

DIGITAL MEDIA PUBLIC POLICY FORUM

February 11, 2009

Report of the Roundtable

SUMMARY

On February 11, 2009, a public policy forum in Hartford, CT attracted a wide variety of public and private sector leaders seeking to understand how to build a permanent digital media industry in Connecticut and generate high-quality jobs during an unprecedented economic crisis. The digital media public policy roundtable was held at the Legislative Office Building in Hartford and drew more than 40 individuals from around the state.

The forum attracted executives needing to understand how public policy will impact businesses, jobs and their careers, small business owners and entrepreneurs looking for business opportunities that result from industry public policies, educators seeking to develop a qualified workforce, and legislators and other public policy decision-makers seeking to create jobs and diversify Connecticut's economy,

Participants focused both on the significant near term jobs and revenue growth potential of the digital media sector and identified the necessary components needed to realize growth in Connecticut with two key components standing out: the importance of the tax credit, and the need to create a sustainable and qualified workforce. Here's a recap:

- Digital media is a source of high paying jobs even when other parts of the economy weaken.
 - Digital media, which includes film, television, digital animation, visual effects and video game development, is a source of high paying, tech, creative, blue-collar and professional jobs. It is a rapidly growing industry and tends to be recession-resilient. It is one of the few industries today growing at a double digit rate. Just the video game sector alone grew 23% nationally last year (13% in January 2009) and generated \$22 billion in revenue.
- There are three pillars to building the digital media industry: an attractive tax credit; education and training; and a sustainable workforce.
- Connecticut has the momentum, but public policy must maintain and build on it.
 - Through its current film, TV and digital media tax credit program, Connecticut has created a strong draw of new jobs and new companies, but that draw would dry up and go elsewhere if the tax credit were to be eliminated or severely curtailed.
 - In the short time since its inception in 2006, the tax credit program has increased investment from the production sector from \$700,000 to more than \$500 million, sparked 1.5 times that in economic impact throughout Connecticut, and generated thousands of jobs.

- Connecticut developed its infrastructure and now needs to develop its workforce
 - Workforce development is critical to attracting companies and building a sustainable industry, so there also needs to be a public/academic/private sector effort to train workers for digital media jobs.
 - Connecticut has one of the strongest broadband infrastructures in the country upon which to build and expand the digital media sector, and currently serves 95% of the state.

KEY FINDINGS AND TOPICS

A Growing Industry with Huge Potential:

- Digital media, which includes film, television, digital animation, visual effects and video game development, is a source of high paying, high tech jobs in an industry rapidly growing in the global economy; it tends to be recession-proof, and is one of the few industries today growing at a double digit rate.
- Just the video game sector alone grew 23% nationally last year and generated \$22 billion in revenue.
- Digital media industry growth will explode as the previously disparate components of media conduits and content continue to converge at a rapid pace – film; television; video games; desk top and laptop computers; mobile devices; magazines; newspapers, the web and social media.
- The industry's model for cost recovery is much less than traditional media production and distribution, which will bode well for the acceleration of growth, profitability and job creation.

How to Grow a Growing Industry: There are three pillars to building the digital media industry and creating the thousands of high-paying jobs that come along with it:

1. The current Connecticut production tax credit program (which includes digital media companies);
2. Education and training driven by the convergence of industry need, educational institution expertise and resources, and state government encouragement and support; and
3. A sustainable workforce that is imported by companies locating here, and grown organically through education and training (#2 above).

Active Incubation and Recruitment of Digital Media Firms into Connecticut:

- We can grow this industry by actively incubating current companies at early stages of development, and recruiting outside companies to establish operations in the state.
- There is an initiative in development to establish a Connecticut Digital Media incubator that gives emerging digital media companies a place to base and establish themselves, market directly to large scale buyers, and grow and generate jobs much faster than if left on their own.
- Currently there are seven companies from L.A., San Francisco and London, England actively considering a move to Connecticut, because of the tax credit and the potential workforce, which would represent thousands of jobs.

A digital media workforce gives Connecticut economic flexibility

- Across the US, this industry attracts a young, highly motivated and intelligent workforce. It is the unusual convergence of art and technology.
- There are great synergies across all types of companies that utilize digital media skill sets, so once the workforce takes deep root, a whole new large employment sector is born that can be applied to multiple industries sectors (entertainment to defense).
- The impact that the digital media industry has on overall employment in the state is very broad. There are blue collar jobs because someone has to run and maintain the pipes and wires. There are technology jobs because someone has to manage the technology aspects of production and distribution over the web or digitally to theaters or repurposing for television. There is a significant legal component with contracts, copyright issues, etc. And there are creative and production jobs behind developing content.
- The state needs to expand its film and digital production training program, and continue to partner with the academic and private sectors to understand needs and effectively deliver workforce-based training and education.

Recession-Proof Upside:

- The digital media industry tends to be recession-proof because even in an economic downturn there is still a strong market for entertainment, whether people go out to movies, enjoy music, watch movies or TV at home, or play video games.
- More broadly speaking, digital media pervades just about every aspect of the private, public and non-profit sectors – it is essential, and thus a great industry to support and grow from a strategic economic development perspective.

Existing Infrastructure Just Waiting to be Tapped:

- Connecticut already has the broadband infrastructure to support the high growth digital media industry, and is already serving 95% of the state, among the strongest in the nation.
- Connecticut is particularly well situated to compete as states vie for digital media companies and jobs.

Groundswell of Grassroots and Union Support Emerging:

- There is substantial growing support for developing the digital media industry. The newly established Connecticut Production Coalition (CPC) has well over 1500 members who support the industry and the continuing tax credit that is establishing it in Connecticut.
- Labor unions strongly support continuing tax credit – for instance, the Teamsters have gathered more than 2800 petition signatures urging lawmakers to retain the tax credit.

The Bottom-Line Importance of the Economic Stimulus Tax Credit:

- Through its tax credit program, Connecticut has done a great job of creating a strong draw to the state, but that draw would dry up and go elsewhere if the tax credit were to be eliminated or severely curtailed.
- It has attracted 91 film productions and over \$500 million in investment from those productions, and sparked 1.5 times that in cash flow to hotels (more than 80,000 room nights), rental cars, restaurants and caterers, printers, dry cleaners, and the list goes on.
- Blue Sky Studios located to Connecticut with more than 400 jobs, NBC Digital is keeping more than one hundred jobs here because of the tax credit, and scores of smaller companies directly serving the industry have staffed up, from accountants and lawyers to small digital media, game development and production companies. [postscript: since this forum was held, NBC announced moving a major production studio to Connecticut and a number of permanent shows, initially creating 200 jobs and investing \$3 million in infrastructure.]
- At least 7 Digital Media companies are considering a move to Connecticut as a result of the tax credit program. Among these are two of the top three visual effects houses in the world, two of the top video game developers, and an animation company about to embark on production of a major new feature film.

Other Information:

- The forum was sponsored by the Connecticut Production Coalition (www.productionct.com) and the Connecticut Digital Media group (www.ctdigitalmedia.com), both independent non-profit organizations dedicated to building a permanent digital media, film and television industry in Connecticut.
- Panelists included:
 - Ephraim Cohen: Forum Moderator, Founder and Principal of The Fortex Group
 - Gary Cohen: President of Triple Threat TV
 - Brandon Curiel: President and CEO of Venan Entertainment
 - John Emra: VP of External Affairs for AT&T
 - Andy Moss: Managing Director of Olson-Moss LLC; former director of public policy for Microsoft

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