The Global Success of Production Tax Incentives and the Migration of Feature Film Production From The U.S. to the World

Year 2005 Production Report

Feature Films 1998-2005
Made-For-Television-Movies 1977-2005
Broadcast & Cable Television 2000-2005

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The Global Success of Production Tax Incentives and the Migration of Feature Film Production From The U.S. to the World - Year 2005 Production Report

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Executive Summary

This is an in-depth follow-up study to our Year 2001 Production Report on the global production of theatrical length motion pictures produced domestically for release in U.S. theatres ("Theatrical Releases"), a microcosm of overall U.S. entertainment production. The current report covers the period from 1998 through 2005, inclusive, and its scope has been broadened to include a review of trends in other types of production, including: broadcast television, made-for-television-movies and mini-series.

The title of the 2001 Report, "The Migration of Feature Film Production from the U.S. to Canada and Beyond," has proven prescient. Countries around the world took note of the dramatic results from the Canadian Tax Incentive Model for production and have successfully emulated these programs. To a lesser extent, states across the U.S. have also attracted production to their borders by implementing a variety of tax-based incentives.

The 2001 Report concluded that the 1998 Canadian production incentive programs were very successful in attracting production from the U.S. Finding that, since enactment of these subsidies, gross production expenditures in the U.S. declined for the fourth straight year, dropping $683 million (-17%) from $3.93 billion in 1999 to $3.24 billion in 2001. For the same period Canada expenditures grew $617 million (144%). In this update to the 2001 study, we will examine more recent changes in the worldwide production industry for Theatrical Releases. In addition, we will examine production trends for broadcast television, made-for-television movies and mini-series.

These trends will be studied in light of a variety of factors influencing them, with a particular focus upon tax-based incentive programs around the globe. The analysis reveals that, while there are certainly general economic factors at play, such as relative labor and exchange rates, the data over the past several years strongly suggests that proliferation of production subsidies around the globe has been one of the most significant factors affecting the choice of production venues for a significant volume of production.

Accordingly, it appears that if the U.S. hopes to retain a competitive position in the global market for production, it will be necessary for the government to at least consider the enactment of a U.S. Federally-based incentive program. As will be reviewed in more detail in the conclusion to this report, a strong case can be made that a Federally-based incentive program would have excellent prospects for success:

- Producers prefer to film in the U.S. for a variety of reasons.
- State programs are effective and have provided strong economic returns.

- The Jobs Creation Act Of 2004 is having a positive effect on television production in the U.S.
- It is quite likely that the results and benefits would significantly outweigh the cost.

Feature Films

Summary

The overwhelming success of Canada's 1998 production incentives opened the floodgates for imitators. Increasingly, these incentive programs target big budget productions. Countries currently offering programs designed to attract U.S. production include: Australia, Fuji, Germany, Hungry, Ireland, New Zealand, South Africa, and the U.K. U.S. states offering significant incentives include; Arizona, Florida, Georgia, Illinois, Louisiana, Massachusetts, New Jersey, New Mexico, New York, North Carolina, Pennsylvania, Puerto Rico, South Carolina, with more are on the way.

From the standpoints of both analytical review and anecdotal discussions, the expansion of production incentives worldwide has resulted in significant geographic shifts of Theatrical Release production. Indeed, the results have been nothing short of astounding. In terms of methodology, the indicated percentage changes correspond to year on year comparisons between 1998 and 2005 and do not represent an annualized figure. In addition, please note that the respective production year typically corresponds to the year prior to release date.

- Worldwide, production dollars spent on Theatrical Releases expanded from $5,557 million in 1998 to $7,205 million in 2005 (30%).

- Despite the 30% growth in overall production, the dollar volume of Theatrical Release production in the U.S. declined from $3,927 million in 1998 to $3,378 million in 2005 (-14%).

- The dollar volume of Theatrical Releases filmed outside the U.S. more than doubled growing from $1,630 million in 1998 to $3,828 million in 2005 (135%).

- The U.S. market share of production dollars of Theatrical Releases plummeted from 71% in 1998 to 47% in 2005. Correspondingly, the percentage of Theatrical Releases filmed elsewhere in the world grew from 29% to 53%.

- Using standard industry metrics of a 3.3 multiplier for direct expenditure and 400 jobs per $10 million in production expenditures, the decrease in U.S. production of Theatrical Releases represents a cumulative loss to the U.S. economy of $23 billion, and 47,000 jobs per year.

- From 1998 to 2005, feature film production in Canada grew from $430 million to $1,200 million (179%). This increase also represented continued growth of Canadian production from 2001 to 2005 of $150 million (over 14%) …

    - …Production in the U.K. and Ireland increased from $486 million to $809 million (66%).

    - …Production in Australia and New Zealand rose from $113 million to $717 million (531%).

    - …Production in Eastern Europe jumped from $30 million to $308 million (927%).

- The average budget of Theatrical Releases filmed in the U.S. rose modestly from $30.9 million in 1998 to $34.1 million in 2005 (10%), while the average budget in the rest of the world climbed from $24.3 million to $36.8 million (51%).

- The number of Theatrical Releases filmed in the U.S. dropped from 127 in 1998 to 99 in 2005 (-22%), while the number filmed in the rest of the world grew from 67 in 1998 to 104 in 2005 (55%).

- Production worldwide of Theatrical Releases with budgets equal or greater than $50 million (>=$50) expanded from $3,287 million in 1998 to $4,363 million in 2005 (33%). During the same period, production in the U.S. within this category fell from $2,499 million to $1,867 million (-25%), while the dollar volume of production the rest of the world for this segment rocketed from $788 million to 2,496 million (217%).

- The U.S. market share of Theatrical Releases with budgets equal or greater than $50 million fell from 76% in 1998 to 43% in 2005. Concurrently, the percentage of Theatrical Releases filmed elsewhere in the world more than doubled from 24% to 57%.

- Worldwide, production of Theatrical Releases with budgets between $10 million and $50 million (>$10..<$50) grew from $1,921 million in 1998 to $2,578 million in 2005 (34%). The U.S. volume in this market segment grew from $1,210 million to $1,383 million (14%), while the dollar volume in rest of the world jumped from $711 million to 1,195 million (68%).

- The market share of production in the U.S. with budgets greater than $10 million and less than $50 million fell from 63% in 1998 to 54% in 2005, conversely the rest of the world increased from 37% to 46%.

- Worldwide, feature production of $10 million or less (<=$10) fell overall from $350 million in 1998 to $265 million in 2005 (-24%).

- Overall production in California rose from $1,948 million in 1998 to $2,068 million in 2005 (6%) while the rest of the U.S. fell from $1,979 to $1,310 (-34%). Despite the increase in the dollar volume of Theatrical Release production in California, the actual number of productions declined during this period from 62 to 46 (-26%). California's market share of production in the U.S. rose from 50% in 1998 to 61% in 2005, conversely the rest of the U.S. fell from 50% to 39%.

- Overall, budgets of studio-financed Theatrical Releases grew slightly from $4,154 million in 1998 to $4,505 million in 2005 (8%), the number of productions fell from 96 to 81 (-16%), with average budget rising from $43.3 million to $55.6 million (29%).

- Studio-financed production of Theatrical Releases in the U.S. fell from $3,109 million in 1998 to $2,570 million in 2005 (-17%). In the rest of the world, Studio-financed production of Theatrical Releases nearly doubled from $1,045 million to $1,935 million (85%).

