

between the West and the Soviet bloc, Dr. Sakharov was awarded the Nobel Peace Prize. In the words of the Chairman of the Nobel Committee:

Sakharov's fearless personal commitment in upholding the fundamental principles for peace between men is a powerful inspiration for all true workers for peace. Uncompromisingly and with unflagging strength Sakharov has fought against the abuse of power and all forms of violation of human dignity, and he has fought no less courageously for the idea of government based on the rule of law. In a convincing manner Sakharov has emphasized that Man's inviolable rights provide the only safe foundation for genuine and enduring international cooperation. In this way, in a particularly effective manner, working under difficult conditions, he has enhanced respect for the values that rally all true peace lovers.

True to form, Moscow would not allow Dr. Sakharov to travel to Oslo to receive the honor. Dr. Elena Bonner, his energetic wife and partner in the human rights struggle, accepted the prize in his stead and delivered his Nobel lecture, "Peace, Progress, and Human Rights." Ironically, on the same day that Dr. Sakharov was receiving by proxy the Noble Peace Prize, December 10, 1975, the recipient himself was in Vilnius, Lithuania attending the political trial of Sergei Kovalev, a fellow scientist and colleague in the struggle for human rights.

By 1980, the Kremlin and KGB had decided that this soft-spoken scientist who kept talking about human rights violations and political prisoners, as well as criticizing the Soviet invasion of Afghanistan, could no longer be allowed to speak his mind freely and to meet with foreign journalists. He was picked up on the streets of Moscow and, without a shred of judicial process, sent into "internal exile" in the city of Gorky about 300 kilometers east of Moscow. Even at this distance he could not be silenced, although the KGB did its best to harass him. Through Dr. Bonner, Dr. Sakharov continued to appeal for justice for the victims of human rights violations and to call on the international scientific community to work together for peace and disarmament.

By the late 1980's, however, Soviet authorities understood that the Soviet system could not compete with the rest of the world by repressing its best minds and criminalizing dissent. In December 1986, Soviet leader Mikhail Gorbachev called Dr. Sakharov and invited him to return to Moscow "to resume his patriotic work." What Gorbachev had in mind is unclear. Nevertheless, in April 1989, in the first genuinely contested national elections since Lenin dissolved the Constituent Assembly in 1918, Sakharov was elected to the Congress of People's Deputies where he resumed his "patriotic work" advancing the ideas of liberty and human rights for the Soviet people.

Mr. Speaker, at one point during a session of the Congress of People's Deputies, General Secretary Gorbachev turned off Dr. Sakharov's microphone in an effort to silence his arguments against the privileged position of the Communist Party under the Soviet Constitution. At that time, as Co-Chairman of the Helsinki Commission, I compared Dr. Sakharov's actions with those of former President John Quincy Adams who, as a Member of the United States House of Representatives, absolutely refused to be silenced on the subject of slavery despite the existence of the so-called "gag rule."

Tragically, Dr. Sakharov succumbed to a heart attack on December 14th, 1989, eight months after his election to the Congress of People's Deputies.

Some 50,000 people, along with foreign dignitaries and fellow members of the Congress of People's Deputies, gathered at the Palace of Youth to say farewell to their hero and colleague. And, yes, the KGB was also in attendance. Chairman Kryuchkov filed a report to the Party leadership that can now be found on the Internet.

Mr. Speaker, through the kindness of Dr. Elena Bonner, today Dr. Sakharov's papers are available to researchers and the public at the Sakharov Archive at Brandeis University in Waltham, Massachusetts. This archive is an invaluable contribution to world literature on human rights and international peace, and I hope that it will find generous support from the American people.

May Dr. Sakharov's example inspire us in the years to come.

#### A SPECIAL PILGRIMAGE TO ITALY

##### HON. NITA M. LOWEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 2001

Mrs. LOWEY. Mr. Speaker, the Italian American community in this nation remains deeply interested in tracing and maintaining their family connections in Italy. Each year, family members of all ages visit the small towns and villages where their loved ones lived before emigrating to the United States.

