MR. MASUR: Mr. Chairman, members of the Commission, thank you for allowing me to appear before you today.

I would also like to thank you, Chairman D'Amato, for your leadership in introducing H.B. 273 in Maryland. We appreciate your recognition of the growing problem of out of country production and the depth of your understanding of what steps are needed to address it.

Most of today's panelists have focused this Commission's attention on the barriers erected by our trading partners to U.S. produced goods and services. There are many such barriers which negatively impact the ability of the U.S. film and television industry to sell their product at competitive rates to an expanding world market.

They have and will be further addressed by Ms. Richardson, who's far more expert and well provided with resources than I to do so.

I need not add to her presentation, except to say I would like to subscribe to the MPA positions on foreign tariffs, piracy, et cetera.

I would instead like to speak to you on a subject with which I have had personal experience for over 25 years, the creation and shooting of U.S. film and television product. I have worked in over 40 feature films, a similar number of films made directly for television, and hundreds of episodes of television series.

I've done this work all over this country and in several others. In addition, I have served on the board of directors of Screen Actors Guild for the past ten years, the last four as its President.

I'm here today to deliver a strong cautionary message that this uniquely American art form, this major component of a healthy U.S. economy, U.S. film and television production, is in real danger of being lost to us in the near future.

For many years the industry has been making an important contribution to reducing the negative balance of trades in our economy. For that contribution to continue into the future, it is necessary that this Commission recognize the danger that the rapidly growing loss of production to other countries represents.

Why is this happening? Some may say it is due to escalating U.S. production costs. Others claim it is the result of favorable exchange rates with other countries.

I and many others who are actively engaged in the production of film and television product know that the primary overwhelming reason is that U.S. film and television production is actively being lured away from homes through the concerted efforts of the governments of many other countries. These countries are offering an ever-growing list of financial incentives to U.S. producers in an effort to build their own production capacity and increase their share of the worldwide production industry.

Please understand that there is no free market at work here. Other countries recognizing the value of film and television production to their future economic health are virtually bribing U.S. producers to make their films and TV series out of the U.S.

They have demonstrated that they value this industry and will do whatever it takes to make themselves attractive as production centers.

In stark contract, though several U.S. states and municipalities offer incentives in order to compete within the U.S. film industry, the government of the United States has never lifted a finger to create incentives or otherwise encourage production here at home.

Naturally, our producers find the attitude, level of support, and financial incentives offered by other countries more attractive than our own.

As an example, consider just one of the several production incentive programs made available by the government of Canada. The Canadian federal government will rebate in cash 11 percent of all Canadian labor costs if the province in which the production is done offers a minimum of 11 percent as well.

Several provinces offer substantially more, up to and astounding 36 percent in Manitoba. These rebates are fully fungible and are usually sold off in advance at a small discount. This creates a much-needed influx of cash available to the producer with which to finance his or her film.

The only requirement one needs to fulfill is to shoot in a Canadian province and hire Canadian workers. The result of this and other incentives in Canada has been an explosion of film and TV production made for U.S. companies and intended for initial distribution in the United States.

And who makes all of these U.S. films and television shows in Canada? Canadian workers trained by U.S. film and TV companies.

Not many years ago it would have been impossible to find competent personnel in Vancouver or Toronto to crew even three or four major projects. Now at any given moment, there are 30 to 50 fully crewed projects being shot in either city. U.S. production companies trained and built this expanding base of skilled film making professionals. The many lucrative incentives offered by the Canadian government have paid off in a growing, permanent crew base who work and pay taxes, thereby replenishing the pool of money available to offer these incentives in an ongoing way.

Since the inception of the movie business, the United States has dominated the worldwide production of film. Over the decades we have developed a technique of conceiving and shooting this product, which constitutes a proprietary technology. We know how to make the kind of movies and TV shows the world wants to watch.

For the past several years, the U.S. film and television industry has been actively engaged in transferring the proprietary technology of U.S. film and TV production to Canada, Mexico, Australia, Ireland, New Zealand, the U.K., South Africa, among many others.

In addition, the industry has been wooed into building large amounts of permanent infrastructure in these non-U.S. production centers. These countries are aggressive competitors and are beginning to represent a serious threat to the future of U.S. film and television production.

In the area of independent film and TV this threat is not in the future. It is here and now. We have already lost the vast majority of movies made for television, primarily to Canada. As we sit here today, we are in the middle of the television pilot season. This is the time when pilot episodes of new television series are shot.

Each year greater numbers of pilots are being done in Vancouver and Toronto. More and more moderately budgeted feature films are chasing after the incentives which Canada and others are offering as well.

If something is not done, if the U.S. government does not recognize the need to take action in the very near future, the process may be irreversible.

When a production company travels to a town to shoot it employs many people directly, cast, production crew, drivers, caterers, office personnel, and it also pumps money into the local economy in other ways. A film or television production requires building materials, transportation, food, housing, all purchased locally.

When a production leaves this country, it also takes all of that employment and income with it to the local economy in which it shoots, and the vast majority of the budget of such a production is spent and remains where it is shot.

In 1998, some $2 billion of U.S. production money that could have been spent in U.S. towns and cities was left behind in Canada, and Canada, though currently the largest out of country production center for U.S. film and TV product, is only one of the many aggressively competing for our production business.

The effect of this has been to do substantial harm to all the production centers throughout this country. In Wilmington, North Carolina, Orlando, Seattle, Chicago, New York, and Los Angeles, people who have made their living in this business are selling their homes, losing their cars, taking their kids out of school.

Crew and talent bases have been built in these U.S. production centers, are being undermined and depleted. Vendors who supply film-making equipment, catering services, vehicles, building and electrical supplies are losing their livelihood. Hotel owners and other support providers all over the country are being impacted on a daily basis by this process of runaway production.

When Senator, then Governor Bob Graham of Florida was working to make his state the film production center it has since become, many in Florida asked why. They said, "We don't need those people coming down here to make their movies. What for?"

Governor Graham responded, "It's not about movies. It's about hotel rooms, sandwiches, lumber, and nails. They have to eat, sleep, build sets. That's what it's about."

He was right. His vision turned Florida into the third largest film production center in the U.S. film industry. Today it's the fifth, behind Los Angeles, New York, Vancouver and Toronto.

The film and television business is largely driven by the availability of financing for these admittedly risky investments. The vast majority of the product made by our industry is produced by small businesses, which need to be able to obtain loans in order to cover the cost of development, production, and marketing.

Since the elimination of the U.S. investment tax credit in the late 1980s, it has been all but impossible to raise the money to finance an independent film or television product in this country. Other countries have seen the value of gaining a larger market share of the industry rushed in to fill this financing gap.

I'm going to skip here because I'm going to run out of time.

In short, the playing field must be leveled. The United States must adopt a strategy to support and preserve film and television production. We need to offer U.S. producers of independent and television product an alternative to the incentives they have dangled before them by our competitors so that they can choose to stay home, and by doing so continue this country's long tradition of dominance in the production of film and television.

This trend can be stopped and reversed. We need not match the incentives offered by others; merely offer enough to demonstrate that our federal, state, and local governments recognize the importance of film and television to this nation's economy.

This is not about Hollywood. This is about healthy economies in cities and towns throughout this country. True, the horse is already out of the barn, but we can still stop the barn from burning down.

Thank you, Mr. Chairman. I'll be happy to answer questions.

CHAIRMAN D'AMATO: Thank you very much, Mr. Masur.

Mr. Clawson.