- While California enjoyed a modest increase in dollar volume of studio-financed Theatrical Releases from $1,404 million in 1998 to $1,548 million in 2005 (10%), studio-financed Theatrical Releases across the rest of the U.S. fell from 1,705 million to 1,022 (-40%).

- Worldwide, independently-financed production of Theatrical Releases expanded from $1,403 million in 1998 to $2,701 million in 2005 (92%). The number of films grew from 98 to 122 (24%), the average budget rose from $13.3 million to $22.1 million (55%).

- During this timeframe, the U.S. market share of independently-financed Theatrical Releases dropped precipitously from 58% to 30% while the share for the rest of the world climbed from 42% to 70%.

There are obviously many factors that influence the choice of location for feature film production. Sometimes the decision is based on artistic factors and the exchange rate and applicable labor rates can also play a significant role. However, the connection between the advent of Canadian Production subsidies in late 1998 and the dramatic increase in production that occurred in the following year (as reflected by the 144% increase in dollar volume for the 2000 release year films) appears unassailable as there were no appreciable changes in exchange rates or labor rates to justify this dramatic shift from one year to the next, other than the subsidy programs.

Subsequent sections of this report provide an in-depth review of the worldwide production subsidies that have been implemented subsequent to 2001 based on the Canadian model. While the timing of increases in international production has not been as closely correlated with the Canadian subsidy programs, the dramatic increase of production in venues with such programs appears not to be coincidental. These same trends can even be observed within the U.S. as shifts of production between states that have established various production subsidies. Interestingly, however, it appears that within the U.S., California has retained a competitive edge as a result of its talent base and infrastructure, but when the decision is made to relocate a production to pursue the economic benefits of incentive programs, the programs offered by various other states have a difficult time competing with those offered by both nations and various smaller government divisions within their borders.

Made-For-Television Movies And Miniseries

Summary

- The number of broadcast and cable network made-for-television-movies and miniseries that filmed worldwide grew from 76 in 1976 to a peak of 328 in 1996 (332%) then declined to 198 in 2005 (-40%).

- Broadcast network made-for-television-movies and miniseries grew from 76 in 1976 to a peak of 190 in 1994 (150%) then fell to 36 in 2005 (-81%).

- Movies made for cable networks rose from 7 in 1983 to 185 in 1999 (2543%) then dropped to 144 in 2003, 2004 (-22%) and rebounding to 162 in 2005 (13%).

- On average, since 1976, 84% of broadcast and cable made-for-television movies and miniseries were filmed in North America and 16% in the rest of the world.

- Production of made-for-television-movies in the U.S. collapsed from a high of 182 in 1995 to 49 in 2003 (-73%) then bounced back to 84 in 2005 (71%).

- Production in Canada rose from 7 in 1984 to a peak of 132 in 2000 (1786%) then fell to 76 in 2005 (-42%).

- From 1976 to 2005 on average there were 18 miniseries produced yearly. The genre peaked in 2001 with 32 productions, in 2005, 8 were produced (-75%).

There have been a number of industry factors, reviewed in more detail below, that have resulted in dramatic shifts over recent years in the volume of these types of productions. Generally, however, the vast majority (90%) of these productions remain in North America. It would appear that there are several factors influencing the decision to make these productions in North America. First, the budgets are much smaller and the savings from worldwide production incentives may not be enough in absolute dollars to cover the cost of mobilizing the production crew on international soil. Second, it seems likely that, given the relatively shallow crew depth in certain foreign locations, the relocation of large budget motion pictures is consuming the production infrastructure in these venues. Finally, much of this type of production is done within the U.S. and Canada under low-budget agreements with the unions that allow a more competitive cost structure or on a non-union basis.

Interestingly, although, Canada became the venue of choice for the majority of this type of production in North America commencing in 1998, the U.S. regained the relative edge following the *American Jobs Creation Act of 2004* which provides considerable benefit to producers of this type of product.

Broadcast And Cable Television Production

Summary

- Scripted prime time one-hour and half-hour broadcast and cable television programs that aired in the U.S. grew from 123 in 2000 to 152 in 2005 (24%).

- From 2000 to 2005 reality programs jumped from 24 to 174 (625%).

- In 2000, 84% of all one-hour and half-hour programs were scripted and 16% were reality, in 2005, 47% were scripted and 53% were reality.

- On average 90% of one-hour and half-hour scripted television is shot in North America and 10% in the rest of the world.

- Filming of scripted television in the U.S. grew from 93 in 2000 to 115 in 2005 (24%).

- The number of scripted programs that filmed in Canada fell from 26 in 2000 to 20 in 2005 (-23%).

- Of scripted programs in the U.S., in 2000, 83% filmed in California and 17% filmed in the rest of the U.S., in 2005, the breakdown was the same.

- The number of productions in the rest of the U.S. fell from 16 in 2000 to 13 in 2001-2003 (-19%), and then rebounded to 20 in 2005 (54%).

- The number of scripted broadcast network productions was 89 in 2000 and 89 in 2005 (0%).

- Scripted programming on cable grew from 34 in 2000 to 63 in 2005 (85%).

- In 2000 there were 3 reality programs on the broadcast networks, that number peaked at 18 in 2004 (500%), (17% of broadcast network programming), then fell to 12 in 2005 (-33%), (12% of broadcast network programming).

As can be clearly seen in the data, the production of Broadcast and Cable Television has been the product-type most resistant to migration from the U.S. These is most likely attributable to the fact that it is more difficult to relocate the necessary American talent to foreign venues for a 9 month production over a period of years than it is to relocate talent for a 3-month secondment for a feature film.

Two other interesting data points worth noting regarding Broadcast and Cable Television production are the facts that: i) despite the considerable recent focus on reality shows and the dramatic growth of this product on cable networks, they remain a relatively small percentage of the fare on network broadcast television, and ii) the relative share of shows produced in the U.S. versus Canada increased following the *American Jobs Creation Act of 2004.*

Detailed Findings

Feature Film Production Data

Production Expenditures Worldwide:

Based upon the figures in *Table 1*, domestic Theatrical Release gross budget expenditures on films shot worldwide increased from $5,557 million in 1998 to $7,205 million in 2005 (30%). For the same time period production in the U.S. fell from $3,927 million to $3,378 million (-14%) while production in the rest of the world increased from $1,630 million to $3,828 million (135%). The U.S. market share dropped from 71% to 47% with the rest of the world going from 29% to 53%.

Table 1

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Shot Worldwide	5,557	5,029	5,450	5,599	6,439	6,495	6,957	7,205
Shot in the U.S.	3,927	3,553	3,365	3,244	3,439	3,546	2,972	3,378
Rest of the World	1,630	1,476	2,085	2,355	3,000	2,949	3,985	3,828
% Shot in the U.S.	71%	71%	62%	58%	53%	55%	43%	47%
% Rest of the World	29%	29%	38%	42%	47%	45%	57%	53%

Number Of Releases:

As shown in *Table 2*, the number of Theatrical Releases shot worldwide went from 194 in 1998 to 203 in 2005 (5%). Over that same period the number of films shot in the U.S. decreased from 127 to 99 (-22%) with films shot in the rest of the world increasing from 67 to 104 (55%). U.S. market share went from 65% to 49% with the rest of the world rising from 35% to 51%.

