



Case Study – Economic Impacts of *Pyewacket*

Prepared for the Canadian Media Producers Association
with financial support from
Telefilm Canada

December 2017

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1. SUMMARY

Spending on film and television productions can create significant economic impacts for residents and businesses in the region where productions are filmed, as well as substantial tax revenues for federal, provincial and local governments.

MNP LLP was engaged by the Canadian Media Producers Association to develop a case study of the economic impacts of the production of the Canadian Feature film *Pyewacket* in the province of Ontario.

Pyewacket saw production-related spending in Ontario of approximately \$2.8 million, which generated:

- Approximately \$3.7 million in total GDP in Ontario.
- Approximately \$0.9 million in federal and provincial tax revenues.
- Approximately 47 FTEs (full time equivalent positions) in total employment in Ontario.

The employment supported by the production of *Pyewacket* is equivalent to the direct and indirect employment supported by the construction of approximately 22 new homes in Ontario.¹ This is equivalent to about a quarter of all the new housing starts in Sault Ste. Marie, the town where the filming took place, in 2016.²

2. ABOUT PYEWACKET

Pyewacket is a Canadian horror film starring Nicole Muñoz and Laurie Holden. The film tells the story of a teenage girl struggling to come to terms with the death of her father. Upset with her mother, she performs an occult ritual to evoke a witch, *Pyewacket*, to kill her.³ The film was co-produced by JoBro Productions and Just Believe Productions, and was written and directed by Adam MacDonald.

Filming took place in Sault Ste. Marie, Ontario and surrounding communities over a period of 19 days in November 2016. *Pyewacket* was released in theatres on December 8, 2017.

JOBRO PRODUCTIONS

JoBro Productions is a Canadian film production and financing company founded by Jonathan Bronfman in 2012. The company specializes in structuring, financing and producing domestic and international co-productions. It partners with financiers, producers, directors and writers in pursuit of projects with international marketplace potential. In addition to *Pyewacket*, JoBro's productions include the feature films *Two Lovers and a Bear*, *Mean Dreams* and *The Void*.

JoBro Production's films have been released globally by renowned distribution companies including Fox Searchlight, A24, Universal, Focus Features, Netflix, Sony Pictures Classics and Roadside Attractions. Films have played at festivals such as Cannes, Berlin, TIFF, Sundance and SXSW.

¹ Will Dunning Inc., *Economic and Fiscal Impacts of Residential Construction – 2016*. Retrieved from: http://www.chba.ca/CHBA/Housing_in_Canada/Information_and_Statistics/impacts/1%20Ontario%20Economic%20Impacts%20of%20New%20Home%20Construction%202016.pdf.

² CMHC, *Housing Now Tables Ontario Region*. Retrieved from: <https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?cat=100&itm=1&lang=en&fr=1512428943340>.

³ IMDb, *Pyewacket* (2017). Retrieved from: <http://www.imdb.com/title/tt5119116/>.

3. STUDY PURPOSE & DISCLAIMER

This study was commissioned by the Canadian Media Producers Association and supported by Telefilm Canada. MNP LLP was engaged by the CMPA to develop a case study of the economic impacts of the production of *Pyewacket* on the Ontario economy. For the study, MNP obtained data on production expenditures from JoBro Productions. The following report solely reflects the views of the authors. Findings, conclusions or recommendations expressed in this report are those of the authors and do not necessarily reflect the views of the funders of this report, who are in no way bound by any recommendations contained herein.

4. PRODUCTION SPENDING AND GOVERNMENT INCENTIVES

Production spending on *Pyewacket* engaged close to 60 vendors in Ontario. As shown in Table 1, there were 39 vendors from Sault Ste. Marie and 20 vendors from 10 other communities in the province. The production engaged a wide variety of vendors including vehicle and equipment rental agencies, warehousing and storage facilities, catering companies, hotels, professional services firms, dry cleaning services and various types of retailers.

Table 1: Vendor Data

| Region | Number of Vendors |
|------------------------------|-------------------|
| Sault Ste. Marie | 39 |
| Other communities in Ontario | 20 |
| Total | 59 |

Source: JoBro Productions

As shown in Table 2, *Pyewacket* was associated with total production-related spending in Ontario of approximately \$2.8 million.⁴ About \$1.4 million was spent in Ontario on wages, salaries and per-diems for individuals involved in production and post-production of the film, and another \$1.4 million was spent on production-related goods and services.

