



Case Study – Economic Impacts of *Born to Be Blue*

Prepared for the Canadian Media Producers Association

October 2016

TABLE OF CONTENTS

1. Introduction	2
2. Study Purpose	2
3. Production Spending	2
4. Economic Impacts of Production Spending	4
5. Comparison with Other Industries.....	6
Appendix A – Economic Impact Methodology	7
Appendix B – Detailed Results	8

1. INTRODUCTION

Born to Be Blue is a film starring Ethan Hawke that re-imagines the life of jazz trumpeter Chet Baker in the late 1960s. The film was produced by New Real Films and was released on March 30, 2016.

Filming took place in Sudbury, Ontario and surrounding communities over a period of 25 days in October and November 2015.¹ For the purpose of the film, Sudbury and the surrounding towns of Chelmsford, Azilda and Esplanola stood in for New York, Los Angeles and Oklahoma in the 1950s and 1960s. In addition to filming, pre-production activities took place in both Toronto and Sudbury, and post production activities took place in the United Kingdom. The film was a co-production with a total budget of approximately \$6 million.

Through production spending in Ontario, the film created significant economic impacts for local residents and businesses in both Sudbury and Toronto, while also generating tax revenues for the federal, provincial and local governments.

2. STUDY PURPOSE

MNP LLP (“MNP”) was engaged by the Canadian Media Producers Association (“CMPA”) to develop a case study of the economic impacts of the production of *Born to Be Blue* on the Ontario economy. For the study, MNP obtained data on production expenditures from New Real Films.

3. PRODUCTION SPENDING

Spending associated with the film engaged 160 vendors from Sudbury, Toronto and other parts of Ontario (Table 1). The film engaged a wide variety of vendors, including film studios, catering companies, hotels, vehicle and equipment rental agencies, furniture and antique suppliers, cleaners, paint and building supply retailers, transportation services, and professional services.

Table 1: Vendor Data

	Number of Vendors
Sudbury	80
Toronto	74
Rest of Ontario	6
Total	160

Source: New Real Films

¹ Information on filming activities was supplied to MNP by New Real Films.

As indicated in Table 2, *Born to Be Blue* was associated with total production-related spending in Ontario of approximately \$4.2 million.² About \$2.9 million in total was spent in Ontario on wages, salaries and per diems for individuals involved in the development, pre-production, production, wrap, post-production and delivery of the film, while another \$1.3 million was spent on production-related goods and services.

Table 2: Production Spending in Ontario for *Born to Be Blue*

	Spending	Share of Spending
Spending on labour related to development, pre-production, production, wrap, post-production and delivery, including per-diems	\$2.9 million	69.3%
Spending on goods and services	\$1.3 million	30.7%
Total Spending	\$4.2 million	100.0%

Source: New Real Films

As indicated in Table 3, the film benefited from several federal and provincial tax credits, including approximately \$960,000 in Ontario-based tax credits through the Ontario Film and Television Tax Credit, funding of \$500,000 through the Northern Ontario Heritage Fund, and \$215,000 in federal tax credits through the Canadian Film or Video Production Tax Credit.³

Table 3: Federal and Provincial Tax Credits and Funding Received for *Born to Be Blue*

	Production Impacts
Provincial	
Ontario Film & Television Tax Credit (OFTTC)	\$960,000
Northern Ontario Heritage Fund	\$500,000
Federal	
Canadian Film or Video Production Tax Credit (CPTC)	\$215,000
Total	\$1,675,000

Source: New Real Films

² Estimated based on information and expenditure data provided by New Real Films.

³ According to New Real Films, the film also benefited from a repayable loan of \$300,000 from the Ontario Media Development Corporation (OMDC) and a repayable loan of \$1,500,000 from Telefilm.

4. ECONOMIC IMPACTS OF PRODUCTION SPENDING

MNP estimated the economic impact of the production of *Born to Be Blue* 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, gross domestic product (GDP), employment and government tax revenue:

- **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 FTEs).
- **Government Tax Revenue** – the total amount of tax revenues generated for different levels of government.

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 *Born to Be Blue*. The film, like other productions, has an amount of direct expenditure, which in turn stimulates 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.