Table 2

Number Of Domestic Theatrical Releases

	1998	1999	2000	2001	2002	2003	2004	2005
Shot Worldwide	194	187	183	206	199	203	198	203
Shot in the U.S.	127	123	108	119	111	102	92	99
Rest of the World	67	64	75	87	88	101	106	104
% Shot in the U.S.	65%	66%	59%	58%	56%	50%	46%	49%
% Rest of the World	35%	34%	41%	42%	44%	50%	54%	51%

Average Budget:

It can be seen in *Table 3*, that average budgets for Theatrical Releases shot in the U.S. rose from $30.92 million in 1998 to $34.12 million in 2005 (10%). The rest of the world increased from $24.33 million in 1998 to $36.8 million in 2005 (55%).

Table 3

Estimated Average Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Shot Worldwide	28.6	26.9	29.8	27.2	32.4	32.0	35.1	35.5
Shot in the U.S.	30.92	28.89	31.16	27.26	30.98	34.76	32.31	34.12
Rest of the World	24.33	23.06	27.79	27.07	34.09	29.2	37.59	36.8

Production Outside Of The U.S.:

Table 4 depicts the dollar volume of Theatrical Releases shot outside the U.S. During this period, Canada's market share of this international production increased from 26% in 1998 to 49% in 2000 and then fell to 31% in 2005. Expenditures in Canada went from $430 million in 1998 to a high of $1,373 million in 2004 (219%) then dropped to $1,200 million in 2005 (-13%). The U.K and Ireland market share of Theatrical Releases shot outside the U.S. went from 26% in 1998 to a low of 9% in 2003 and back up to 21% in 2005. Expenditures in the U.K and Ireland oscillated from $486 million in 1998 to a low of $245 million in 2000 (-50%), (that year expenditures in Canada more than doubled), then rose to $584 million in 2002 (138%) then declining to $257 in 2003 (-56%) then rising to $809 million in 2005 (215%). Overall, expenditures in the U.K and Ireland improved by 66% from 1998 to 2005. Australia/New Zealand grew from a 7% market share of productions not shot in the U.S. in 1998 to 19% in 2005. Expenditures in Australia/New Zealand rose from $113 million in 1998 to $717 million in 2005 (531%). Eastern Europe's market share of productions shot outside the U.S. went from 2% in 1998 to 8% in 2005. Expenditures in Eastern Europe expanded from $30 million in 1998 to a high of $447 million in 2004 (1390%) then dropping to $308 million in 2005 (-31%).

Table 4

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Outside the U.S.	**1,630**	**1,476**	**2,085**	**2,355**	**3,000**	**2,949**	**3,985**	**3,828**
Canada	**430**	**412**	**1,022**	**1,047**	**1,261**	**1,191**	**1,373**	**1,200**
% Of Total	**26.4%**	**27.9%**	**49.0%**	**44.4%**	**42.0%**	**40.4%**	**34.5%**	**31.3%**
U.K. & Ireland	**486**	**450**	**245**	**414**	**584**	**257**	**752**	**809**
% Of Total	**29.8%**	**30.5%**	**11.8%**	**17.6%**	**19.5%**	**8.7%**	**18.9%**	**21.1%**
Australia/NZ	**113**	**116**	**298**	**65**	**275**	**639**	**219**	**717**
% Of Total	**7.0%**	**7.8%**	**14.3%**	**2.8%**	**9.2%**	**21.7%**	**5.5%**	**18.7%**
Europe	**204**	**90**	**275**	**440**	**303**	**349**	**549**	**413**
% Of Total	**12.5%**	**6.1%**	**13.2%**	**18.7%**	**10.1%**	**11.8%**	**13.8%**	**10.8%**
Africa	**48**	**120**	**34**	**0**	**92**	**7**	**325**	**314**
% Of Total	**2.9%**	**8.1%**	**1.6%**	**0.0%**	**3.1%**	**0.2%**	**8.2%**	**8.2%**
Eastern Europe	**30**	**85**	**70**	**208**	**340**	**191**	**447**	**308**
% Of Total	**1.8%**	**5.8%**	**3.4%**	**8.8%**	**11.3%**	**6.5%**	**11.2%**	**8.0%**
Asia	**47**	**105**	**131**	**117**	**2**	**126**	**236**	**67**
% Of Total	**2.9%**	**7.1%**	**6.3%**	**5.0%**	**0.0%**	**4.3%**	**5.9%**	**1.8%**
Mexico	**269**	**85**	**3**	**65**	**106**	**180**	**73**	**0**
% Of Total	**16.5%**	**5.8%**	**0.1%**	**2.7%**	**3.5%**	**6.1%**	**1.8%**	**0.0%**
Other	**3**	**13**	**7**	**0**	**38**	**10**	**10**	**0**
% Of Total	**0.2%**	**0.9%**	**0.3%**	**0.0%**	**1.3%**	**0.3%**	**0.3%**	**0.0%**

The Greatest shift in production has occurred with Theatrical Releases with budgets equal to or greater than $50 Million.

Shown in *Table 5*, the estimated dollar volume of Theatrical Releases with budgets equal to or greater than $50 million grew from $3,287 million in 1998 to $4,363 million in 2005 (33%) with the average budget increasing from $75 million to $87 million (17%). In the same period, films in this budget range that shot in the U.S. fell from $2,499 million to $1,867 million (-25%). The U.S. market share for these films fell from 76% to 43%. The dollar volume for this segment of production throughout the rest of the world grew from $788 million to 2,496 million (217%) with the market share for Theatrical Releases with total budgets equal or greater to $50 million share rising from 24% in 1998 to 57% in 2005.

Table 5

Estimated Budgets Of Domestic Theatrical Releases =>50 ($ million)

Total >=50	**3,287**	**2,545**	**3,214**	**2,728**	**3,933**	**4,067**	**4,384**	**4,363**
Average Budget	**74.7**	**70.7**	**76.5**	**75.8**	**78.7**	**84.7**	**84.3**	**87.3**
Shot in the U.S. >=50	**2,499**	**1,698**	**2,122**	**1,660**	**2,048**	**2,392**	**1,647**	**1,867**
Rest of the World >=50	**788**	**847**	**1,092**	**1,068**	**1,885**	**1,675**	**2,737**	**2,496**
% Shot in the U.S.	**76%**	**67%**	**66%**	**61%**	**52%**	**59%**	**38%**	**43%**
% Rest of the World	**24%**	**33%**	**34%**	**39%**	**48%**	**41%**	**62%**	**57%**

The U.S. Is losing market share in mid-budget production.

As can be seen in *Table 6*, estimated dollar volume of all Theatrical Releases with budgets greater than $10 million but less than $50 million went from $1,921 million in 1998 to $2,578 million in 2005 (34%) with the average budget in this range increasing from $23 million to $28 million (20%). For the same period, films shot in the U.S. went from $1,210 million to $1,383 million (14%). The U.S. market share, however, fell from 63% to 54%. The dollar volume in this segment for rest of the world grew from $711 million to 1,195 million (68%) with market share rising from 37% to 46%.

