

HB 2382 HD1

EDT-HRE



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Economic Development and Technology
and
Senate Committee on Higher Education

March 12, 2010 at 1:15pm
by
James R. Gaines
Vice President for Research, University of Hawai'i

HB 2382 HD1 – Relating to Digital Media

Chairs Fukunaga and Tokuda, Vice Chairs Baker and Sakamoto, and Members of the Committees:

HB 2382 HD1 establishes digital media enterprise subzones as unspecified geographic areas surrounding University of Hawai'i campuses that are also designated as enterprise zones. This bill also establishes tax benefits for digital media infrastructure development and operation and local workforce employment; authorizes insurance companies to invest in qualified digital media infrastructure projects in lieu of paying certain state taxes.

The University of Hawai'i System supports the intent of this bill.

Thank you for the opportunity to testify.

fukunaga3 - Doris

From: Ben Shafer [bdshafer@gmail.com]
Sent: Sunday, March 07, 2010 11:24 PM
To: Donovan Ahuna; EDTTestimony; Ben Shafer
Subject: HB2382 Mar. 12, 2010 :15pm Rm 016 In Support

Benjamin D. Shafer, Trustee
IATSE Mixed Local 665
875 Waimanu Street Suite 310
Honolulu, Hawaii 96813
808. 596.0227

Committee on Economic Development and Technology, Senator Carol Fukunaga, Chairperson, Senator Rosalyn Baker, Vice Chair and Committee Members
Committee on Higher Education, Senator Jill Tokuda, Chairperson, Senator Norman Sakamoto Vice Chairperson and Committee Members

RE: In Support of HB 2382

Friday March 12, 2010
Time 1:15 pm
Room: 016

On behalf of Local 665, International Alliance of Theatrical and Stage Employees (IATSE), with over 500 members and 300 referrals and growing, we support HB 2382.

Digital media state-of-the-art Motion Picture and Digital Media Studio Complex will produce film and video productions. Geographically speaking we are in the right place for this to happen. Hawaii should be the hub for the all Asia/Pacific/Hollywood/film/digital productions.

IATSE Local 665, the Union behind Entertainment, support economic development in an industry that could change the dynamics of the film/digital/motion picture industry for the Pacific region. Our members are some of the best technicians in the industry with the skills, knowledge and experience to make this happen today.

We would like to include language from SB 2478 that includes stage and theatrical productions tax credits into the enterprise zones for transportation and local hire tax credits. Lion King did exceptionally well here. Wicked and other Broadway shows should do well here in Hawaii too. Just imagine visitors from Asia and the Pacific coming to Hawaii to see a Broadway show and spending time in Hawaii.

This industry is economically viable, sustainable, and obtainable for Hawaii. IATSE Local 665 supports this bill and other like it that creates excellent jobs today and into long into the future.

Respectfully submitted,



March 12, 2010

The Honorable Carol Fukunaga, Chair and Members
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
The Honorable Jill Tokuda, Chair and Members
COMMITTEE ON HIGHER EDUCATION
State Senate, Room 016
Honolulu, HI 96813

Dear Chairs Fukunaga and Tokuda, and Members:

Subject: House Bill No. HB 2382 HD 1, Relating to Digital Media

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII supports H.B. No. 2382 HD 1.

The bill proposes to:

- 1) Establishing digital media enterprise subzones within enterprise zones and surrounding University of Hawaii (UH) campuses, with the initial subzone located near the UH-West Oahu campus;
- 2) Establishing a Digital Media Infrastructure Tax Credit (Infrastructure Credit) and Digital Media Enterprise Subzone Workforce Development Tax Credit (Workforce Credit) for infrastructure development and Hawaii workforce employment within these subzones;
- 3) Encouraging insurance companies to invest in digital media infrastructure projects by authorizing the use of the Infrastructure Credit to offset state taxes on insurance companies;
- 4) Renaming the Hawaii Television and Film Special Fund the Hawaii Film Office Special Fund and expanding the fees and rents to be deposited into the fund; and
- 5) Allowing the imposition of fees for the administration and certification of the tax credits, which are to be deposited in the Hawaii Film Office Special Fund.

