Piracy robs L.A. economy, study says

Bootlegged items cost nine sectors 100,000 jobs and $5.2 billion in sales in 2005, a report finds.

By Richard Verrier, Times Staff Writer
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Pirates are pillaging Los Angeles' economy.

At least that's what a publicly funded study to be released today concludes, making the case that bootleg DVDs, CDs, prescription drugs and other merchandise such as handbags cost nine industries across Los Angeles County more than 100,000 jobs and about $5.2 billion in lost sales in 2005.

Conducted by the Los Angeles County Economic Development Corp., the study lists the motion picture industry as accounting for about half the losses — $2.7 billion — followed by the recording industry, which sustained $850 million in losses, according to the report.

"Every dollar lost to piracy represents wages lost for the hardworking families that make the Los Angeles entertainment industry the envy of the world," Los Angeles Mayor Antonio Villaraigosa said in a statement.

As the study's authors acknowledge, the numbers are little more than educated guesses about an activity that is inherently difficult to track. Purveyors tend to avoid government surveys, and data are typically scarce or unreliable. Analysts have noted, for example, that someone buying a pirated DVD on a street corner may not necessarily have done so in lieu of purchasing one at a Best Buy.

Nonetheless, the report, titled "False Bargain: The Los Angeles County Economic Consequences of Counterfeit Products," is the most comprehensive to date on piracy's effect specifically in Los Angeles. Officials aim to use the study as ammunition in pushing for harsher penalties for piracy and getting support for a broad-based task force to tackle the problem.

An earlier report commissioned by the Motion Picture Assn. of America found that the global motion picture industry lost $18.2 billion in 2005 as a result of piracy. The association's data also were used in the most recent study.

Although piracy is a global problem, worldwide losses hit Los Angeles especially because most of the companies whose products are counterfeited are based here.

Villaraigosa and other elected city and county officials who funded the $25,000 study face mounting pressure from major Hollywood studios and record labels to curb the problem.

This week, Los Angeles police seized about 15,000 counterfeit CDs and 1,200 bootleg DVDs from a small record store in Los Angeles. Recent raids in Los Angeles have turned up pirated versions of Jay-Z's "Kingdom Come" and Mary J. Blige's "Reflections," and such movies as "Happy Feet" and "Pirates of the Caribbean: Dead Man's Chest."

Leading the push for the study was Los Angeles Councilwoman Wendy Greuel, who saw piracy firsthand when she was a DreamWorks SKG executive.

"When I first came to City Council, people didn't feel it was an important issue," she said. "I argued from my experience that piracy does have an impact. It's hurting our economy, killing jobs, and it fosters criminal activity."

Greuel and Villaraigosa will announce a task force today of elected leaders and industry representatives who will examine ways to combat piracy, possibly through tougher judicial sentences for offenders.

The report further estimated that piracy of all goods in Los Angeles siphoned $2 billion in sales from retailers in 2005, based on police and customs seizure data. In all, it cost
state and local governments at least $483 million in tax revenue.

MPAA Chairman Dan Glickman said the latest report "confirms what our industry has been consistently saying: The crime of film piracy doesn't just hurt Hollywood, it damages economies everywhere movies are produced and sold."

The authors said they relied on previous studies from leading industry groups and adopted standard methodologies used by the Department of Commerce for measuring job losses.

"We've been at pains to be conservative because we're dealing with something that is difficult to measure and there are a lot of variables," said Gregory Freeman, vice president of consulting at LAEDC, a nonprofit business support organization.

Bootleg CDs and DVDs are sold through street vendors, who sell the loot at swap meets or open markets such as Santee Alley in downtown L.A. Typically, the vendors burn the discs at home or buy the items through suppliers that sell counterfeit CDs or DVDs produced illegally at one of several commercial optical disc factories.

The spread of piracy in Los Angeles and elsewhere is partly related to gangs, officials say.

Det. Rick Ishitani, one of six detectives with the LAPD's anti-piracy unit, said gangs were moving into the counterfeiting business because the profits were so high. A counterfeit DVD costs only about 50 cents to produce, he said, but sells for at least $5 on the street.

"It's easy money," he said.

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