Table 6

Estimated Budgets Of Domestic Theatrical Releases >10..<50 ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total >10..<50	**1,921**	**2,155**	**1,920**	**2,581**	**2,254**	**2,119**	**2,310**	**2,578**
Average Budget	**23.1**	**24.8**	**25.9**	**25.8**	**24.8**	**24.6**	**25.4**	**27.7**
Shot in the U.S. >10..<50	**1,210**	**1,661**	**1,044**	**1,429**	**1,244**	**1,036**	**1,237**	**1,383**
Rest of World >10..<50	**711**	**495**	**876**	**1,152**	**1,011**	**1,083**	**1,073**	**1,195**
% Shot in the U.S.	**63%**	**77%**	**54%**	**55%**	**55%**	**49%**	**54%**	**54%**
% Rest of World	**37%**	**23%**	**46%**	**45%**	**45%**	**51%**	**46%**	**46%**

Expenditures on films with budgets of $10 million or less declined overall.

Table 7, shows for all Theatrical Releases with estimated budgets of $10 million and less, expenditures in this segment dropped from $350 million in 1998 to $265 million in 2005 (-24%) with the average budget falling from $5.2 million to $4.4 million (-16%). U.S. market share of theses films went from 63% to 48%.

Table 7

Estimated Budgets Of Domestic Theatrical Releases <10 ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total <10	350	329	316	291	252	309	263	265
Average Budget	5.2	5.1	4.7	4.2	4.3	4.5	4.8	4.4
Shot in the U.S. <10	219	195	199	155	147	118	88	128
Rest of the World <10	131	134	117	136	104	191	175	137
% Shot in the U.S.	63%	59%	63%	53%	59%	38%	34%	48%
% Rest of the World	37%	41%	37%	47%	41%	62%	66%	52%

Production In California And The Rest Of The U.S.

Table 8 shows that estimated expenditures in the U.S. for feature films have dropped from $3,927 million in 1998 to $3,378 million in 2005 (-14%). For the same period the average budget in the U.S. increased from $30.9 million to $34.1 million (10%). California went from $1,948 million in 1998 to a low of $1,706 million in 2004 (-12%), then recovering to $2,068 million in 2005 (21%). Overall, from 1998 to 2005 production in California is up 6%. The rest of the U.S. fell from $1,979 million in 1998 to $1,310 million in 2005 (-34%). California's market share of production expenditures in the U.S. improved from 50% in 1998 to 61% in 2005 as the rest of the U.S. fell from 50% to 39%.

Table 8

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total US	3,927	3,553	3,365	3,244	3,439	3,546	2,972	3,378
Average Budget	30.9	28.9	31.2	27.3	31.0	34.8	32.3	34.1
Shot in the CA	1,948	1,815	2,113	2,026	1,818	2,162	1,706	2,068
Rest of US	1,979	1,738	1,252	1,218	1,621	1,384	1,266	1,310
% Shot in the CA	50%	51%	63%	62%	53%	61%	57%	61%
% Rest of US	50%	49%	37%	38%	47%	39%	43%	39%

As shown in *Table 9*, 62 productions were filmed in California in 1998 that number fell to 46 in 2005 (-26%). For the same period the rest of the U.S. went from 65 productions to 53 productions (-18%).

Table 9

Number Of Domestic Theatrical Releases

	1998	1999	2000	2001	2002	2003	2004	2005
Shot in the CA	62	56	54	67	49	48	46	46
Rest of US	65	67	54	52	62	54	46	53

Shown in *Table 10*, the estimated dollar volume of Theatrical Releases with budgets equal to or greater than $50 million shot in the U.S. fell from $2,499 million in 1998 to $1,867 million in 2005 (-25%). For that period the average budget increased from $71 million to $78 million (9%). In California, in this budget range, production volume grew from $1,083 million in 1998 to 1,293 million in 2005 (19%). For the same period, expenditures in the rest of the U.S. plummeted from $1,416 million to $574 million (-59%). California's market share of productions with budgets equal to or greater than $50 million swelled from 43% in 1998 to 69% in 2005. Conversely, for the same period the market share in the rest of the U.S. collapsed from 57% to 31%.

Table 10

Estimated Budgets Of Domestic Theatrical Releases >=50 ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total US >=50	**2,499**	**1,698**	**2,122**	**1,660**	**2,048**	**2,392**	**1,647**	**1,867**
Average Budget	**71.4**	**67.9**	**75.8**	**75.5**	**75.9**	**82.5**	**78.4**	**77.8**
Shot in the CA >=50	**1,083**	**1,014**	**1,561**	**1,107**	**1,218**	**1,640**	**960**	**1,293**
Rest of US >=50	**1,416**	**684**	**561**	**553**	**830**	**752**	**687**	**574**
% Shot in the CA	**43%**	**60%**	**74%**	**67%**	**59%**	**69%**	**58%**	**69%**
% Rest of US	**57%**	**40%**	**26%**	**33%**	**41%**	**31%**	**42%**	**31%**

In *Table 11*, the estimated dollar volume of all Theatrical Releases with budgets greater than $10 million and less then $50 million that shot in the U.S. went from $1,210 million in 1998 to $1,383 million in 2005 (14%) with the average budget increasing from $25 million to $31 million (25%). For the same period, California went from $765 million to $728 million (-5%). The rest of the U.S. grew from $445 million to $655 million (47%). Market share in this range for California fell from 63% in 1998 to 53% in 2005; the rest of the U.S. grew from 37% to 47%.

Table 11

Estimated Budgets Of Domestic Theatrical Releases >10..<50 ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total US >10..<50	**1,210**	**1,661**	**1,044**	**1,429**	**1,244**	**1,036**	**1,237**	**1,383**
Average Budget	**24.7**	**25.9**	**27.5**	**27.0**	**24.4**	**24.7**	**26.3**	**30.7**
Shot in CA >10..<50	**765**	**739**	**470**	**841**	**549**	**477**	**705**	**728**
Rest of US >10..<50	**445**	**922**	**574**	**588**	**695**	**559**	**532**	**655**
% Shot in the CA	**63%**	**44%**	**45%**	**59%**	**44%**	**46%**	**57%**	**53%**
% Rest of US	**37%**	**56%**	**55%**	**41%**	**56%**	**54%**	**43%**	**47%**

Studio And Independent Productions

Studio Production Expenditures Worldwide:

Table 12 shows that the dollar volume of studio financed production of Theatrical Releases increased from $4,154 million in 1998 to $4,505 million in 2005 (8%). During the same period, the number of films decreased from 96 to 81 (-16%) while the average budget increased from 43.3 million to 55.6 million (29%). Expenditures in the U.S. decreased from $3,109 million in 1998 to $2,570 million in 2005 (-17%). Studio expenditures in the rest of the world increased from $1,045 million in 1998 to a peak of $2,660 million in 2004 (155%), then dropping back to 1,935 million in 2005 (-27%). Overall, U.S. market share of studio productions fell from 75% in 1998 to 57% in 2005, conversely the rest of the world went from 25% to 43%.

Table 12

Estimated Budgets Of Studio Financed Domestic Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Shot Worldwide	4,154	3,995	3,602	3,425	3,894	4,364	5,016	4,505
Average Budget	43.3	37.3	47.4	41.8	49.9	52.6	53.9	55.6
Number of Films	96	107	76	82	78	83	93	81
Shot in the U.S.	3,109	3,001	2,298	2,107	2,451	2,813	2,356	2,570
Rest of the World	1,045	994	1,304	1,318	1,443	1,551	2,660	1,935
% Shot in the U.S.	75%	75%	64%	62%	63%	64%	47%	57%
% Rest of the World	25%	25%	36%	38%	37%	36%	53%	43%

Independent Production Expenditures Worldwide:

In *Table 13*, estimated dollar volume of independently produced Theatrical Releases almost doubled, going from $1,403 million in 1998 to 2,701 million in 2005 (92%). The number of independently produced films in the same period went from 98 to 122 (24%), and the average budget increased from $14.3 million to $22.1 million. Independent financed production in the U.S. decreased slightly from $818 million in 1998 to $808 million in 2005 (-1%) while the dollar volume in rest of the world more than tripled going from $585 million to $1,893 million (223%). U.S. market share of independent productions plunged from 58% to 30% while the share for rest of the world rocketed from 42% to 70%.