I recently became aware of one such trip by the grandson of one of the more prominent and successful Italian American families in our country: the Pope family. Paul David Pope, a successful businessman and philanthropist who lives in Florida, traveled to Italy in June to honor the memory of his grandfather, Generoso Pope Sr. While doing so, he rekindled the spirit of benevolence which his grandfather had bestowed on the villages of Pasquarielli, Terranova and Arpaise in the southern province of Benevento.

In 1906, at the age of 15, Generoso Pope left his poor farming village and arrived in New York City with little money and a dream of success. He labored in the sand pits of Long Island for five years while going to night school. Following that, he went to work for the newly formed Colonial Sand and Stone Company and by 1926 he was the company President.

In 1928, Pope purchased *Il Progresso Italo-American*, the nation's largest Italian language daily newspaper. He later bought 3 other large Italian language newspapers in New York and Philadelphia.

Generoso Pope became an advocate and a champion for the new Italian immigrants who came to the United States. A patriot who helped to raise funds for the Allies War effort, Pope urged his readers to learn English, become citizens and vote. Pope later became the sponsor of the now world famous Columbus Day celebration in New York.

In 1929, Pope returned to Arpaise, Italy, with his wife and sons. He paid for a municipal power plant to bring electricity to the poor and isolated community, and in subsequent years, helped other local villages construct buildings

like churches, schools and municipal structures. He also financed scholarships for worthy students.

More than 70 years later, Paul Pope followed his grandfather's path home to Arpaise, to learn more about his grandfather's impact on the small towns where he lived. Paul also emulated his grandfather by making a significant contribution to fund several urgently needed civic improvements in the town. The emotional highlight of the trip occurred when town leaders and citizens honored Paul Pope with a magnificent Festa. It came 65 years after a similar Festa was held for his grandfather. Mayor Armando Cimmino bestowed Honorary Citizenship on Paul Pope for his work and philanthropy on behalf of Arpaise. Paul Pope also received the prestigious Magna Grecia Award by the International Association of Magna Grecia and an award from the International Association of Marguttiani. Paul Pope concluded his historic visit with a private mass with His Holiness Pope John Paul II.

While in Italy, Pope announced the establishment of the Pope Medal to be presented annually to an individual who makes significant contributions in promoting their cultural initiatives, as well as his intention to sponsor an annual conference on the Italian-American experience, dedicated to the memory of his grandfather. The annual conference will be held under the auspices of the Calandra Institute of Queens College, City University of New York. The first conference will be held in 2002 and will focus on the Italian language press in America from its origins in the 19th century through today. Mr. Paul also hopes to hold additional forums at selected American colleges and universities with leading Italians in business, government, education and the arts.

Paul Pope's experience proves once again that the ties between the United States and Italy are strong and enduring. I salute Paul Pope and the distinguished Italian Americans from New York who accompanied him on the trip including New York State Supreme Court Justice Dominic R. Massaro; Monsignor George J. Cascelli, Director Italian Apostolate of the Archdiocese of New York; Dr. Joseph Scelsa, Vice President for Institutional Development at Queens College; Maria Fosco, President of the Italian Welfare League; and Joan Migliori, Assistant Director of the City University of New York Italy Exchange Program. Paul Pope has made an important contribution to furthering cultural interactions between the United States and Italy, and I commend him for his leadership, commitment and vision.

#### ARTICLE BY LANCE SIMMENS AND PAMELA CONLEY ULICH

##### HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 2001

Mr. CONYERS. Mr. Speaker, I submit the following insightful and poignant article, by Lance Simmens and Pamela Conley Ulrich, from the Loyola of Los Angeles Entertainment Law Review, for publication in the CONGRESSIONAL RECORD.

"Bye, Bye Miss American pic, drove my Daimler to the movies to see a foreign-

made flic; And good old actors were drinking whiskey and beer, singing this is the day we're unemployed here, this will be the day we're unemployed here."

#### I. INTRODUCTION

Globalization profoundly impacts traditional ways of conducting business, and the entertainment industry is not immune from the new economics drastically changing the world. Could Hollywood become "Hollyhasbeen"? Will television and theatrical motion pictures shot in the United States go the way of the American car and American-made clothing?