Table 2: *Pyewacket* Production Spending

| | Production Spending | Share of Spending |
|---|----------------------|-------------------|
| Spending on labour related to production and post-production, including per-diems | \$1.4 million | 50% |
| Spending on goods and services | \$1.4 million | 50% |
| Total Spending | \$2.8 million | 100% |

Source: JoBro Productions

⁴ Estimated based on information and expenditure data provided by JoBro Productions.

As shown in Table 3, the production benefited from federal and provincial tax incentives, including federal tax incentives through the Canadian Film or Video Production Tax Credit, Ontario-based tax incentives through the Ontario Film and Television Tax Credit (OFTTC), and funding through the Northern Ontario Heritage Fund Corporation (NOHFC).

Table 3: Federal and Provincial Government Incentives and Funding Received for *Pyewacket*

| | Production Incentives |
|--|-----------------------|
| Federal | |
| Canadian Film or Video Production Tax Credit | \$144,000 |
| Provincial | |
| Ontario Film & Television Tax Credit | \$464,000 |
| Northern Ontario Heritage Fund Corporation | \$500,000 |
| Total | \$1,108,000 |

Source: JoBro Productions

5. ECONOMIC IMPACTS OF PRODUCTION SPENDING

MNP estimated the economic impact of the production of *Pyewacket* using the 2013 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 impacts of a set of direct expenditures related to the filming of *Pyewacket*. The film, like other productions, has an amount of direct expenditure, which in turn stimulates so-called 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 and a schedule of production-related expenditures provided by JoBro Productions, MNP estimated the total economic impacts (i.e. direct, indirect and induced) arising from the \$2.8 million of production spending in Ontario. The results of this analysis are presented in Table 4. (For an overview of the methodology used to estimate the economic impacts and for more detailed results, please see Appendices A and B of this report.)

Table 4: Estimated Economic Impacts of *Pyewacket* Production Spending

| | Production Impacts |
|---|--------------------|
| Direct Production Expenditure in Ontario | \$2.8 million |
| Total Output | \$5.4 million |
| Total GDP | \$3.7 million |
| Total Employment (FTEs⁵) | 47 FTEs |
| Federal Tax Revenues | \$0.5 million |
| Provincial Tax Revenues | \$0.3 million |
| Municipal Tax Revenues | \$0.1 million |

Table 5 shows the economic impacts per dollar of federal government incentives received by JoBro Productions for *Pyewacket*.

Table 5: Estimated Economic Impacts per Dollar of Federal Government Incentives

| | Production Impacts |
|---|--------------------|
| Output per dollar of federal government incentives | \$37.41 |
| GDP per dollar of federal government incentives | \$25.74 |
| Employment per \$100,000 of federal government incentives | 32 FTEs |
| Federal tax revenues per dollar of federal government incentives | \$3.21 |

⁵ One FTE is equivalent to one person-year of employment.

Table 6 shows the economic impacts per dollar of Ontario Film & Television Tax Credit received by JoBro Productions for *Pyewacket*.

Table 6: Estimated Economic Impacts per Dollar of Ontario Film & Television Tax Credit

| | Production Impacts |
|---|--------------------|
| Output per dollar of Ontario Film & Television Tax Credit | \$11.63 |
| GDP per dollar of Ontario Film & Television Tax Credit | \$8.00 |
| Employment per \$100,000 of Ontario Film & Television Tax Credit | 10 FTEs |

Table 7 shows the economic impacts per dollar of Northern Ontario Heritage Fund Corporation funding received by JoBro Productions for *Pyewacket*.

Table 7: Estimated Impacts per Dollar of Funding from the Northern Ontario Heritage Fund Corporation

| | Production Impacts |
|---|--------------------|
| Output per dollar of Northern Ontario Heritage Fund Corporation | \$10.78 |
| GDP per dollar of Northern Ontario Heritage Fund Corporation | \$7.42 |
| Employment per \$100,000 of Northern Ontario Heritage Fund Corporation | 9 FTEs |

6. COMPARISON WITH OTHER INDUSTRIES

To provide perspective on the size of the economic impacts generated by the production of *Pyewacket* in Ontario, it is useful to compare the impacts with those created by other industries. Two examples of other industries are new home construction, and culture and recreation.