Table 13

Estimated Budgets Of Independently Financed Domestic Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Shot Worldwide	1,403	1,035	1,848	2,175	2,545	2,131	1,942	2,701
Average Budget	14.3	12.9	17.3	17.5	21.0	17.8	18.5	22.1
Number of Films	98	80	107	124	121	120	105	122
Shot in the U.S.	818	553	1,067	1,137	988	733	616	808
Rest of the World	585	482	781	1,038	1,557	1,398	1,325	1,893
% Shot in the U.S.	58%	53%	58%	52%	39%	34%	32%	30%
% Rest of the World	42%	47%	42%	48%	61%	66%	68%	70%

Studio Production Expenditures In The U.S.:

Table 14 shows that studio financed production of Theatrical Releases in California rose modestly from $1,404 million in 1998 to $1,548 million in 2005 (10%). Studio expenditures in the rest of the U.S. declined from $1,705 million in 1998 to 1,022 million in 2005 (-40%). California's market share of studio production in the U.S. went from 45% to 60% while the rest of the U.S. went from 55% to 40%.

Table 14

Estimated Budgets Of Studio Financed Domestic Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total US	3,109	3,001	2,298	2,107	2,451	2,813	2,356	2,570
Shot in the CA	1,404	1,526	1,477	1,371	1,500	1,731	1,490	1,548
Rest of US	1,705	1,475	821	736	951	1,082	866	1,022
% Shot in the CA	45%	51%	64%	65%	61%	62%	63%	60%
% Rest of US	55%	49%	36%	35%	39%	38%	37%	40%

Independent Production Expenditures In The U.S.:

In *Table 15*, estimated expenditures on independently financed Theatrical Releases that shot in California fell from $544 million in 1998 to a low of $216 million in 2004 (-60%) then rebounded to $520 million in 2005 (141%). Independent production in the rest of the U.S. went from $274 million in 1998 to a peak of $671 million in 2002 (145%) then dropping to $288 million in 2005 (-57%).

Table 15

Estimated Budgets Of Independently Financed Domestic Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Total US	**818**	**553**	**1,067**	**1,137**	**988**	**733**	**616**	**808**
Shot in the CA	**544**	**290**	**636**	**655**	**318**	**431**	**216**	**520**
Rest of US	**274**	**263**	**431**	**482**	**671**	**302**	**400**	**288**
% Shot in the CA	**67%**	**52%**	**60%**	**58%**	**32%**	**59%**	**35%**	**64%**
% Rest of US	**33%**	**48%**	**40%**	**42%**	**68%**	**41%**	**65%**	**36%**

Theatrical Releases – Final Observations

In a period of less than seven years, the U.S. went from being the location of choice for the production of more than two-thirds of Theatrical Releases to the venue of choice for now less than 50%, measured both by production dollar volume and number of films. Even more significantly, during this same period the U.S. share of production for large budget films over $50 million fell from 76% to 43%. While production incentives do not solely account for this dramatic shift, they have been a significant factor in the export of billions of dollars in jobs and the development of production infrastructure throughout the world.

The effect on production of Theatrical Releases appears most profound when the decision has been made to relocate the production from California to pursue the economic benefits of various incentive programs. While the various state programs have resulted in shifts of production volume between states competing for films not shooting in California, they have not been as successful in attracting production as the combined federal and local offerings in many foreign venues.

Made-For-Television Movies And Miniseries

History

In the early sixties, along with the advent of color television, the networks began airing Hollywood feature films as regular weekly programs, such as *Saturday Night At The Movies.* These programs proved to be a success delivering high ratings and substantial advertising revenue. Faced with higher film rental fees, and the need for new and original programming the networks opted to produce their own movies that could be done for the same or less money then the studios were charging just for the broadcast rights.

The first of these made-for-television movies is generally accepted to be *See How They Run*, which debuted on NBC on October 7, 1964. This led to weekly series of original movies produced especially for television broadcast on all three networks. The genre came into its own in 1971-1972 season with the airing of *Brian's Song* a critical success and ratings blockbuster. That year there were there were five weekly made for TV movie series, the ratings for all were in the top 25, with the *ABC Movie Of The Week* ranked fifth in the country.

Barry Diller who at the time was vice president in charge of feature films and program development at ABC network created the *ABC Movie Of The Week,* the program became the most popular movie series in television history and helped ABC achieve parity with NBC and CBS in the ratings. For 1971-72 season, 18 of the 23 top-rated films broadcast on television were ABC made-for-television movies including Steven Spielberg's, *Duel*.

Watching the success NBC was having with their TV-movie specials, ABC's Barry Diller realized the time was right to update the old anthology format, but with a twist. He scheduled a weekly series of original movies for fall, 1969 - with shorter running times (90 minutes) and strict budgetary constraints to make the productions commercially viable. Because of the limited budgets (between $400,000 - $450,000 each), Universal declined to partner with ABC for Diller's new format. Lean and hungry independent producers like Aaron Spelling, Quinn-Martin and David Wolper eagerly jumped in, resulting in a more raw-edged product than the standard Universal telefilms. That freshness became a key component to the initial success of the overall project.[1]

As Hollywood moved more to producing big-budget epics, the made-for-television movie took on the important social issues of the day.

When it turned out, as we shall see, that the most successful of the TV movies with those that tackled socially vexing, controversial subjects (*Brian's Song* was the first blockbuster), their importance to the networks grew. Now they could be used as a cultural capital in television's battle for serious attention-thus their somber, pseudo-documentary tone and style (and their refusal, with obvious exceptions, to be ironic, cute, or intentionally silly). From the early 1970's on, movies of the week became a TV staple, regularly scheduled "special events" touted as dramatically superior to series fare. Most importantly, they were presented as a socially important documents, on the cutting edge of public debate and, in fact, a focal point for engaging us, as a nation, in debates in a much larger public's sphere - in the real social world. Subjects like slavery (*Roots*), domestic violence and incest (*The Burning Bed* and *Something About Amelia*), nuclear war (The Day After), AIDS (An Early Frost), corporate pollution, (Lois Gibbs and the Love Canal), and many others all were given dramatic representation first in a TV movie.[2]

The budgetary and broadcast constraints placed on made-for-television movies have an effect on the final product. Despite their promise to compete with theatrical films, network-made TV movies in the USA have generally been produced inexpensively and of low quality. The stories are written to reach periodic semi-cliffhangers coinciding with the network-scheduled times for the insertion of commercials; they are further managed

[1] A short history of the movie of the week, by Billy Ingram, www.tvparty.com
[2] Elayne Rapping, "*The Movie Of The Week*", (University of Minnesota Press, 1992), p. xi

to fill, but not exceed, the fixed running times allotted by the network to each movie "series". The movies tend to rely on small casts and a limited range of settings and camera setups. Even Spielberg's Duel, while a well-crafted film, features a very small cast (apart from Dennis Weaver, all other acting roles are bit-parts) and mostly outdoors shooting locations in the desert.[3]

Network made-for-television movie and mini-series production peaked in 1994 when 190 were aired in prime time; in 2005 the network produced made-for-television movie is a shadow of itself with only 36 aired (-81%). Current network productions are generally sequels to successful series after ending their run, pilots for new series, "reunion movies," which bring back the cast of older series, holiday films, and "specials" to be broadcast during the all important sweeps periods.