Runaway production has caused serious labor issues, including the dislocation of thousands of workers and jobs. In 1998, twenty-seven percent of films released in the United States were produced abroad, and an estimated 20,000 jobs were lost to foreign countries. Lower exchange rates, direct government subsidies and lower labor wages enticed American production companies to film in foreign locales. In 1998, the direct economic loss of runaway production was \$2.8 billion. When coupled with the loss of ancillary business, the losses likely totaled \$10.3 billion for 1998 alone. These losses juxtapose with the issues of free trade versus fair trade in an uneasy balance.

This article considers why many television and theatrical motion pictures targeted primarily at U.S. audiences are not made in America. It also examines the economic impact resulting from the flight of such productions. Finally, it considers possible solutions in an effort to reverse the trend.

#### II. THE HISTORY OF "RUNAWAY PRODUCTION"

Runaway production is not a new phenomenon. In December 1957, the Hollywood American Federation of Labor ("AFL") Film Council, an organization of twenty-eight AFL-CIO unions, prepared a report entitled "Hollywood at the Crossroads: An Economic Study of the Motion Picture Industry." This report addressed runaway production and indicated that prior to 1949, there were an "insignificant" number of American-interest features made abroad. However, the report indicated a drastic increase in productions shot abroad between 1949 and 1957. At that time four major studios—Columbia Pictures, Inc. ("Columbia"), Twentieth-Century Fox, Inc. ("Fox"), Metro-Goldwyn-Mayer ("MGM") and United Artists, Inc. ("United Artists")—produced 314 films. Of these films, 159, or 50.6 percent, were shot outside the United States. It also revealed runaway films were shot primarily in the United Kingdom, Italy, Mexico, France and Germany. The report further identified factors that led producers to shoot abroad: 1) authentic locale; 2) lower labor costs; 3) blocked currencies; 4) tax advantages and 5) easy money and/or subsidies.

On December 1, 1961, H. O'Neil Shanks, John Lehner and Robert Gilbert of the Hollywood AFL Film Council testified regarding runaway productions before the Education and Labor Subcommittee on the Impact of Imports and Exports on American Employment. Shanks explained to the subcommittee: "Apart from the fact that thousands of job opportunities for motion picture technicians, musicians, and players are being "exported" to other countries at the expense of American citizens residing in the State of California, the State of New York, and in other States because of runaway production this unfortunate trend . . . threatens to destroy a valuable national asset in the field of world-wide mass communications, which is vital to our national interest and security. If Hollywood is thus permitted to become "obsolete as a production center" and the United States voluntarily surrenders its po-

sition of world leadership in the field of theatrical motion pictures, the chance to present a more favorable American image on the movie screens of non-Communist countries in reply to the cold war attacks of our Soviet adversaries will be lost forever."

John "Jack" L. Dales, Executive Secretary of the Screen Actors Guild ("SAG"), and actor Charlton Heston also testified before this subcommittee. Dales stated: "We examined and laid out, without evasion, all the causes [of runaway production] we knew. Included as impelling foreign production were foreign financial subsidies, tax avoidance, lower production costs, popularity of authentic locale, frozen funds—all complex reasons. We urged Congressional action in two primary areas: 1) fight subsidy with subsidy. Use the present 10 percent admissions tax to create a domestic subsidy; 2) taxes . . . We proposed consideration of a spread of five or seven years over which tax would be paid on the average, not on the highest, income for those years."

Despite these impassioned pleas, runaway production has continued to grow in importance, scope and visibility. Today it ranks among the most critical issues confronting the entertainment industry. The issue received increased attention in June 1999, when SAG and the Directors Guild of America ("DGA") commissioned a Monitor Company report, "The Economic Impact of U.S. Film and Television Runaway Production" ("Monitor Report"), that analyzed the quantity of motion pictures shot abroad and resulting losses to the American economy. In January 2001, concerns over runaway production were addressed in a report prepared by the United States Department of Commerce. The eighty-eight page document ("Department of Commerce Report") was produced at the request of a bipartisan congressional group. Like the Monitor Report, the Department of Commerce Report acknowledged the "flight of U.S. television and cinematic film production to foreign shores." Both reports quantify the nature and depth of the problem and warn of further proliferation if left unchecked.