Using Statistics Canada's input-output multipliers for Ontario and a schedule of production-related expenditures provided by New Real Films, MNP estimated the total economic impacts arising from the \$4.2 million of production spending in Ontario. The results of the analysis are presented in Table 4. (For a description of the methodology used to estimate the economic impacts and for more detailed results, please see Appendix A and B of this report.)

Table 4: Estimated Economic Impacts of *Born to Be Blue* Production Spending in Ontario

	Production Impacts
Direct Production Expenditure in Ontario	\$4.2 million
Total Output	\$9.5 million
Total GDP	\$6.7 million
Total Employment (FTEs⁴)	101 FTEs
Federal Tax Revenues	\$0.9 million
Provincial Tax Revenues	\$0.7 million
Municipal Tax Revenues	\$0.2 million

Table 5 shows the economic impacts per dollar of federal tax credit received by the production.

Table 5: Estimated Impacts per Dollar of Federal Tax Credit

	Production Impacts
Output per dollar of federal tax credit	\$44.25
GDP per dollar of federal tax credit	\$31.37
Employment per \$100,000 of federal tax credit	46.8 FTEs
Federal tax revenues per dollar of federal tax credit	\$4.25

Table 6 shows the economic impacts per dollar of provincial (Ontario-based) tax credit received by the production.⁵

Table 6: Estimated Impacts per Dollar of Provincial Tax Credit

	Production Impacts
Output per dollar of provincial tax credit	\$9.91
GDP per dollar of provincial tax credit	\$7.02
Employment per \$100,000 of provincial tax credit	10.5 FTEs
Provincial and municipal tax revenues per dollar of provincial tax credit	\$0.86

⁴ One FTE is equivalent to one person-year of employment.

⁵ Note that this does not include the amount received by the production through the Northern Ontario Heritage Fund, which are shown in Table 7.

Table 7 shows the economic impacts per dollar of Northern Ontario Heritage Fund received by the production.⁶

Table 7: Estimated Impacts per Dollar of Northern Ontario Heritage Fund

	Production Impacts
Output per dollar of Northern Ontario Heritage Fund	\$19.03
GDP per dollar of Northern Ontario Heritage Fund	\$13.49
Employment per \$100,000 of Northern Ontario Heritage Fund	20.1 FTEs
Provincial and municipal tax revenues per dollar of Northern Ontario Heritage Fund	\$1.64

5. COMPARISON WITH OTHER INDUSTRIES

To provide perspective on the size of the economic impacts generated by the production of *Born to Be Blue* in Ontario, it is useful to compare the impacts with those created by other industries. Three examples of other industries are new home construction, tourism/attractions, and major events.

- **New Home Construction** – The total employment supported by production spending on *Born to Be Blue* is equivalent to the direct and indirect employment supported by the construction of approximately **45** new homes in Ontario.⁷
- **Tourism/Attractions** – The employment impacts of *Born to Be Blue* in Ontario are similar in size to the employment generated by Science North during **four months** of operation (about **112** jobs).⁸ Science North is reported to be the single largest visitor destination in Northern Ontario, attracting over 100,000 tourists to Greater Sudbury and other northern Ontario communities in 2014/15.
- **Major Events** – The estimated employment generated by *Born to Be Blue* is similar to the employment generated from the hosting of the 2015 FIFA Women’s World Cup in Ottawa, Ontario (188 FTEs).⁹

⁶ Note that this does not include the amount received by the production through the Ontario Film and Television Tax Credit.