Cable Television

Made-for-television movies made for cable first appeared in 1983 with seven productions that year, primarily for HBO and Showtime. The decade became a blur of new channels giving birth to most of today's cable networks. By 1990, cable networks produced 77 made-for-television movies; that number rose meteorically to 185 (145%) in 1999. Original movies produced for cable fell to 144 in 2003, 2004 –24%) but rose to 162 in 2005, that is the same number of productions logged in the mid 1990s.

Currently, the cable networks air original made-for-television movies include: ABC Family, A&E, Animal Planet, Cinemax, Disney Channel, ESPN, FX, Hallmark Channel, HBO, Lifetime, MTV, Sci-Fi Channel, Showtime, TNT, and USA. The type and cost for cable network produced movies is as diverse as the networks themselves with budgets that range from $750,000 to greater then $15 million for a two-hour movie.

Today the advent of cable television has served to increase the number of venues for the broadcast of TV movies as well as their form. Budgets may be higher and the constraints of writing to fill fixed-time slots while accounting for commercials have been eliminated on the subscription-based cable stations. Conversely, the dispersal of the audience for TV-movies among numerous cable channels with a penchant for "original programming" has resulted in lower budgets, lesser-known performers, and even cheaper effects and settings, along with formulaic writing, on commercial-driven channels.[4]

Production Data For Made-For-Television Movies And Miniseries

As seen in *Graph 1*, the combined number of broadcast and cable made-for-television movies and miniseries that filmed worldwide grew from 76 in 1976 to a peak of 328 in 1996 (332%) then fell to 186 in 2003, 2004 (-43%), then rising to 198 in 2005 (6%).

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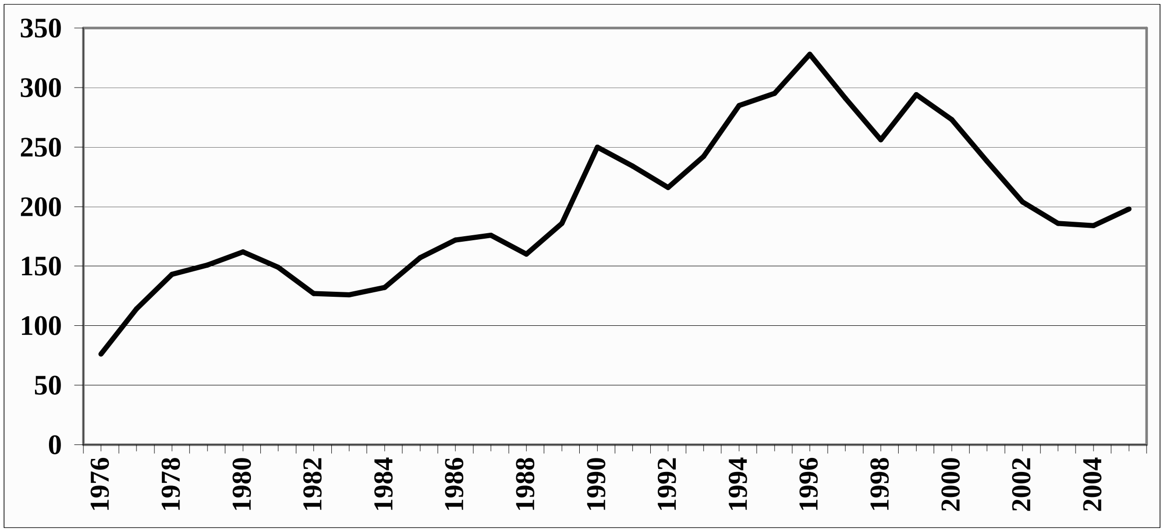
[3] Wikipedia, "The Free Encyclopedia", http://en.wikipedia.org/wiki/Television_movie
[4] *Ibid*

Graph 1

Broadcast And Cable Movies And Miniseries That Aired In The U.S.

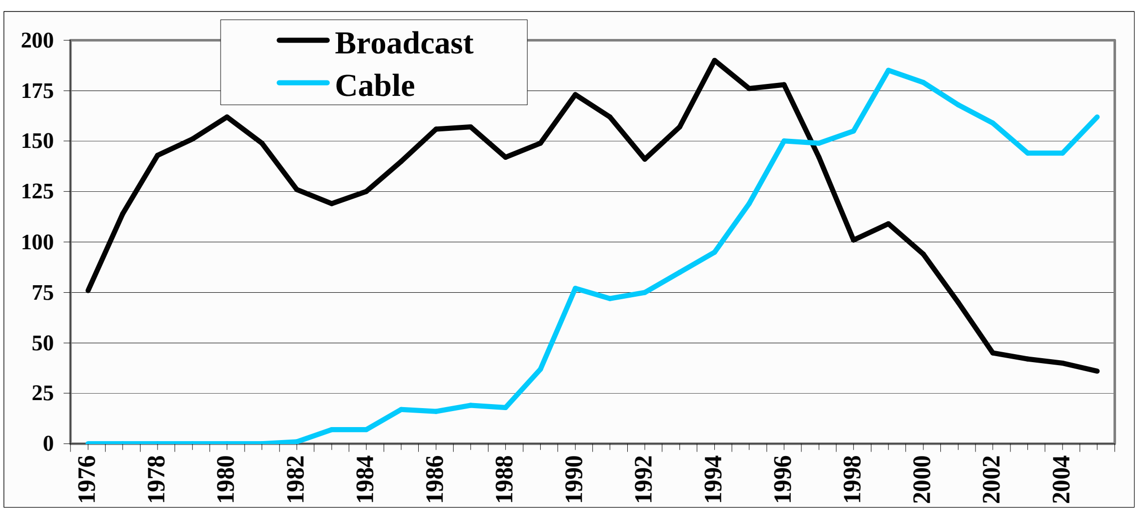


Broadcast And Cable Movie And Miniseries Production:

Shown in *Graph 2*, the number of broadcast made-for-television movies and miniseries grew from 76 in 1976 to a peak of 190 in 1994 (150%) then falling to 36 (-81%) in 2005. Movies made for cable rose from 7 in 1983 to 185 in 1999 (2543%) then dropped to 144 in 2003, 2004 (-22%), then rebounding to 162 in 2005 (13%).

Graph 2

Broadcast And Cable Movies That Aired In The U.S.