Additionally, the media is bringing the issue of runaway production to the attention of the general public. Numerous newspaper articles have focused on the concerns cited in the Monitor Report.

For example, in *The Washington Post*, Lorenzo di Bonaventura, Warner Bros. president of production, explained the runaway production issue as follows: "For studios, the economics of moving production overseas are tempting. *The Matrix* cost us 30 percent less than it would have if we shot in the United States. . . . The rate of exchange is 62 cents on the dollar. Labor costs, construction materials are all lower. And they want us more. They are very embracing when we come to them."

Di Bonaventura indicated Warner Bros. received \$12 million in tax incentives for filming *The Matrix* in Australia. This is a significant savings for a film that cost approximately \$62 million to produce.

#### III. CAUSES OF RUNAWAY PRODUCTION

In the Department of Commerce Report, the government delineated factors leading to runaway film and television production. These factors have contributed to the "substantial transformation of what used to be a traditional and quintessentially American industry into an increasingly dispersed global industry."

##### A. VERTICAL INTEGRATION: GLOBALIZATION

Vertical integration is defined by the International Monetary Fund as "the increasing integration of economies around the world, particularly through trade and financial flows." The term may also refer to "the

movement of people (labor) and knowledge (technology) across international borders."

Consequently, companies must now be productive and international in order to profit. Because companies are generally more interested in profits than in people, companies are often not loyal to communities in which they have flourished. Instead, they solely consider the bottom line in the process of making business decisions.

Columbia is an excellent example of the conversion from a traditional U.S.-based company to a global enterprise. Columbia began in 1918 when independent producer Harry Cohn, his brother Jack and their associate Joe Brandt, started the company with a \$100,000 loan. In 1926, Columbia purchased a small lot on Gower Street in Hollywood, California, with just two sound stages and a small office building. In 1929, Columbia's success began when it produced its first "talkie" feature, *The Donovan Affair*, directed by Frank Capra, who would become an important asset to Columbia. Capra went on to produce other box office successes for Columbia such as *You Can't Take It With You* and *Mr. Smith Goes to Washington*.

In 1966, Columbia faced a takeover attempt by the Banque de Pan's et de Pays-Bas, owner of twenty percent of Columbia, and Maurice Clairmont, a well-known corporate raider. The Communications Act of 1934 prohibited foreign ownership of more than one-fifth of an American company with broadcast holdings. The Banque de Pan's could not legally take over Columbia because one of Columbia's subsidiaries, Screen Gems, held a number of television stations. In 1982, the Coca-Cola Company purchased Columbia.

In 1988, Columbia's share of domestic box office receipts fell to 3.5 percent and Columbia registered a \$104 million loss. In late 1989, Columbia entered into an agreement with Sony USA, Inc., a subsidiary of Japan's Sony Corporation, for the purchase of all of Columbia's outstanding stock. This acquisition apparently did not violate the amended Communications Act.

Following in Columbia's footsteps, other studios have globalized through foreign ownership. Universal Studios, Inc. ("Universal"), previously the Music Corporation of America, was acquired by the Japanese electronics company Matsushita in 1991, and four years later was purchased by Seagram, a Canadian company headquartered in Montreal. In 1985, Australian media mogul Rupert Murdoch acquired a controlling interest in Fox, and Time, Inc., a publishing and cable television giant, acquired Warner Bros. in 1989.

As studios become multinational, their loyalty to the community or country in which they were born wanes. The international corporations are no longer concerned with the ramifications of moving production outside of their community or country; they are instead concerned only with bottom-line profits. Columbia exemplifies globalization. Columbia no longer owns a studio lot, let alone its humble beginnings on Gower Street. The Studio simply rents office space in a building in Culver City, California. Not surprisingly, global corporations think globally, not locally. Shooting abroad is not only acceptable, but preferable to companies who are not loyal to any one country.