The intent of the bill is to provide significant “incentives” to attract private investment to develop a digital media industry in Hawaii. Providing incentives around the University of Hawaii campuses essentially leverages the public funds invested to grow the knowledge based digital media industry in Hawaii.

We have all heard and read about the continued success of the various high school digital media programs in Hawaii and more specifically along the leeward coast of Oahu. The bill provides incentives to stimulate private investment and leverage public investment towards growing the digital media industry. If done correctly, we see a bright future for students who wish to pursue a career in digital media with a program at the University and knowledge based jobs brought in through private investments in the digital media industry.

Thank you for this opportunity to express our views.

A handwritten signature in black ink that reads "Karen I. Nakamura". The signature is written in a cursive style with a large initial 'K' and a long, sweeping tail on the 'a'.

Chief Executive Officer
BIA-Hawaii



March 12, 2010

The Honorable Carol Fukunaga, Chair and Member
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
The Honorable Jill Tokuda, Chair and Member
COMMITTEE ON HIGHER EDUCATION
State Senate
State Capitol, Room 016
Honolulu, Hawaii 96813

Dear Chairs Fukunaga and Tokuda, and Members:

Subject: House Bill No. HB 2382 HD 1, Relating to Digital Media

My name is Lance Wilhelm, President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

HDC supports H.B. No. 2382 HD 1.

The bill proposes to:

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- 2) Establishing a Digital Media Infrastructure Tax Credit (Infrastructure Credit) and Digital Media Enterprise Subzone Workforce Development Tax Credit (Workforce Credit) for infrastructure development and Hawaii workforce employment within these subzones;
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- 5) Allowing the imposition of fees for the administration and certification of the tax credits, which are to be deposited in the Hawaii Film Office Special Fund.

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We have all heard and read about the continued success of the various high school digital media programs in Hawaii and more specifically along the leeward coast of Oahu. The bill provides incentives to stimulate private investment and leverage public investment towards growing the digital media industry. If done correctly, we see a bright future for students who wish to pursue a career in digital media with a program at the University and knowledge based jobs brought in through private investments in the digital media industry.

Thank you for this opportunity to express our views.



THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2010

Date: Friday, 3/12/10

Time: 1:15 p.m.

Place: Conference Room 016, State Capitol, 415 South Beretania St.

Testimony in support of HB2382 HD1

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair

Senator Rosalyn H. Baker, Co-Chair

COMMITTEE ON HIGHER EDUCATION

Senator Jill N. Tokuda, Chair

Senator Norman Sakamoto, Vice Chair

Hawaii Animation Studios is a new company located in downtown Honolulu at 1132 Bishop St. and is dedicated to building a world class animation infrastructure in Honolulu.

Co-founded by 4 industry leaders and a team of visionary investors in Hawaii, the studio is ideally suited to performing full-production CGI features, TV episodic shows, and direct to DVD work. By bringing together leading creative, technical and production talents, Hawaii Animation Studios is capable of providing topnotch, cost-effective, digital visual images for feature films, commercials, television, multimedia and direct-to-video features.

Hawaii Animation Studios offers a creative, supportive environment for both staff and clients. Our goal is to utilize our experience and knowledge to enable young and burgeoning talent to gain the most from our own collective, substantial and diverse experience.

We have recently hired 20 people in Hawaii on full-time staff positions to complete productions currently in-house. We have a hiring requirement for 25 more people to place prior to the end of April.

Our business plan calls for additional hires over the next 12 months, up to as many as 150 employees. In an effort to achieve this goal we have entered into a contract with UH and

associated campuses to supply internships for 10 students that are currently enrolled at our facility on Bishop St. It is our intent to mentor the youth on the island and give them a primary opportunity to gain valuable employment experience in the digital arts without leaving the island.