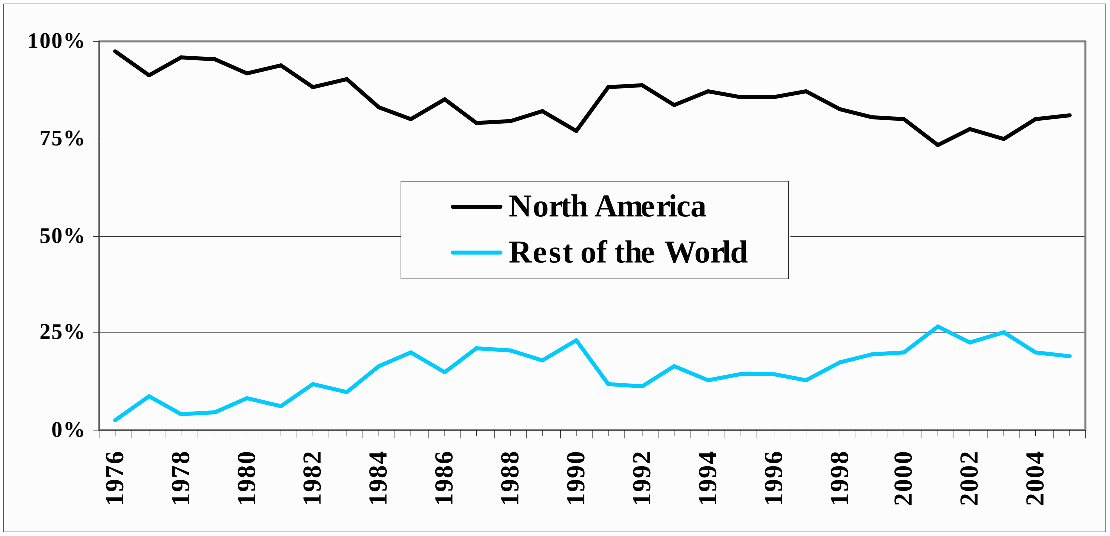


The Majority Of Made-For-Television Movies Filmed In North America:

Shown in *Graph 3*, on average, since 1976, 84% of broadcast and cable made-for-television movies and miniseries were filmed in North America and 16% shot in the rest of the world. The percentage of productions filmed in the rest of the world increased from a low of 11% in 1992 to a peak of 26% in 2001 then fell to 16% in 2005.

Graph 3

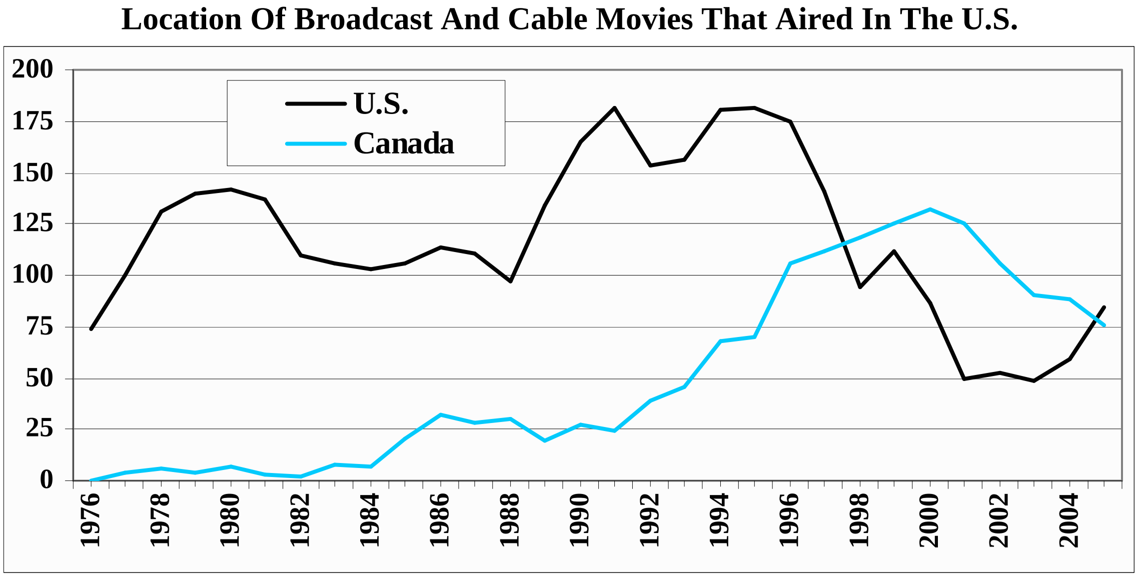
% Location Of Broadcast And Cable Movies That Aired In The U.S.



Broadcast And Cable Movies That Filmed In The U.S. And Canada:

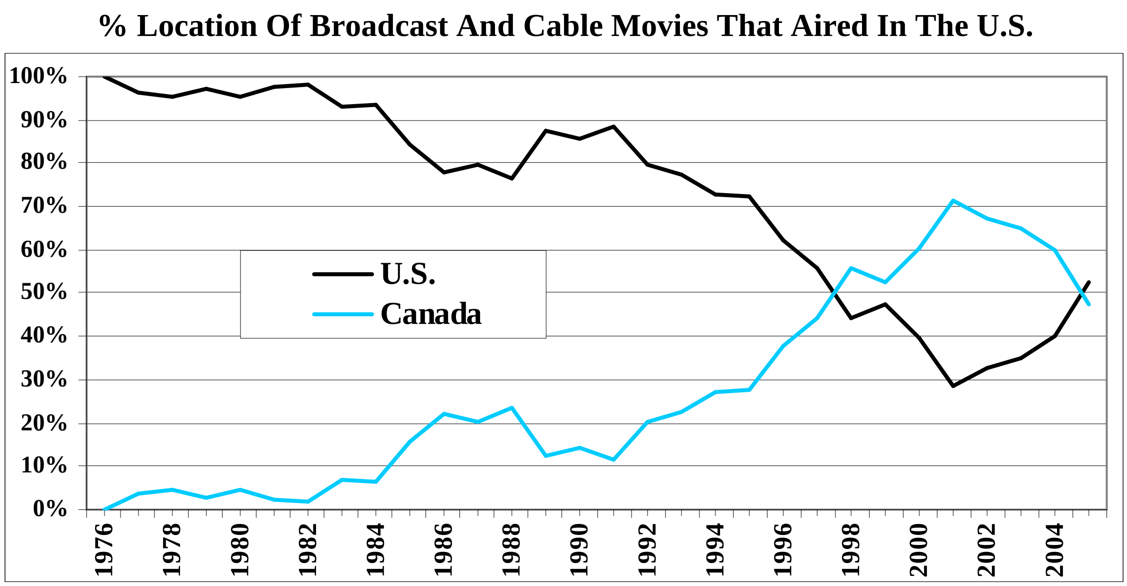
Graph 4 shows, production in Canada of made-for-television movies rose from 7 in 1984 to 32 in 1986 then dropping back to 19 in 1989. In the early 90s, cost savings and union pressure sent production North, the number of made-for-television movies filmed in Canada climbed to a peak of 132 in 2000 (450%) then dropped to 76 in 2005 (-42%) as overall demand decreased. Correspondingly, production in the U.S. collapsed from a high of 182 in 1995 to 50 in 2001 (-73%) then climbing from 49 in 2003 to 84 in 2005 (71%).

Graph 4



Shown in *Graph 5*, the percentage of made-for-television movies filmed in the U.S. and Canada was 50%/50% in 1998. The percentage shot in Canada rose to 70% in 2000 as the impact of Canadian incentives favorable exchange rate were felt, consequently production in the U.S. fell to 30% for the same period. In 2003 percentage of production in the U.S. improved to 53% with Canada slipping to 47%.