#### B. RISING PRODUCTION AND DISTRIBUTION COSTS AND DECREASING PROFITS

By the end of the 1990s, studio executives began to alter their business methods. Despite aggressive cost-cutting, layoffs, strategic joint ventures and movement of production to foreign shores, rising production and distribution costs have consumed profits over the last decade. Production costs rose from an average of \$26.8 million to \$51.5 million. Distribution costs for new feature films

more than doubled. In 1990, the average motion picture cost \$11.97 million to distribute, and by 1999, the costs rose to \$24.53 million. At the same time, profit margins dropped. For example, Disney Studio's profits decreased from 25 percent in 1987 to 19 percent in 1997, and Viacom's profits dropped from 13 percent in 1987 to less than 6.5 percent in 1997. Additionally, both Time Warner and News Corporation, parent of Fox, showed declining profits as well.

#### C. TECHNOLOGICAL ADVANCES

According to the Department of Commerce Report, "New technologies and tools may well be contributing to the increase in the amount of foreign production of U.S. entertainment programming." Ten years ago, even if a foreign country had lower labor costs, it would have been prohibitively expensive to transport equipment and qualified technicians to produce a quality picture abroad. However, new technology is defeating that obstacle. Scenes shot on film must be transferred or scanned into a videotape format; this process creates what is referred to as dailies. However, many foreign production centers are unable to instantaneously produce dailies from film. Nevertheless, technological advancement has led to the creation of high definition video, which, like dailies, offers immediate viewing capabilities approximating the visual quality of film. As the quality of high definition video continues to improve, producers will be free to shoot abroad regardless of whether the country offers film processing centers.

#### D. GOVERNMENT SWEETENERS

Canada is extremely aggressive in its application of both Federal and provincial subsidies to entice production north of the border: At the federal level, the Canadian government offers tax credits to compensate for salary and wages, provides funding for equity investment, and provides working capital loans. At the provincial level, similar tax credits are offered, as well as incentives through the waiving of fees for parking, permits, location, and other local costs.

These enticements equal a sizeable economic benefit. According to the Monitor Report, "U.S.-developed productions located in Canada have been able to realize total savings, including incentives and other cost reducing characteristics of producing in Canada, of up to twenty-six percent." The Department of Commerce Report carefully delineates a plethora of incentives employed by a host of countries. It concludes the undeniable impact of these programs is to weaken the market position of the U.S. film-making industry and those who depend on the industry for employment.

#### E. EXCHANGE RATES

Because the U.S. dollar is stronger than Canadian, Australian and U.K. currencies, American producers have more purchase power when they opt to film abroad. As a result, producers are tempted to locate where the dollar has the most value. The Canadian, Australian and U.K. currencies have all declined by fifteen to twenty-three percent, relative to the U.S. dollar, since 1990.

#### IV. THE IMPACT OF RUNAWAY PRODUCTION

##### A. THE ECONOMIC IMPACT

In total, U.S. workers and the government lost \$10.3 billion to economic runaways in 1998. According to the Monitor Report, "\$2.8 billion in direct expenditures were lost to the United States in 1998 from both theatrical films and television economic runaways." For example, if a theatrical picture is shot in New York, then carpenters are employed to make the set, caterers are employed to prepare and serve food, and costume designers are hired to provide ward-

robe. As the Department of Commerce Report explains, "Behind the polished, finished film product there are tens of thousands of technicians, less well-known actors, assistant directors and unit production managers, artists, specialists, post-production workers, set movers, extras, construction workers, and other workers in fields too numerous to mention."

This fiscal loss ripples through the economy affecting peripheral industries. In addition to the direct economic loss discussed above, the Monitor Report calculated an additional \$5.6 billion lost in indirect expenditures. Indirect expenditures include real estate, restaurants, clothing and hotel revenues, which are not realized. In addition to these private industry losses, the government lost \$1.9 billion in taxes to runaway production. As opposed to the \$10.3 billion lost in 1998, the study estimated those figures will be between \$13 and \$15 billion in 2001.

