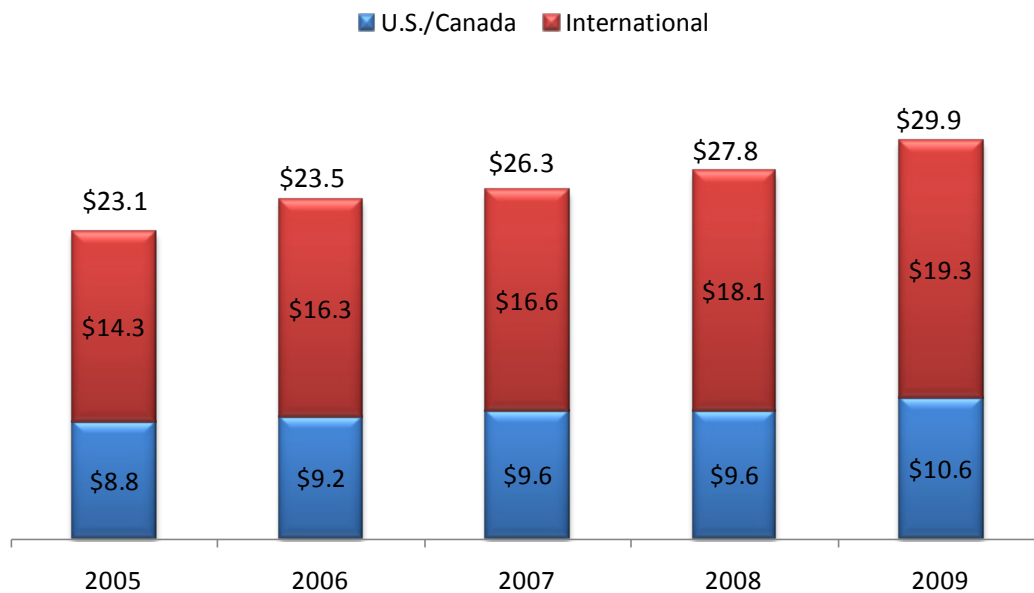
Overview of U.S. Motion Picture Production

According to the Motion Picture Association of American (MPAA), the motion picture industry's global box office revenue in 2009 was estimated to be \$29.9 billion (U.S. dollars), an increase of 7.6 percent from 2008. Approximately one-third of that amount came from the U.S. and Canada (\$10.6 billion, up ten percent from 2008 and 20 percent from 2003).

A total of 217.1 million different people bought movie tickets in the U.S. and Canada in 2009. On average, they bought 6.5 tickets during the year and purchased a total of 1.4 billion tickets. The arrival of 3D movies in 2008 is responsible for much of 2009's U.S./Canada growth (of the \$1 billion increase, ninety percent came from 3D box office).

The movie industry was more resistant than most to the deep national recession. Domestic growth was minimal in 2008, but then resumed again in 2009, and international growth slowed in 2007 before quickly picking up again in 2008. The movie industry is also an important exporter for the U.S. economy, with a large positive balance of trade (exports minus imports).

Worldwide Box Office (U.S. \$ Billions)



Source: Motion Picture Association of America

Substantial additional growth for the industry appears almost certain, given that the U.S. accounts for about 6 percent of the world's population, but approximately 50 percent of consumer dollars spent on movies and television. International growth is expected to be strong for the foreseeable future, likely far outpacing domestic growth.

Hollywood's Beginnings

The first full-length feature film was actually made in Australia. *The Story of the Kelly Gang*, was an 80-minute silent film made in 1906. It was not until 1911, after 16 films had already been made in Australia, that other countries began film production.

The first American film companies were established in New Jersey and New York. However, at the time, productions were shot in glass studios using natural sunlight, something that could not be guaranteed in the New Jersey-New York area. Los Angeles, on the other hand, had clear days, dry weather, a variety of natural landscapes – oceans, deserts, mountains, forests, and hills – and no enforcement of motion picture patents, making it the perfect place to develop the industry.