Based on the assumption that other companies will follow our success and lead, we anticipate that there will be at least 3 or 4 similar companies to Hawaii Animation Studios operating in the state over the next 3 years. Motivated by the proposed tax incentives, we believe that a conservative estimate for the industry would be the creation of over 1,000 new jobs in the state to complete an estimated 10 to 12 major projects over the next 5 years. Each project would average spending on labor and incidentals of \$8,000,000 to \$10,000,000 and could conceivably create revenue approaching \$1,000,000,000 in sales and box Office over this time frame.

Verification of these numbers can be confirmed through the historical box Office results of computer animated films since the release of Toy Story as reported by Box Office Mojo.

TOTAL (All Movies):	\$7,863,656,906	-	-	-	-
AVERAGE (All Movies):	\$117,368,014	3,084	\$28,826,048	2,946	-
TOTAL (Wide Releases Only):	\$7,863,593,111	-	-	-	-
AVERAGE (Wide Releases Only):	\$120,978,356	3,178	\$31,619,827	3,179	-

Please see appendix A for complete listing as reported in Box Office Mojo

My partners and I decided to come to Hawaii and start this business as a result of 3 factors. We are an act 221 company and forged an alliance with Hawaiian investors that believed in our 23 year track record of computer animation. The investment opportunity made Hawaii a very attractive destination for us. The second factor was geographic location. At one time Hawaii was considered in the middle of nowhere. Today, in the digital world, it is in the middle of everywhere!! 80% of the world's population surround the islands within a ten hour flight, but more importantly all the international cables and data infrastructure cross through Hawaii. Strategically, we are the center of the digital world. Finally, after a visit to the island, my partners and I fell in love with the people, the culture and the spirit of the State. It is a seamless blend of Asian, Polynesian and mainland cultures that result in a unique culture all it's own in the world of business.

HB 2382 gives Hawaii state employers, investors, employees and entrepreneurs the tools required to swiftly develop the digital media industry in Hawaii. By creating digital media enterprise subzones and designating them as enterprise zones and by establishing labour based tax credits and incentives for digital media infrastructure development, the state is promoting growth on par to any state and/or any country in the world in the burgeoning digital media industry.

I can personally attest to this, because I was involved in the first digital tax incentive given by the Province of Ontario, in Canada, in 1999. Today Ontario boasts one of the world's most active digital media industries, due largely to the labour based incentive package.

By passing this bill you will attract investment dollars into the state for a multitude of reasons. Money will come in by way of construction dollars. New facilities will abound in the digital realm. New facilities will require new support industries such as new equipment sales and service. New facilities will create jobs and require training facilities within the University of Hawaii and the Academy of Media Arts.

More importantly, these new facilities will be able to provide services never available previously in the state. Rather than being a location destination for mainland production companies that come here, shoot their production and leave, these new resources will provide world class services that are now only available on the mainland. Production companies will be attracted to the fact that the entire production can now be shot, processed, animated, edited and even transmitted back to the mainland, saving these companies millions of dollars and bringing millions of dollars into the state.

The key ingredient to the success of this bill is the implementation of the labor based tax credit. This tax credit provides the animation studio owners to attract business from outside the state, hire Hawaii personnel and keep the money in the state. There is a huge incentive to create new jobs. This tax credit model is extremely successful in Ontario, British Columbia and Quebec in Canada. This is one of the few tax credit models in which everyone wins.

Based on the history of other states and provinces, the introduction of this bill will attract enough new business to the state to at the very least double the number of employees required to complete the influx of work that this bill will attract. This will be a huge boost to the employee tax base in the state. For Hawaii Animation Studios alone, passage of this bill will likely be the motivator for our studio to grow to 150 employees or beyond within the first year, rather than outsource certain aspects of production in an effort to keep our overhead down. This number represents a 300% growth in the employee base of the company.