##### B. THE U.S. PRODUCTION DROUGHT

The Monitor Report stated that between 1990 and 1998, U.S. film production growth fell sharply behind the growth occurring in the top U.S. runaway production locations of Canada, Australia and the U.K. It stated that Australia "is growing 26.4 percent annually in production of U.S.-developed feature films, or more than three times the U.S. growth rate." Similarly, "Canada is growing at 18.2 percent annually in production of U.S.-developed television projects, more than double the U.S. rate." During the same period, annual growth rates in the United States were 8.2 percent for feature films, and 2.6 percent for television.

##### C. JOB LOSS

Runaway production also impacts the U.S. labor market. It is estimated there are 270,000 jobs directly tied to film production. It is further estimated that 20,000 jobs were lost in 1998 alone due to runaway production. However, these statistics do not fully reflect the impact of economic runaway production on employment. They fail to account for spin-off employment that accompanies film production. It is estimated by the Commerce Department that the ripple effect of secondary and tertiary jobs associated with the industry might easily double or triple the number of jobs dependent upon the industry.

Regardless of the understated nature of the economic impact, the Commerce Department acknowledges that at least \$18 billion in direct and indirect export revenues and \$20 billion in economic activity are generated by the industry annually.

##### D. LOSS OF PENSION AND HEALTH BENEFITS

Performers and others who work on foreign productions may lose valuable pension and health benefits. As provided in the SAG collective bargaining agreements, performers are entitled to receive pension and health contributions made to the plans on behalf of performers when they work on productions. Although SAG does allow for some pension and health reciprocity with the Canadian performers union, performers must negotiate this term into their contracts. More often than not, performers are unable to negotiate this benefit for work performed in Canada.

##### E. CULTURAL IDENTITY

In 1961, Congress was warned that the trend of runaway production threatened to destroy a valuable "national asset" in the field of worldwide mass communications. As H. O'Neil Shanks, John Lehners and Robert Gilbert of the Hollywood AFL Film Council testified in 1961, if Hollywood became "obsolete as a production center" and the United States voluntarily surrendered its position of leadership in the field of theatrical motion pictures, the chance to present a more favorable American image on the movie

screen would be forever lost. Although the Cold War is no longer a reason to protect cultural identity, today U.S.-produced pictures are still a conduit through which our values, such as democracy and freedom, are promoted.

#### V. SOLUTIONS

##### A. THE FILM CALIFORNIA FIRST PROGRAM

California remains a leading force in the industry, and last year took a legislative step to remedy the problem of runaway production. The state passed a three-year, \$45 million program aimed at reimbursing film costs incurred on public property. The Film California First ("FCF") program is specifically geared toward increasing the state's competitive edge in attracting and retaining film projects. To accomplish this goal, the legislation provides various subsidies to production companies for filming in California, including offering property leases at below-market rates. This legislation should serve as a model for other states, as they too struggle with an issue of increasing economic importance.

##### B. WAGE-BASED TAX CREDIT

A possible solution could be patterned after a legislative proposal offered, but never advanced, in the 106th Congress. Specifically, this proposal called for a wage-based tax credit for targeted productions and provided: (1) a general business tax credit that would be a dollar-for-dollar offset against any federal income tax liability; (2) a credit cap at twenty-five percent of the first \$25,000 in wages and salaries paid to any employee whose work is in connection with a film or television program substantially produced in the United States and (3) availability of credit only to targeted film and television productions with costs of more than \$500,000 and less than \$10 million.

##### C. FUTURE SOLUTIONS

To rectify the problems of runaway productions, legislation at the local, state and federal levels is paramount. Over the past thirty years, the film industry has expanded beyond California to become a major engine of economic growth in states such as New York, Texas, Florida, Illinois and North Carolina. To achieve effective legislative remedies, it is critical to examine the successful programs implemented by other nations.

Maybe it is the inexorable result of a changing world. Regardless, the proliferation of foreign subsidies for U.S. film production, which is occurring at an increasing rate worldwide, raises troubling questions of fairness and equity. From a competitive standpoint, it appears as though the deck is stacked against a class of workers who seek to derive their livelihood from this industry but find their jobs have moved overseas. It is understandable that producers will take the opportunity to film abroad when the reduction in costs is as much as twenty-five percent. Consequently, the only remedy for America's workforce is to pass legislation that provides commensurate benefits in the United States.