Present Day Film Industry

The United States has the oldest and largest film industry in the world, in terms of revenue, but other major film-making locations include India, Hong Kong, Egypt, and Nigeria. India's multi-lingual film industry is the world's largest, measured by ticket sales and number of films produced. Hong Kong is the film hub for the Chinese-speaking world and is unique for having little to no direct government support. Egypt has been called the "Hollywood of the East," and has recently branched out from restrictive religious taboos, allowing it to grow substantially. Nigeria is home to Africa's largest film industry and is second only to India in number of films produced.

While Los Angeles is often thought of as the center of the US film business industry, only one of the six major film studios, the Walt Disney Company, is fully based there. Sony Pictures Entertainment is also headquartered in California, but its parent company, Sony Corporation, is located in Tokyo. The other four film studios, Time Warner, News Corporation, Viacom, and General Electric/Vivendi SA, are all headquartered on the East Coast.

US Film Industry Jobs and Employment

According to a Motion Picture Association of American (MPAA) study¹⁵, the U.S. film industry supported 2.4 million jobs and over \$140 billion in total wages in 2008. The average salary in the industry was \$55,600. The job counts include 296,000 jobs in the core business of producing, marketing, manufacturing, and distributing motion pictures and television shows, and 453,000 jobs in related businesses including theaters, rental stores, television broadcast companies, cable companies, and online ventures. In 2008, there were over 95,000 businesses in total related to the film industry, which made more than \$40 billion in payments to more than 144,000 businesses. The industry paid an estimated \$15.7 billion in federal taxes alone.

Domestic Competition for Filming Locations

While 60 percent of all movies and television shows are filmed in California or New York, filming occurs in all 50 states and Washington, D.C. In 2008, film industry employment grew by 8 percent in New Jersey, 31 percent in Georgia, 33 percent in Pennsylvania, and 45 percent in Massachusetts.

¹⁵ *The Economic Contributions of the Motion Picture and Television Industry to the U.S. Economy*, 2009

In 2008, 208 movies were filmed in New York and 160 were filmed in California. More television shows were filmed in California, however (320 compared to 143 for New York). California's direct film industry employment was nearly 210,000 in 2008, and wages totaled \$16.7 billion. New York's film industry job count was 87,000, with \$7.6 billion in wages.

Obviously, Alaska's film industry is very small by comparison. In 2008, there was only one movie and three television shows filmed in the state. This resulted in 806 direct jobs and \$11.1 million in estimated wages, according to the MPAA study.

Hawaii, with the similar logistical challenge as Alaska of being remote from North America population centers, had nine movies and nine television shows filmed in 2008, bringing nearly 3,000 jobs and \$96.2 million in wages¹⁶ to the state. The growing number of television shows being filmed in and about Alaska holds promise for Alaska's film industry to become more like Hawaii's, with its long and steady history of television programs.

The Film Industry in Select States, 2008

State	Movies Filming	TV Shows Filming	Direct Jobs	Est. Wages
Alaska	1*	3	806	\$11.1 million
California	160	320	209,946	\$16,700 million
Hawaii	9	9	2,998	\$96.2 million
New York	208	143	86,637	\$7,600 million
Massachusetts	13	14	11,524	\$584.4 million
Michigan	35	8	15,161	\$510 million
New Mexico	35	12	4,055	\$146.8 million
Washington	11	2	11,290	\$347.8 million

Source: Motion Picture Association of America

* *Into the Wild*

¹⁶ One advantage Hawaii has is its supply of soundstages and studios, facilities Alaska is generally lacking.

Film Incentive Programs

It is outside the scope of this report to examine the costs and benefits of film incentive programs or to evaluate their role in drawing film production to Alaska. However, because these incentive programs are very much part of the national and international film-making landscape, they are briefly described here.

International Competition for Filming Locations of U.S. Productions

As of 2010, according to the MPAA, 39 states, Washington, D.C., and Puerto Rico have some type of film industry tax incentives program. Still, cheaper production costs have resulted in the filming of many U.S. movies in Canada, the United Kingdom, Australia, New Zealand, and Eastern European countries. Much of the time, the movies are actually set in the U.S., but filmed in these countries on sets designed to look like U.S. locations.