New Home Construction – The estimated employment of 47 FTEs supported by the production of *Pyewacket* is equivalent to the direct and indirect employment supported by the construction of about 22 new homes in Ontario.⁶ This is equivalent to about a quarter of all new housing starts in Sault Ste. Marie in 2016.⁷



Culture/Recreation – The estimated employment supported by the production of *Pyewacket* is roughly equivalent to the total employment supported by the operations of the Sault Ste. Marie Library and its branches for six months of the year.⁸



7. ADDITIONAL IMPACTS

In addition to economic impacts that arise through production spending, productions such as *Pyewacket* produce impacts that can result from infrastructure spending, film induced tourism and personal spending by non-resident labour.

- **Infrastructure Impacts** – Infrastructure spending includes expenditures associated with production facilities and equipment. While the economic impacts of infrastructure spending have not been assessed in this report, it is important to note that the impacts can be significant.
- **Film Induced Tourism Impacts** – Film induced tourism (FIT) is the phenomenon of films and television programs encouraging viewers to visit the country or region where filming occurred. FIT and its related tourism concepts, which include the effects of TV, films, movies and media culture, has increasingly been viewed as an important component of tourism marketing.⁹
- **Personal Spending by Non-resident Labour while in Ontario** – This may include spending by non-resident labour on vacations or other personal purchases while on location in Ontario, such as spending at cafes, restaurants and other small businesses.

⁶ Will Dunning Inc., *Economic and Fiscal Impacts of Residential Construction – 2016*. Retrieved from: http://www.chba.ca/CHBA/Housing_in_Canada/Information_and_Statistics/impacts/1%20Ontario%20Economic%20Impacts%20of%20New%20Home%20Construction%202016.pdf.

⁷ CMHC, *Housing Now Tables Ontario Region*. Retrieved from: <https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?cat=100&itm=1&lang=en&fr=1512428943340>.

⁸ Nordik Institute, *Building Strong and Vibrant Communities: The Value of the Sault Ste. Marie's Public Library*. Retrieved from: http://www.nordikinstitute.com/wp-content/uploads/2011/12/SSM-Public-Library_Value-SROI.pdf.

⁹ Croy, Glen W, *The Lord of the Rings, New Zealand, and Tourism: Image Building with Film*, 2004.

Community Benefits

It is worth noting that film and television productions can also generate additional economic, community and social benefits. These may include the development of business partnerships and local skills and talent development through the creation of training and mentorship opportunities.

To illustrate the impacts that *Pyewacket* had on career development and advancement opportunities for Ontario residents, MNP interviewed Mr. Jonathan Bronfman, President of JoBro Productions and Mr. Andrew Bronfman, Producer at JoBro Productions.

In November 2016, Sault Ste. Marie and surrounding area was the filming location for *Pyewacket*. JoBro Productions' President, Mr. Jonathan Bronfman, explained that while they hired both local residents and non-residents to meet the needs of the production, most positions were filled by Ontario residents, including a number of extras and background performers.

In addition, the film employed 15 individuals who participated in an on-set training program. The departments that participated in the training program included makeup, wardrobe, special effects, set, sound, camera and locations. According to Mr. Andrew Bronfman, Producer, all trainees gained valuable hands on knowledge of the day to day tasks on set, and became familiar with departmental processes. As a result, several trainees have found employment opportunities within the industry since. One Wardrobe Assistant, for example, who was mentored by *Pyewacket's* Lead Costume Designer on set was able to leverage the experience, and has since gone on to work for other film and television productions.