In summary, we at Hawaii Animation studios strongly advocate support for HB 2382. These progressive measures will provide Hawaii with the incentives required to develop a vibrant digital media industry and give us the opportunity to be a world leader in this industry. We are developing the talent here, we are providing the financial incentives here and we are geographically located at the center of the digital world. HB 2382 is the catalyst for that infrastructure to emerge.

Sincerely,

Daniel J. Krech
President
Hawaii Animation Studio

Appendix A

Rank	Title (click to view)	Studio	Lifetime Gross / Theaters		Opening / Theaters		Date
1	Shrek 2	DW	\$441,226,247	4,223	\$108,037,878	4,163	5/19/04
2	Finding Nemo	BV	\$339,714,978	3,425	\$70,251,710	3,374	5/30/03
3	Shrek the Third	P/DW	\$322,719,944	4,172	\$121,629,270	4,122	5/18/07
4	Up	BV	\$293,004,164	3,886	\$68,108,790	3,766	5/29/09
5	Shrek	DW	\$267,665,011	3,715	\$42,347,760	3,587	5/16/01
6	The Incredibles	BV	\$261,441,092	3,933	\$70,467,623	3,933	11/5/04
7	Monsters, Inc.	BV	\$255,873,250	3,649	\$62,577,067	3,237	11/2/01
8	Toy Story 2	BV	\$245,852,179	3,257	\$300,163	1	11/19/99
9	Cars	BV	\$244,082,982	3,988	\$60,119,509	3,985	6/9/06
10	WALL-E	BV	\$223,808,164	3,992	\$63,087,526	3,992	6/27/08
11	Kung Fu Panda	P/DW	\$215,434,591	4,136	\$60,239,130	4,114	6/6/08
12	Ratatouille	BV	\$206,445,654	3,940	\$47,027,395	3,940	6/29/07
13	Monsters Vs. Aliens	P/DW	\$198,351,526	4,136	\$59,321,095	4,104	3/27/09
14	Happy Feet	WB	\$198,000,317	3,804	\$41,533,432	3,804	11/17/06
15	Ice Age: Dawn of the Dinosaurs	Fox	\$196,573,705	4,102	\$41,690,382	4,099	7/1/09
16	Ice Age: The Meltdown	Fox	\$195,330,621	3,969	\$68,033,544	3,964	3/31/06
17	Madagascar	DW	\$193,595,521	4,142	\$47,224,594	4,131	5/27/05
18	Toy Story	BV	\$191,796,233	2,574	\$29,140,617	2,457	11/22/95
19	The Polar Express	WB	\$181,320,482	3,650	\$23,323,463	3,650	11/10/04
20	Madagascar: Escape 2 Africa	P/DW	\$180,010,950	4,065	\$63,106,589	4,056	11/7/08
21	Ice Age	Fox	\$176,387,405	3,345	\$46,312,454	3,316	3/15/02
22	A Bug's Life	BV	\$162,798,565	2,773	\$291,121	1	11/20/98
23	Shark Tale	DW	\$160,861,908	4,070	\$47,604,606	4,016	10/1/04
24	Over the Hedge	P/DW	\$155,019,340	4,093	\$38,457,003	4,059	5/19/06
25	Dr. Seuss' Horton Hears a Who!	Fox	\$154,529,439	3,961	\$45,012,998	3,954	3/14/08
26	A Christmas Carol (2009)	BV	\$137,855,863	3,683	\$30,051,075	3,683	11/6/09
27	Dinosaur	BV	\$137,748,063	3,319	\$38,854,851	3,257	5/19/00
28	Chicken Little	BV	\$135,386,665	3,658	\$40,049,778	3,654	11/4/05
29	Robots	Fox	\$128,200,012	3,776	\$36,045,301	3,776	3/11/05
30	Bee Movie	P/DW	\$126,631,277	3,984	\$38,021,044	3,928	11/2/07
31	Cloudy with a Chance of Meatballs	Sony	\$124,870,275	3,119	\$30,304,648	3,119	9/18/09
32	Bolt	BV	\$114,053,579	3,654	\$26,223,128	3,651	11/21/08
33	Meet the Robinsons	BV	\$97,822,171	3,435	\$25,123,781	3,413	3/30/07
34	Antz	DW	\$90,757,863	2,929	\$17,195,160	2,449	10/2/98
35	Open Season	Sony	\$85,105,259	3,833	\$23,624,548	3,833	9/29/06