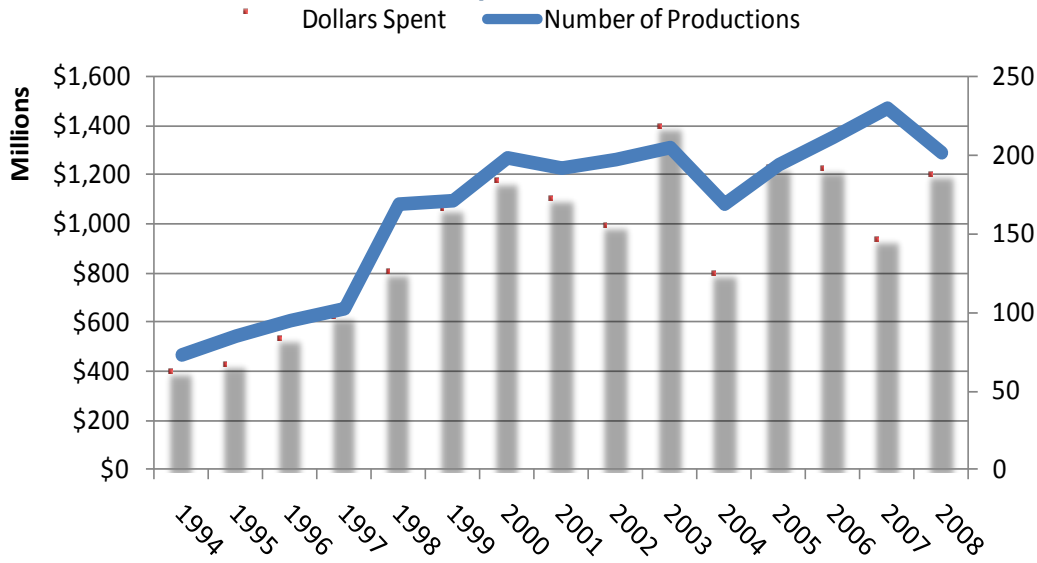
Canada

Canada's largest film studio centers are located in Vancouver, Toronto, and Montreal. Lower costs and tax breaks have helped create strong growth for Canada's film industry. Movie production incentives were first implemented in Canada in the late 1990s and include combinations of tax credits, cash rebates, grants, sales tax exemptions, lodging exemptions, free locations, and other miscellaneous perks. British Columbia and Vancouver in particular have seen dramatic growth in film production spending since implementing incentive programs. That success is of special relevance to Alaska since many of the films that are set in Alaska are filmed in British Columbia because of its similar geography.

Productions in British Columbia rose from less than 100 in 1996 to over 200 by 2003 (*refer to table on the next page*). Total dollars spent increased from around \$500 million in 1996 to \$1.4 billion in 2003. Dollars spent fell significantly in 2004 and have stayed below 2003 levels since, although the 2008 totals are impressive by any measure: \$1.2 billion in production spending (which was estimated to have generated 20,000 direct jobs and 15,000 indirect jobs).¹⁷

¹⁷ British Columbia Film Commission Production Statistics, 2008

Productions and Dollars Spent in British Columbia, 1994-2008



Source: British Columbia Film Commission

Canada’s success in using incentives to generate film industry growth was a contributing factor to similar efforts by Australia, New Zealand, and individual US states.

Australia

Australia’s umbrella film-promotion organization, “Screen Australia,” coordinates the Australian government’s generous film subsidies and incentive programs. Some Australian states also offer additional incentives. Victoria, for example, has a grant system that provides cash rebates at the end of film production for a portion of filming costs. Cities sometimes provide incentives as well. Melbourne, which is part of the state of Victoria, offers city incentives in conjunction with federal incentives, but will not provide additional subsidization if Victoria has already done so.

According to Australia’s Department of Foreign Affairs and Trade, “government funding represented 17 percent of the total funding for Australian produced and co-produced feature films in production.” Most productions are filmed in and around Australia’s two major cities, Sydney and Melbourne. Other cities could also handle the productions, but suffer from not having direct flights to and from Los Angeles.

New Zealand

New Zealand film production began in the 1920s, but stayed small until the 1970s. With the rise in prominence of feature films, directors, and actors connected to New Zealand, and the building of soundstages and studios, more productions were filmed here in the 1990s.