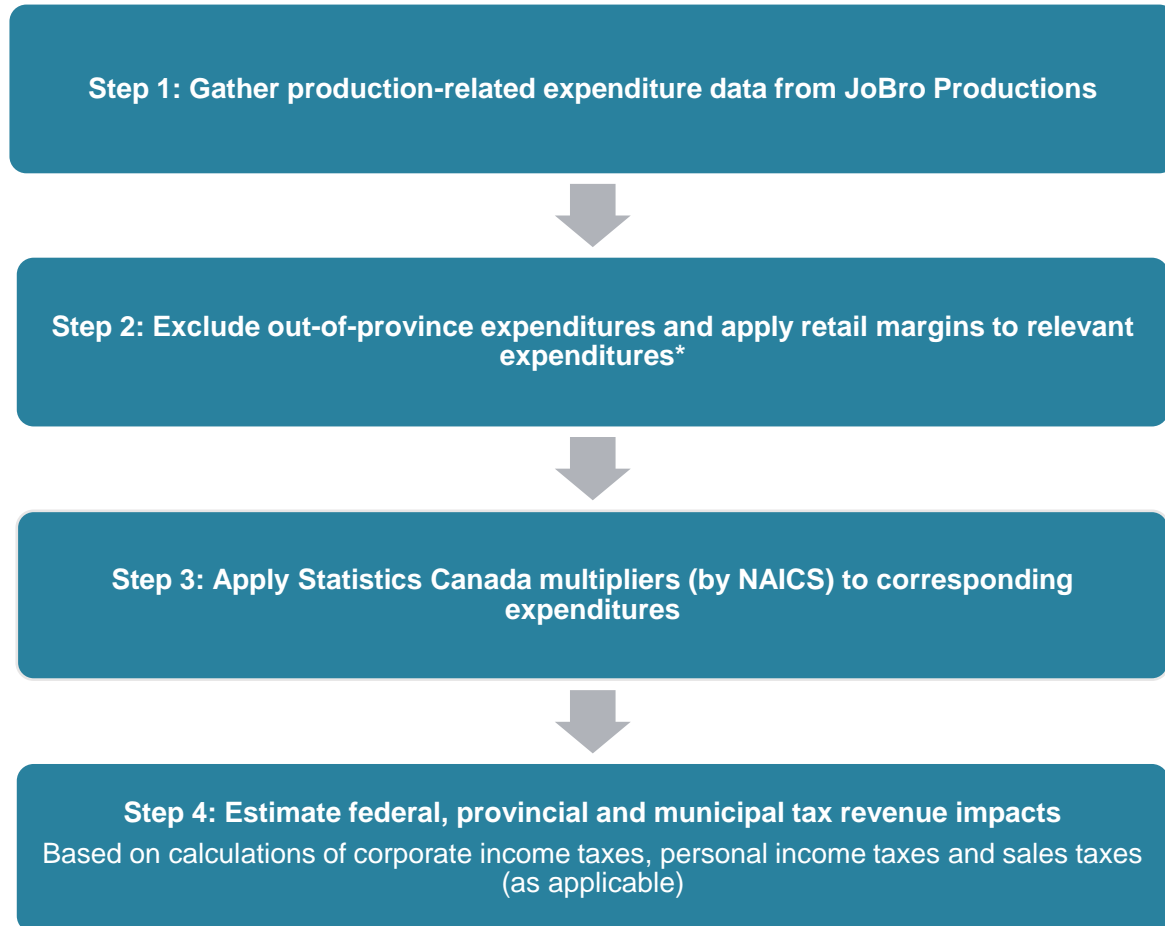


*“It’s great to see the trainees as they progress and climb their way up within the industry. After working on *Pyewacket*, many of them have been able to cross-credit with us on other projects”*

- *Mr. Jonathan Bronfman, President, JoBro Productions*

APPENDIX A – ECONOMIC IMPACT METHODOLOGY

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



* Retail margins were applied to expenditures on clothing and clothing accessories (50.6%), electronics and appliance stores (31.5%), and miscellaneous retail purchases (46.4%). Wholesale margins were applied to expenditures on building material and supplies (25.2%) and machinery, equipment and supplies (26.4%). (*Statistics Canada, CANSIM Tables 080-0030 and 081-0017*)

APPENDIX B – DETAILED RESULTS

Table B-1: Estimated Economic Impacts of the Production of *Pyewacket* in Ontario

| | Output (million) | GDP (million) | Employment | Federal Tax (million) | Provincial Tax (million) | Municipal Tax (million) |
|-------------------------------------|---------------------|--------------------|------------|--------------------------|-----------------------------|----------------------------|
| <i>Direct</i> | \$2,785,540 | \$2,212,828 | 24 | \$295,491 | \$141,704 | \$23,535 |
| <i>Indirect and Induced</i> | \$2,605,742 | \$1,496,336 | 23 | \$167,269 | \$117,886 | \$75,153 |
| Total | \$5,391,282 | \$3,709,164 | 47 | \$462,760 | \$259,590 | \$98,688 |