36	Beowulf	Par.	\$82,280,579	3,249	\$27,515,871	3,153	11/16/07
37	Jimmy Neutron: Boy Genius	Par.	\$80,936,232	3,151	\$13,832,786	3,139	12/21/01
38	Monster House	Sony	\$73,661,010	3,553	\$22,217,226	3,553	7/21/06
39	Barnyard: The Original Party Animals	Par.	\$72,637,803	3,311	\$15,820,864	3,311	8/4/06
40	Flushed Away	P/DW	\$64,665,672	3,707	\$18,814,323	3,707	11/3/06
41	Surf's Up	Sony	\$58,867,694	3,531	\$17,640,249	3,528	6/8/07
42	TMNT	WB	\$54,149,098	3,120	\$24,255,205	3,110	3/23/07
43	Hoodwinked	Wein.	\$51,386,611	3,020	\$12,401,900	2,394	12/16/05
44	The Tale of Despereaux	Uni.	\$50,877,145	3,107	\$10,103,675	3,104	12/19/08
45	Planet 51	Sony	\$41,583,183	3,035	\$12,286,129	3,035	11/20/09
46	The Wild	BV	\$37,384,046	2,854	\$9,684,809	2,854	4/14/06
47	Star Wars: The Clone Wars	WB	\$35,161,554	3,452	\$14,611,273	3,452	8/15/08
48	Final Fantasy: The Spirits Within	Sony	\$32,131,830	2,649	\$11,408,853	2,649	7/11/01
49	9	Focus	\$31,749,894	2,060	\$10,740,446	1,661	9/9/09
50	Toy Story / Toy Story 2 (3D)	BV	\$30,702,446	1,752	\$12,491,789	1,745	10/2/09
51	Space Chimps	Fox	\$30,105,968	2,538	\$7,181,374	2,511	7/18/08
52	The Ant Bully	WB	\$28,142,535	3,050	\$8,432,465	3,050	7/28/06
53	Jonah: A VeggieTales Movie	Art.	\$25,581,229	1,625	\$6,201,345	940	10/4/02
54	Astro Boy	Sum.	\$19,551,067	3,020	\$6,702,923	3,014	10/23/09
55	Igor	MGM	\$19,528,602	2,341	\$7,803,347	2,339	9/19/08
56	Valiant	BV	\$19,478,106	2,016	\$5,914,722	2,014	8/19/05
57	Happily N'Ever After	LGF	\$15,589,393	2,381	\$6,608,244	2,381	1/5/07
58	Arthur and the Invisibles	MGM/W	\$15,132,763	2,248	n/a	1	12/29/06
59	Everyone's Hero	Fox	\$14,523,101	2,898	\$6,061,762	2,896	9/15/06
60	Fly Me to the Moon	Sum.	\$13,816,982	713	\$1,900,523	452	8/15/08
61	The Pirates Who Don't Do Anything	Uni.	\$12,981,269	1,340	\$4,251,320	1,337	1/11/08
62	Doogal	Wein.	\$7,417,319	2,319	\$3,605,899	2,318	2/24/06
63	Battle for Terra	LGF	\$1,647,083	1,159	\$1,082,064	1,159	5/1/09
64	The Ten Commandments (2007)	RM	\$952,820	830	\$478,910	830	10/19/07
65	Delgo	Free	\$694,782	2,160	\$511,920	2,160	12/12/08
66	Roadside Romeo	Yash	\$55,202	29	\$41,770	29	10/24/08
67	Kaena: The Prophecy	IDP	\$8,593	3	\$2,173	1	6/25/04
TOTAL (All Movies):			\$7,863,656,906	-	-	-	-
TOTAL (Wide Releases Only):			\$7,863,593,111	-	-	-	-
AVERAGE (Wide Releases Only):			\$120,978,356	3,178	\$31,619,827	3,179	-

fukunaga3 - Doris

From: Michael Rivero [rivero@hbentertain.com]
Sent: Monday, March 08, 2010 7:01 PM
To: EDTTestimony
Cc: har3-Megan
Subject: Testimony on HB2382, HD1

