

**Testimony before the PA House of Representatives
Committee on Tourism and Recreational Development
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Good afternoon Chairman Kirkland and members of the Committee. I am the director of the Pittsburgh Film Office, an economic development agency which represents the interests of the film industry of 10 counties across southwestern Pennsylvania. I hope to give you some hard facts about the film industry and its outstanding success in the Commonwealth and hope that you will leave here with a greater understanding of the scope the industry has in our state and economy.

In 1905, on a bustling Smithfield Street in downtown Pittsburgh, Pennsylvania, the very first Nickelodeon the world had ever seen opened its doors. An amazed public paid 5 cents a piece to sit in the dark and watch little flickering images dance on a screen. The flickering images opened the world to the viewers as they watched scenes from distant countries and distant times. Visions as simple as a train coming toward the audience would induce hysteria among some patrons not used to this first interactive media. As the nickels poured in and the exhibitors made enormous profits, it soon became apparent that there was money to be made from those little flickering images and Pennsylvania would lead the way with this exciting new engine for economic development.

In just a matter of few years, several brothers known as the Warner Brothers opened their first name theater in New Castle, Pennsylvania about 45 minutes north of Pittsburgh. They also saw big money in the production of films to feed their exhibition spaces and the first steps were taken by what would be the media-titan, Time Warner, a company with billions of dollars in annual revenue.

It's not surprising that the limitations of the techniques utilized by film production 100 years ago required conditions not readily available in Pennsylvania and soon, film production from Pennsylvania and New York headed to sunnier climes in southern California. By the 2nd half of the 20th century, the film industry would become a trillion-dollar industry with global influence. More importantly, as technology improved, it no longer became imperative that film production remain in the warmer sections of the United States. For the first time, the film industry started branching out, going "on-location", bringing production to the many corners of the country, and with it, film production dollars.

During the 1960s, fledgling filmmakers and studios sprung up around the country as producers started to seek out diverse locations and places where films could be made "more affordable" than in what could be done in Los Angeles. In Pittsburgh, George Romero and Russ Streiner led a group of young filmmakers by directing and producing the grandfather of the modern horror film, "Night of the Living Dead". An industry that had "gone west" with the exit of the Warner Brothers from Pittsburgh, had now returned

and Pennsylvania would see the first steps in the re-birth of film production in the Commonwealth.

By the late 1980s and early 90s, film production had become so prevalent that the Pittsburgh Film Office was founded to act as an information center and marketing agent for the ever-expanding film industry. In short order, dozens of films were produced for feature and television release. The foundation of this industry was the crew and support services that grew in the region and state to participate in this new industry. In a region that only 20 years prior had been the "steel furnace for the world", now became a film center with millions of dollars and hundreds of jobs being created.

The city saw a new Renaissance as films seemingly were being produced almost daily. "Silence of the Lambs" and "Hoffa" utilized local crew, local goods and services from restaurants to construction and shot at locations around the entire region, and poured literally millions of dollars into the economy. Business and government leaders, seeing the "real people, real monetary value" of this industry opened their doors wide all across the Commonwealth.

By the late 1990's, the industry began to slow down as competition from Canada and other areas pulled production away. For the first time, "runaway production", as it was soon named, would become a real threat to the American film industry. In Pittsburgh, production still moved along as alternatives developed in the form of commercial and industrial film production. But the film crews and support services needed the industry to step up and do something to allow the native industry to be able to compete on a level playing field.

State and local governments realized that tax incentives were needed to draw film production back. In 2003, New Mexico and Louisiana were among the first states to employ this method. Tax incentives utilized to encourage industrial development was hardly a new device. Core industries such as automotive and steel as well as new technology industries were all being drawn to cities like Pittsburgh and Philadelphia for years with great results. Finally, government leaders realized the film industry could be just as lucrative as all the other "traditional" industries.

By 2007, the Pennsylvania Legislature gave the film industry of the Commonwealth what it really needed, a tool that could be used to allow the industry to compete. No longer would the film offices in Pittsburgh, Harrisburg and Philadelphia feel they were employing a "darts at a board" strategy as they watched all the plum films land in other states, but now they had the Pennsylvania Film Tax Credit to attract film production and continue to build on a state-wide industry success story that started as far back as the 1980s.

To date, the program has been remarkably successful. The Pittsburgh Film Office alone has tracked the economic impact of the industry at \$70 MILLION in just the first 2 years. Detractors will say there are "multipliers" that inflate the numbers etc. This is NOT true. These are FIRST DOLLAR numbers based strictly on the actual budget figures supplied

directly by production managers and line producers. Detractors also say the tax credit is just a gimmick as tax dollars leave the state. Quite to the contrary, as \$70 million is spent in southwestern Pennsylvania alone, only a quarter of that stays with the non-native industry.

There are few other ways the Commonwealth can prove to the taxpayers their tax dollars are spent in a wiser manner. Film crews do not just include actors and camera operators. Anyone who has visited a film set or gone behind the scenes will be struck by the highly diverse needs of film production. Painters, carpenters, electricians, truck drivers, office workers, tailors, hairdressers, make-up artists and cooks are just a short list of the dozens of skilled positions needed to produce a film. In addition, "brick-and-mortar" assets like sound stages, post-production facilities and warehouses are all needed for many months during the course of production. And support services like, hotels, car rentals, restaurants, lumber yards, telecommunications and building/office supply stores are just some of the many businesses needed by the film industry on a daily basis. These non-glamorous, but essential businesses will be speaking later today about the impact of the Film Tax Credit.

In southwestern Pennsylvania alone, all 10 counties that are under the umbrella of the Pittsburgh Film Office have seen economic impact as film production has been completed in ALL 10 COUNTIES. In fact, the feature film "The Road" (2008) shot in nearly all 10 counties all by itself. According to the International Association of Theatrical and Stage Employees, Local 489, based in Pittsburgh, UNION membership has DOUBLED IN JUST 12 MONTHS. Hotels in the region have reported room rentals by film production companies have increased 800% since 2005. (25,000 room nights in 2008 alone) Car rental agencies have reported a 250% increase in film production-related business in that same time. Allegheny County Community College has fully recognized the growth of the industry in that they have launched a film workers training program.

In a nation that has seen one of the most serious economic downturns in its history and with rampant unemployment and almost daily news of closing businesses; the film industry in Pennsylvania is one of the few GROWTH industries. In fact, a full-scale comprehensive 350,000 square foot sound stage is in full development in the city of Pittsburgh that will soon be able to handle the needs of the many feature, television, commercial and industrial productions that are generated.

There have been legislative bills introduced to suspend or cancel the film tax credit program. Detractors say films will come anyway. What they fail to realize is that the enormous growth is BECAUSE OF the tax credit program. Perhaps in the future as the industry enters a new phase of production challenges, the tax credit will not be necessary but only AFTER the PENNSYLVANIA industry is comfortably ensconced as one of the nation's leaders in film production will this be the case.

The current film tax credit which brings in many millions of dollars in economic development is a TRUE success story and its benefits are the THOUSANDS of

PENNSYLVANIA CITIZENS who live, work and pay taxes in the Commonwealth and the many businesses that employ those citizens. Don't you think an industry with such an incredible success story deserves your support?

Thank you for your time and I invite your questions.