ECONOMIC IMPACT OF PYEWACKET



TELEFILM
CANADA

Pyewacket is a Canadian feature horror film that provides a lesson to the genre on how to be “both smart and pretty scary”.¹ Starring Nicole Muñoz and Laurie Holden, the film tells the story of a teenage girl who naively performs an occult ritual to evoke a witch to kill her mother.

\$5.4M TOTAL ECONOMIC OUTPUT

 **\$3.7M** IN GDP

 **47** FULL TIME JOBS²

Filming took place in Sault Ste. Marie, Ontario and surrounding communities over a period of 19 days in November 2016. The film was co-produced by JoBro Productions and Just Believe Productions, and was written and directed by Adam MacDonald. *Pyewacket* was released in Canadian theatres on December 8, 2017.



ECONOMIC IMPACTS

PRODUCTION
SPENDING IN
ONTARIO

\$2.8M
TOTAL PRODUCTION
EXPENDITURE



\$1.4M EMPLOYMENT



\$1.4M GOODS AND SERVICES

IMPACT PER DOLLAR: FEDERAL TAX CREDIT

FOR EACH DOLLAR OF CANADIAN FILM OR VIDEO PRODUCTION TAX CREDIT (CPTC) RECEIVED, *PYEWACKET* GENERATED



\$37.41

IN ECONOMIC OUTPUT



\$25.74

IN GDP



\$3.21

IN FEDERAL
TAX REVENUES



32

FULL-TIME JOBS PER
\$100,000 OF
INCENTIVES



TAX REVENUES GENERATED

\$500K

FEDERAL

\$300K

PROVINCIAL

\$100K

MUNICIPAL

¹ Knight, C. “Adam MacDonald’s excellent *Pyewacket* asks and answers one chilling question”. *National Post*. December 8, 2017.

² Employment impacts of production spending are based on full time equivalents (FTE).

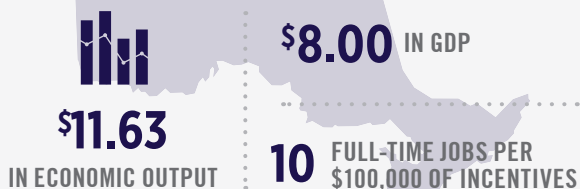
ECONOMIC IMPACTS

Through its production spending in Northern Ontario, *Pyewacket* created significant local economic impacts for residents and businesses.

IMPACT PER DOLLAR: PROVINCIAL INCENTIVES

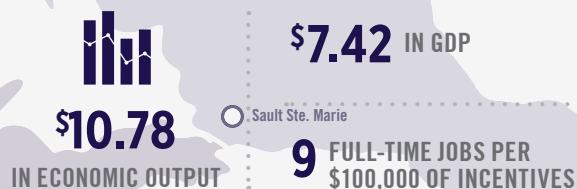
ONTARIO FILM AND TELEVISION TAX CREDIT

Impact per Dollar



NORTHERN ONTARIO HERITAGE DEVELOPMENT FUND

Impact per Dollar



VENDORS



59 BUSINESSES BENEFITED

39 IN SAULT STE. MARIE

20 IN OTHER NORTHERN ONTARIO COMMUNITIES

EMPLOYMENT COMPARISON

PYEWACKET'S **47** FTE JOBS ARE EQUIVALENT TO:



22
NEW HOME
BUILDS IN
ONTARIO

OR

1/4
OF ALL NEW HOME
BUILDS IN SAULT STE.
MARIE IN 2016

COMMUNITY IMPACTS

Feature film productions generate additional economic, community and social benefits. This includes business opportunities and contributions to talent development within the local community.



Pyewacket employed 15 individuals who participated in an on-set training program. The departments that participated in the training program included makeup, wardrobe, special effects, set, sound, camera and locations.

Local trainees gained valuable hands on knowledge of the day to day tasks on set, and became familiar with departmental processes. As a result, several trainees have since found employment opportunities within the industry.