I understand the concerns of those who insist that we cannot allow any tax credits during these economic hard times. Their philosophy is that we should collect the full 100% tax rates on all earnings within the state. But I would ask you to take out your pocket calculator and calculate how much tax 100% of nothing really is?

Then I would ask you to calculate if bringing new business to our shores at a reduced tax rate might yield more revenue than the aforesaid 100% tax rate on nothing.

The hard fact is that tourism has been destroyed and we are all adult enough to understand who and what destroyed it. Diversification is no longer a luxury here in Hawaii; it is a dire necessity. We must bring jobs to Hawaii. Jobs are the foundation of every economy. Any other viewpoint is just wishful thinking. The claim of a "jobless recovery" so often touted on the mainland is a myth. We can no more save Hawaii's economy without new employment than we can move a house by picking it up by the roof. Both will shatter.

Our economy is like a boat with ten holes in the bottom and five corks. Pulling a cork from one hole to plug the next is not a solution. We need more corks!

I urge all support to bring computer graphics companies to Hawaii, to provide jobs for our young people graduating from the ACM so that our investment in their skills is not wasted by allowing them to seek employment on foreign shores.

Please give due and serious consideration to the long term benefits of HB2382 and SB2355, and do not let the short term view sabotage an opportunity to grow our local computer animation industry.

Thank you.

Michael Rivero
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Harry A. Saunders
President

Fax Submittal: 586-6659
Email Submittal: EDTTestimony@Capitol.hawaii.gov

Testimony by Harry Saunders
President, Castle & Cooke Hawai'i
March 11, 2010

Before the Senate Committees on
ECONOMIC DEVELOPMENT AND TECHNOLOGY
and
HIGHER EDUCATION

March 12, 2010
1:15 p.m.
Room 16

In Support of HB 2382 HD1
RELATING TO DIGITAL MEDIA

Chair Fukunaga, Vice Chair Baker; Chair Tokuda, Vice Chair Sakamoto and Members of the Senate Economic Development and Technology and Higher Education Committees.

Castle & Cooke supports HB 2382 HD1 as it will establish digital media enterprise subzones near University of Hawai'i campuses and within enterprise zones. It is our understanding that this initiative will help stimulate economic activity in the digital media and film industries and provide positive economic synergies in and around UH campuses.

Mahalo for your consideration of our testimony. If you have questions, please feel free to contact us:

Harry Saunders, President
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aktsukamoto@castlecooke.com
548-4884

Richard Mirikitani, Senior Vice President and Counsel
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Carleton Ching, Vice President – Community and Government Relations
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Testimony to
Senate Committee on Economic Development and Technology
and
Senate Committee on Higher Education

Friday, March 12, 2010

By: Stephan D. Smith
President, SHM Partners

HB 2382, HD1 (HSCR565-10)—Relating to Digital Media

I am writing in ardent support of HB 2382, especially as it relates to the infrastructure credit, because without it the type of studio facilities necessary to attract continuous production and build a sustainable film and television industry in Hawaii will not be built.

Public assistance in building film and television production infrastructure is not new internationally but is relatively new in the U.S. Cinecitta in Rome, Studio Babelsberg in Potsdam-Babelsberg, Barrandov in Prague and Ciudad de la Luz in Alicante, Spain were all built with government funds (the former two have since been mostly privatized) while Fox Studios Australia, Warner/ (Village) Roadshow Studios in Queensland, Central City Studios in Melbourne, Stone Street Studios (Peter Jackson's) in Wellington, N.Z. Bridge Studios in Vancouver, B.C. were all built with very substantial government assistance in the form of free or subsidized land, grants, low interest loans and/or direct investment.