It is apparent that a laissez-faire, market-oriented approach has failed the American worker. Unemployment is extraordinarily high within the creative community, leading to seventy percent of SAG's 100,000 plus members earning less than \$7,500 annually. This economic hardship is exacerbated by runaway production. Thus, it is abundantly clear that legislative remedies attempting to more adequately level the playing field must be pursued. Amid encouraging signs that a tax bill of significant consequence is likely to pass Congress in the coming months, it is imperative that the creative community take a proactive position to ensure that the

tax bill provides incentives for domestic film production. It must use all resources to cure the concerns presented in the two reports outlined in this Article. Organizations, such as SAG, must work with Congress to develop a proposal that is acceptable in terms of cost and other political considerations.

While it seems unlikely that there is the political will or desire to match the incentives offered by many of our competitors, it is conceivable to the authors that an effective approach can be designed to substantially close the gap on cost savings without eliminating them. Thus, the approach advocated involves identifying the level where cost savings of filming abroad are minimized so as not to be the determinative location factor. An appropriate level may be in the range of ten percent cost savings versus the twenty-six percent cost savings now common in some Canadian locations.

It is important to note the strategy used to fashion a remedy is just as important as the relief sought. The industry should be willing to approach the tax-writing committee staff with the afore-mentioned concept and work closely with them in designing a legislative remedy. This strategy represents a holistic approach to a global problem. It is important to remember the United States risks losing its economic advantage in a vital industry which carries with it enormous economic consequences. As noted in the Department of Commerce Report:

If the most rapid growth in the most dynamic area of film production is occurring outside the United States, then employment, infrastructure, and technical skills will also grow more rapidly outside the United States, and the country could lose its competitive edge in important segments of the film industry.

#### VI. CONCLUSION

Politics represents the art of the possible. The approach advocated in this Article should find a receptive ear in the halls of Congress if for nothing else than its simplicity. Timing is crucial. Left unchecked, the only certainty is continuing runaway production with the attendant economic costs, lost jobs, and diminished tax revenues at all levels of government. In a time of waning economic growth and warning signs of dwindling surpluses and future economic weakness, including production incentives into any upcoming tax relief is essential to preserving the U.S. workforce in the American entertainment industry.

#### IN RECOGNITION OF THE VIRGIN ISLANDS COUNCIL OF THE BOY SCOUTS OF AMERICA

**HON. DONNA M. CHRISTENSEN**

OF THE VIRGIN ISLANDS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 2001

Mrs. CHRISTENSEN. Mr. Speaker, I rise today to pay tribute to the Virgin Islands Council of the Boy Scouts of America, (VIBSCA) for their long-standing service to the people of the U.S. Virgin Islands and on the occasion of their being recognized by the organizers of the 29th Annual Open Atlantic Blue Marlin Fishing Tournament, popularly known as the "Boy Scouts Tournament," held each year on St. Thomas. Considered the best of its kind, the contest attracts top anglers from around the globe.

Scouting in the United States Virgin Islands can be traced as far back as 1914. After the transfer of the islands in 1917 from Denmark

to the United States, there was scouting of a sort that for all intent and purposes was open only to children of the military. However, it was not until February of 1930, just three years after Scouting was established in Puerto Rico, that the first official Boy Scout Troop was formed in the United States Virgin Islands.

Mr. Speaker, history was made twice on the first of January 1965 when the Virgin Islands got their own Boy Scout Council and Mr. Samuel B. King became the first black council executive in the entire Boy Scout movement in the United States.

During the last thirty-six years, the VIBSCA have sent leaders to Wood Badge Courses in Puerto Rico and to the U.S. mainland and in 1983, the first leadership Wood Badge course was held at Howard M. Wall on St. Croix, U.S. Virgin Islands. Wood Badge, very similar the U.S. Army's Basic Training regimen, is the highest training offered to selected male and female leaders to enable them to better serve the youth. The VICBSA has participated in eight National Jamborees, one World Jamboree, nine Caribbean Jamborees and many trips to Philmont Scout Reservation in Cimmaron, New Mexico as well as many training courses locally and on the mainland for both leaders and Scouts.