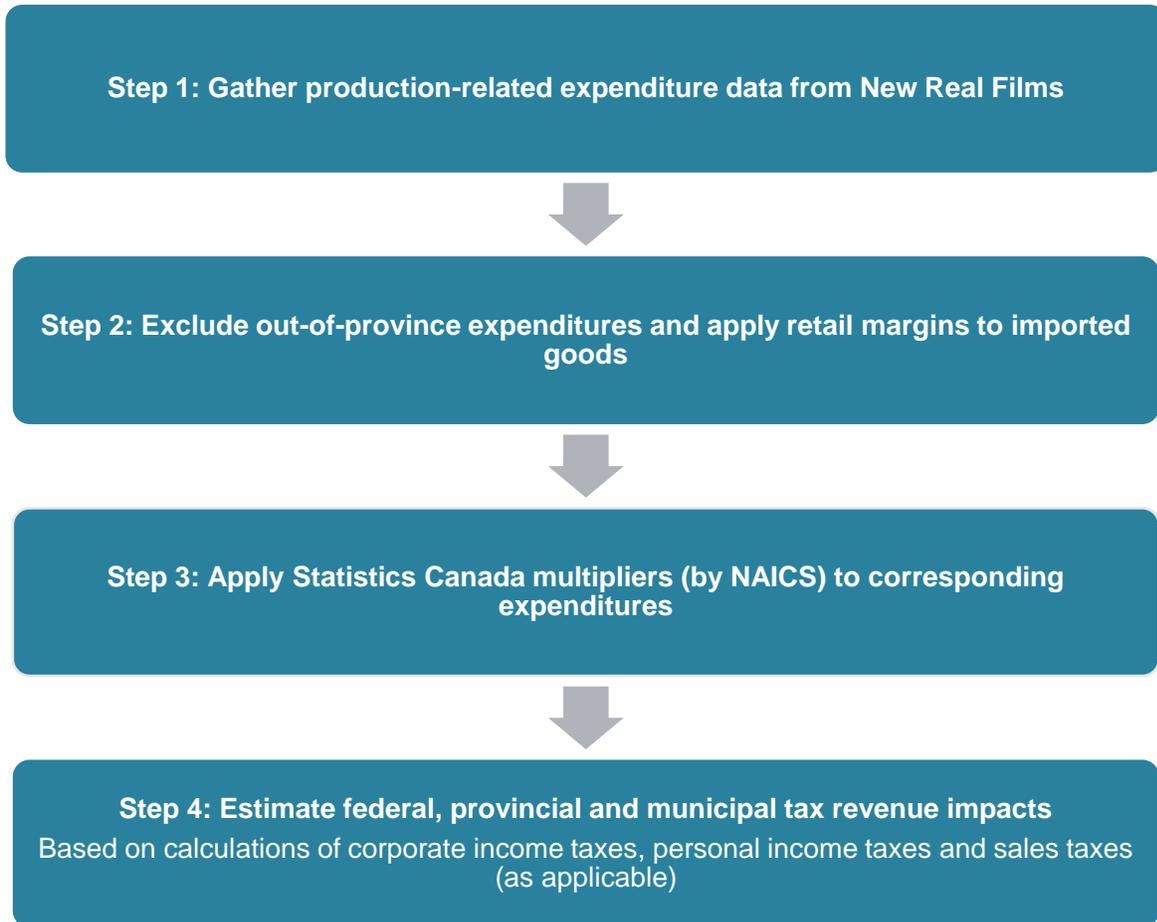
⁷ Will Dunning Inc., *Economic Impacts of New Home Construction – Ontario 2015*. Retrieved from <http://chbafiles1.ca/impacts/8.%20Ontario.%20New%20Residential%20Construction.pdf>

⁸ *Science North Reveals Significant Economic Impact Locally and Provincially*, Retrieved from <http://samssa.ca/science-north-reveals-significant-economic-impact-locally-provincially/>

⁹ Canadian Sport Tourism Alliance, *Economic Impact Assessment Fact Sheet*, November 2015.

APPENDIX A – ECONOMIC IMPACT METHODOLOGY

A step-by-step overview of our approach to estimating the economic impacts of *Born to Be Blue* is provided below.



APPENDIX B – DETAILED RESULTS

Table B-1: Estimated Economic Impacts of the Production of *Born to Be Blue*

	Output ¹⁰	GDP	Employment (FTEs)	Federal Tax	Provincial Tax	Municipal Tax
<i>Direct</i>	\$4,073,868	\$3,556,500	70	\$714,169	\$511,473	\$37,928
<i>Indirect & Induced</i>	\$5,439,059	\$3,187,237	30	\$199,591	\$146,359	\$125,357
Total	\$9,512,928	\$6,743,737	101	\$913,761	\$657,833	\$163,285

¹⁰ Direct output includes adjustments for spending on retail or wholesale purchases for goods that may have been produced outside of Ontario. Retail margins of 33.8 percent and 14.6 percent, respectively, were applied to expenditures on building materials and supplies, and fuel purchases. (Statistics Canada, CANSIM Tables 080-0023)