Vancouver's assistance to the Province's film infrastructure, together with its wage-based incentive program, is the reason it has grown into one of the four largest film centers in North America with over \$1.2 billion in 2008 expenditures.

Meanwhile, Toronto's considerable assistance in underwriting Toronto Film Studios in the Portlands area and New York's sweetheart deal with Steiner Studios in the Brooklyn Navy Yards cemented them as two of the other primary production hubs in the Americas.

New motion picture/television studios now being considered in New Zealand and Puerto Rico will include considerable government assistance. While the former is an established production center with a moderate film incentive but a hunger for more of the benefits filming has brought them, the latter is an up-and-coming production location with a 40% film incentive but little in the way of infrastructure.

Louisiana's 40% infrastructure credit was a key component in helping to underwrite a number of small studios and raise production from \$10 million in 2002 to over \$500 million in 2007. Arguably, Louisiana was less in need of the credit than Hawaii because of its plentiful underutilized resource options for filming, not the least of which has been the convention center in Shreveport.

Michigan's 25% infrastructure credit, in place for a couple of years, has led to the opening of one studio and a handful of projects in planning. While production in the state has increased

from 5 or fewer features per year to 31 in 2008, representing \$174 million in expenditures, and (projected) 35 in 2009 based on the nation's highest incentive, 40-42%, it is too early to gauge the impact of studio infrastructure. However, while Michigan is in severe financial distress, they understand that without studio infrastructure the state will only ever be a film location rather than the new industry they so critically need.

Thanks to the combination of its 25% tax rebate, 0% film investment loan program, film-friendly environment and proximity to Los Angeles, New Mexico's production expenditures have risen from \$1.5 million in 2001 to over \$475 million in 2007. Albuquerque Studios, built with union funding rather than government assistance, has attracted a considerable amount of this activity - to the state's benefit--but has struggled financially due to its high cost structure and "stand-alone" basis, i.e. lack of non-studio revenue streams. It could not be reproduced today.

It's clear that production is increasingly gravitating to places with studios, so jurisdictions which have supported studio infrastructure have set themselves apart from those offering only location opportunities by dramatically increasing local expenditures (location spending typically amounts to well less than 50% of total production cost) and building an industry comprised of skilled, high paying jobs. When combined with an educational component, such as the Academy of Creative Media, studios become a creative catalyst enveloping all forms of digital media as well as related businesses.

Hawaii offers lush tropical locations as well as more urban settings, optimal natural lighting, safety and talented crew. Interestingly, the State also boasts an abnormally high incidence of creative, media-savvy young people. However, unless there is public investment in infrastructure, Hawaii, which is already relatively expensive, will progressively lose productions to alternative tropical locations which offer studio facilities. This will inevitably lead to an ever greater exodus of students graduating in media disciplines seeking job opportunities elsewhere.

The lure of Hawaii for producers of visual content is incontrovertible—over 50 years of television production and nearly 100 years of filmmaking, not to mention hundreds of commercials—and production spending in 2010 is expected to climb 40% from 2009 to \$180 million, thanks in large part to Act 88 tax credits. However, most of this production is location-based with the majority of the spending occurring elsewhere, and *Lost*, accounting for nearly \$80 million per year in expenditures, will be wrapping this year.

Hopefully, *Hawaii Five-0*, or another proposed series, will be picked up and prove to be as successful as *Lost*. However, as has been the case for this heavily location-oriented show (which considered moving much of the production back to Los Angeles for stage work), meeting the facilities needs of any major television production will be a serious challenge. Feature films, such as *Pirates of the Caribbean* and *Battleship*, really don't have a local option for stage work. The film business is changing, and modern stage facilities are needed in order for the State to even maintain production spending at the 2009 level.