Tax incentives and subsidies were an important part of attracting major feature films in recent years including the *Lord of the Rings* trilogy, *Whale Rider*, the *Chronicles of Narnia* series, and *King Kong*. Due especially to the large production demands of the *Lord of the Rings*, and the hiring of many locals for crew and support, New Zealand now has a large film industry workforce of well-trained and skilled workers.

Alaska Efforts to Attract U.S. Film Production

Alaska Film Office

After being active in the 1980s and early 1990s, and then cut in the mid-1990s, the Alaska Film Office was reinstated in 2008 with the passage of the new incentives legislation. Part of the Alaska Department of Community, Commerce, and Economic Development, the film office's mission is to: 1) cooperate with the private sector for the expansion and development of the film production industries in Alaska; 2) promote Alaska as a film production location; 3) provide production assistance by furthering the relationships between film makers and producers with Alaska contractors; 4) certify Alaska film production internship training programs and promote the employment of program interns by eligible productions; and 5) administer the Alaska Film Production Incentive Program, in cooperation with the Alaska Department of Revenue.

As a relatively small organization, staffed by only a manager and administrative assistant, the film office is seeking ways to leverage its promotional and marketing efforts. These efforts include networking more closely with sister organizations such as the Alaska Seafood Marketing Institute and the Alaska Travel Industry Association to use their established connections and media infrastructures. The film office also intends to create additional promotional and marketing material, retool its website, and broaden its participation in future film location and industry conventions and trade shows.

Alaska Film Incentives Program

The Alaska Film Incentives is based on legislation passed in 2008 as part of an economic development initiative. The program is due to sunset in 2013. The film production incentive consists of transferable tax credit for qualifying production expenditures made in Alaska during a consecutive 24-month period. Projects that are eligible include films, documentaries, commercials and video promotion.

Interested productions must apply to the program. During pre-production, producers must submit an application that includes an estimated budget, a distribution plan, and a script or treatment of the project. Applicants who apply are eligible for up to 44 percent in transferable tax credit, including a base credit of 30 percent with 10 percent added for Alaskan hire, 2 percent added if filmed between October 1 and May 30, and another 2 percent added for filming in rural locations. In order to qualify, there must be a minimum of \$100,000 spent in Alaska.

Upon completion of the production, and after an audit and review by the Alaska Film Office, the Alaska Department of Revenue issues a tax credit. The production can then sell its tax credit to any company that has corporate income tax liability in Alaska.

There are currently about 30 productions that have pre-qualified for the tax incentives. They include everything from the feature film, "Beyond," with a large Alaska spending impact, and the high-profile television programs "Deadliest Catch" and "Ice Road Truckers," to feature films with a much smaller impact in Alaska such as "The Proposal." Communities from throughout the state are represented and filming days range from two for "The Proposal" to over one hundred for the television programs "Deadliest Catch" and "R5Sons."

Tax Credits Issued in 2010-2011

In the last two fiscal years, Alaska film production spending has reached nearly \$15 million and generated tax credits of nearly \$5 million.

Alaskan Productions Tax Credits, Spending, and Credit/Spend by Fiscal Year

Fiscal Year	Tax Credits	Qualified Spending	Credit/Spend
2010	\$244,547	\$713,691	34.3%
2011 YTD	\$4,664,869	\$14,197,119	32.9%
Total	\$4,909,415	\$14,910,810	32.9%

Source: Alaska Film Office

Summary

By all measures, *Everybody Loves Whales* had a significant economic impact on Anchorage and a lesser, though noteworthy impact, on Barrow and other parts of the state. The production spent \$7.7 million on goods and services with Alaska companies and an additional \$4 million on payroll and benefits to Alaska residents who worked on the film as either cast or crew. Adding the indirect and induced effects to the direct spending generated an estimated total economic impact of \$16.5 million.

The production generated an average of \$285,000 for each of the 58 days of filming and included more than 1,300 Alaskans as either cast or crew. The timing of filming was also a benefit, considering that Alaska's strongly seasonal economy was just winding down from its summer peak when filming began in September.

With nearly \$30 billion in global box office revenue, and substantially more growth expected, the industry has attracted the interest of most U.S. states and many countries eager for these types of economic benefits. It is outside the scope of this report to assess the effectiveness of the various incentive programs that have been created to attract film production, but there can be no question that the economic impact of the industry on an economy are substantial.