

# Agenda Report

TO: CITY COUNCIL  
THROUGH: LEGISLATIVE COMMITTEE  
SEPTEMBER 23, 2002

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: FILM AND TELEVISION ACTION COMMITTEE'S PROPOSAL  
RE: COUNTERVAILING TARIFFS

## **RECOMMENDATION:**

It is recommended that the City Council oppose countervailing tariffs against American film and media companies.

## **BACKGROUND:**

The issue of countervailing tariffs to prevent runaway production was raised during public comment at the City Council in August, 2002.

Starting in 1998, the Canadian government offered a variety of subsidies to Hollywood producers to encourage film production in Canada. Approximately 25,000 American jobs, primarily in the Los Angeles County area, have been lost to Canada over the last four years. This loss is reflected in a \$10.3 billion dollar hit to the U.S. economy from runaway film production according to the California State Senate Republican Caucus.

Americans face a daunting task in attempting to compete with Canada's weaker currency and wage tax credits, which reimburse producers for up to 33% of their labor costs. The Pasadena City Council has supported a variety of tax incentive packages to encourage a level playing field between the United States and Canada. However, various state and federal legislatures have not been successful in enacting this type of legislation.

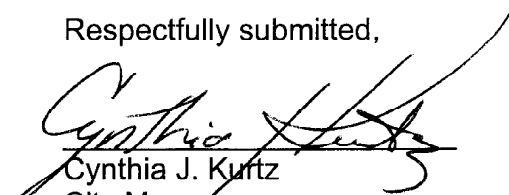
The Film and Television Action Committee, a political action committee of film industry workers, believes the current Canadian subsidies are not permitted

under NAFTA and that countervailing tariffs are a typical remedy for these practices. Countervailing tariffs would allow the United States to assess a penalty equivalent to the amount of the subsidy received before a film company can distribute their product in the United States.

Countervailing tariffs may level the playing field to some degree; however, it does not eliminate the currency differential between the United States and Canada. The weak Canadian dollar would still remain a major incentive to American producers, even with countervailing tariffs. In addition, film studios and media companies in the United States could find a means of working around any tariffs enacted. These actions could include fomenting trade war or relocating their operations to Canada as well as other unforeseen and potentially more damaging actions resulting in a job loss for American workers.

The International Alliance of Theatrical Stage Employees (IATSE), the Association of Film Commissioners International and the Motion Picture Association of America are three organizations that oppose countervailing tariffs.

Respectfully submitted,



Cynthia J. Kurtz  
City Manager


Prepared by:



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Ariel Penn  
Filming & Special Events Manager

Approved by:



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Richard J. Bruckner  
Director of Planning & Development