I am proud to represent this segment of my constituency—the VIBSCA—because they have shaped and molded the minds and bodies of thousands of Virgin Islands youth over the past seventy-one years. As a result of their work and service to the Virgin Islands community, today many of these former scouts hold positions of influence and stature still contributing to the betterment of a rich and flourishing Virgin Islands society.

On behalf of a grateful Virgin Islands community, my family, staff and myself, I wish to congratulate the Virgin Islands Council of the Boy Scouts of America, its members, both past and present, for their many contributions to our community and for so generously giving of themselves and their values to generations of Virgin Islands youth over the years.

May God continue to bless the Virgin Islands Council of the Boy Scouts of America and scouts all over our blessed Nation. Best wishes for an eventful, fulfilling "Boy Scouts Tournament."

#### BILL TO AMEND THE INTERNAL REVENUE CODE OF 1986 TO CLARIFY THE TREATMENT OF INCENTIVE STOCK OPTIONS AND EMPLOYEE STOCK PURCHASE PLANS

**HON. AMO HOUGHTON**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 2001

Mr. HOUGHTON. Mr. Speaker, today I am introducing a bill to solve a problem that has been facing a number of companies during the past year who grant stock options to their employees.

Many companies use stock options as an incentive to attract and motivate employees. Companies give their workers the right to purchase company stock, at a small discount from the listed price, through Employee Stock Purchase Plans and Incentive Stock Options. Employee stock ownership motivates workers

and can create a positive relationship between management and workers, where both reap rewards for successful company performance.

For nearly 30 years the Internal Revenue Service (IRS) has taken the position that the income from these stock options is not subject to employment taxes. However, recent audits and rulings on specific companies have raised the troubling prospect that the IRS now believes that employment taxes should be withheld from the paychecks of individuals who exercise stock options under these plans.

Employee Stock Purchase Plans and Incentive Stock Options were created by Congress to provide tools to build strong companies and encourage greater employee ownership of company stock. It was not the intent of Congress to dilute these incentives by requiring employment tax withholding when the stock is purchased.

While I am pleased that the IRS currently has in place a moratorium so that no employment taxes will be assessed on stock options, I believe Congress needs to clarify existing law to prevent any future attempts to change past policy on stock options. The current moratorium extends until January 1, 2003, and unless Congress adopts the proposed legislation, companies and workers will face uncertainty as to whether options are subject to withholding taxes.

The legislation I am introducing would clarify that the difference between the exercise price and the fair market value of stock offered by the Incentive Stock Option or Employee Stock Purchase Plan is excluded from employment taxes. In addition, wage withholding is not required on disqualifying dispositions of Incentive Stock Option stock or on the fifteen percent discount offered to employees by Employee Stock Purchase Plans.

I urge my colleagues to join me in cosponsoring this legislation.

#### CLOSE FINGER LAKES NATIONAL FOREST TO DRILLING

**HON. JAMES T. WALSH**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 2001

Mr. WALSH. Mr. Speaker, I rise today in opposition to proposals to drill for natural gas within the Finger Lakes National Forest located in Hector, New York between Seneca and Cayuga Lakes. This proposed drilling will have catastrophic effects on wildlife, recreation in the area, and tourism vital to the region's economy.

The Finger Lakes National Forest is the smallest national forest in the country and draws 46,000 recreational visitors each year who hunt, fish, camp, and hike on the 16,000-plus acre reserve. Any drilling in national parks, including the proposed drilling in the Finger Lakes National Forest which would utilize 130 foot rigs and pipelines, will cause irreparable damage to the landscape and environment.

Recently, my office has been flooded with letters from concerned neighbors across Upstate New York. I have referred their correspondence to Dale Bosworth, Chief of the United States Forest Service, to be included as part of the record on this issue.

In addition, I have expressed my concern to Congressman CALLAHAN, Chairman of the