Graph 5

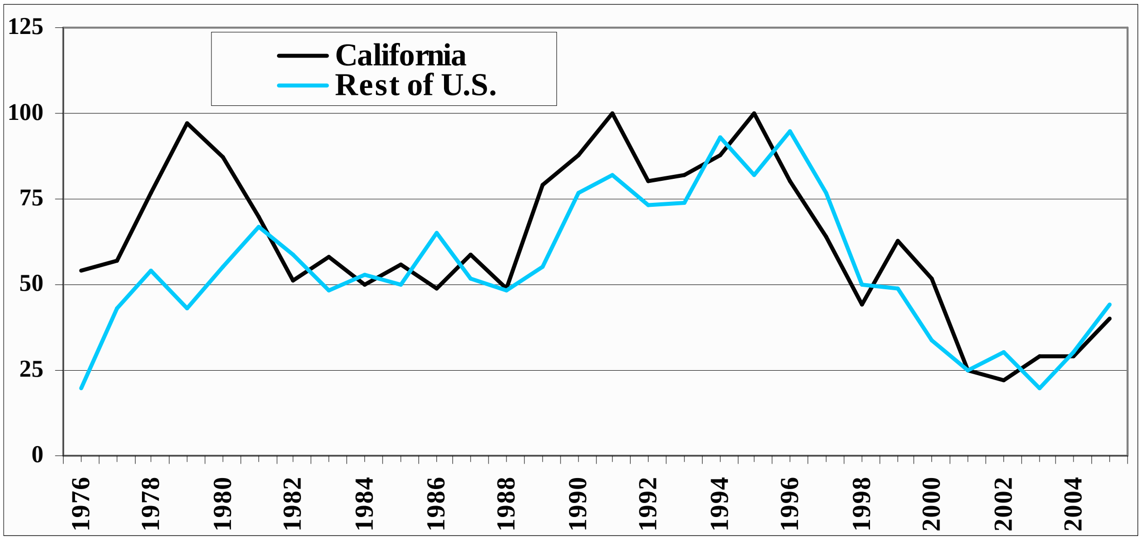


Productions Filmed In California And The Rest Of The U.S.:

As seen in *Graph 6*, and *Graph 7* starting in the early 80s, the production location of broadcast and cable made-for-television movies were on average equally divided between California and the rest of the U.S. California bottomed with 22 made-for-television movie productions in 2002, then bouncing back to 40 in 2005 (80%).

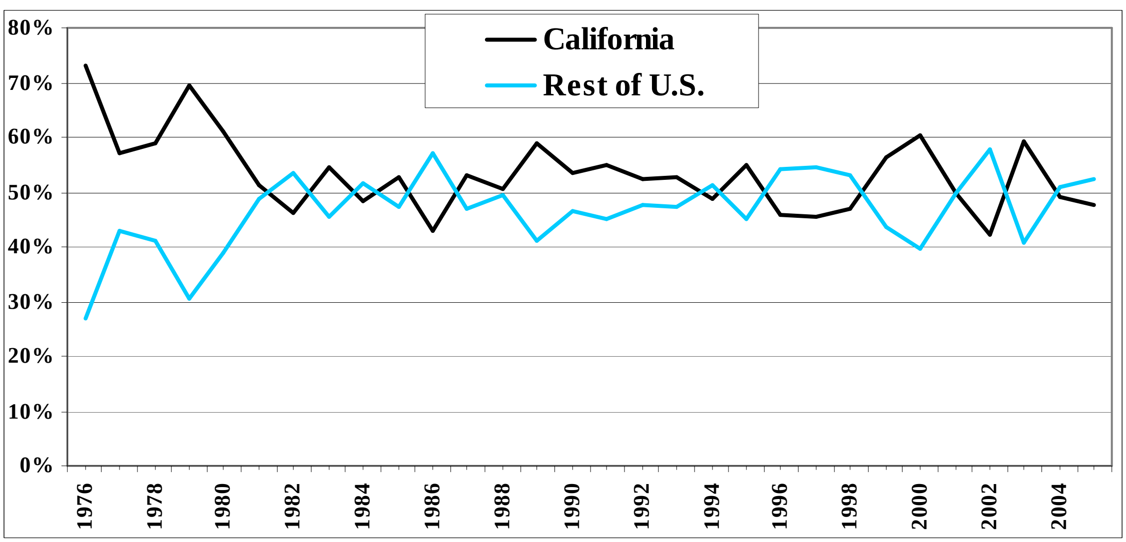
Graph 6

Location Of Broadcast And Cable Movies That Aired In The U.S.



Graph 7

% Location Of Broadcast And Cable Movies That Aired In The U.S.



The Miniseries

History

A miniseries is a serial storytelling medium, which tells a story in a limited number of episodes. The airing of the miniseries is especially prevalent during spring and fall sweeps period.

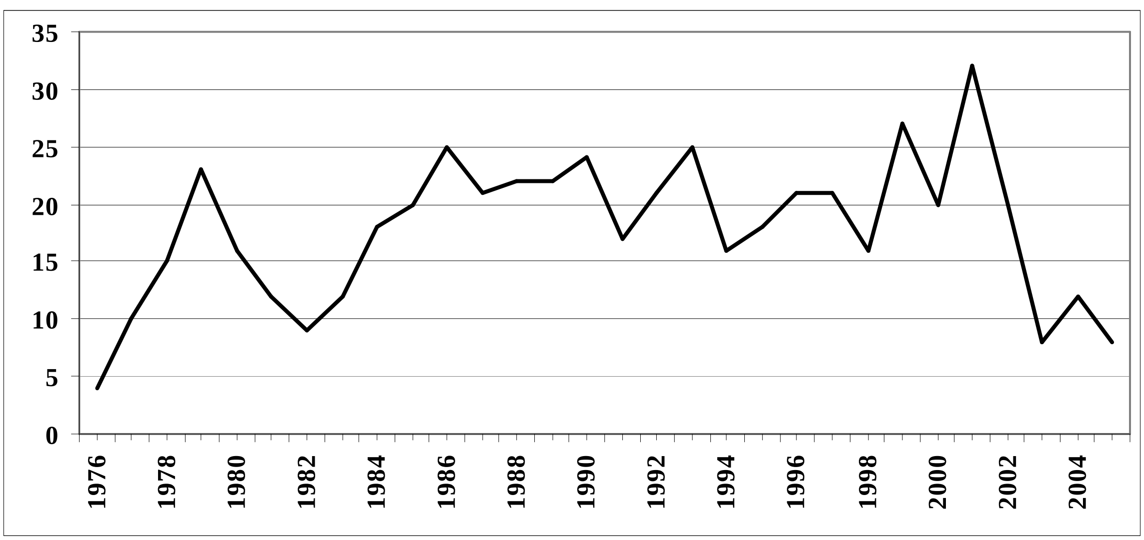
The format dates back to at least a 1966 ABC broadcast of an adaptation of The Rise and Fall of the Third Reich, produced by David L. Wolper. The term became well-established in the mid 1970s, particularly with the success of Rich Man, Poor Man, based on the novel of Irwin Shaw, in 1976. Alex Haley's Roots in 1977 can fairly be called the first blockbuster success of the format. Its success in the USA was due to its schedule: the twelve hours were split into eight episodes broadcast on consecutive nights, resulting in a finale with a 71 percent share of the audience and 130 million viewers.[5]

Miniseries Production Worldwide:

As shown in *Graph 8*, over the last 30 years there has been on average 18 miniseries aired per year. The total number of productions peaked in 2001 with 32 produced, that number fell to 8 in 2003 (-75%), it rose to 12 in 2004 (50%), then falling back to 8 in 2005 (-33%).

Graph 8

Location Of Broadcast And Cable Miniseries That Aired In The U.S.



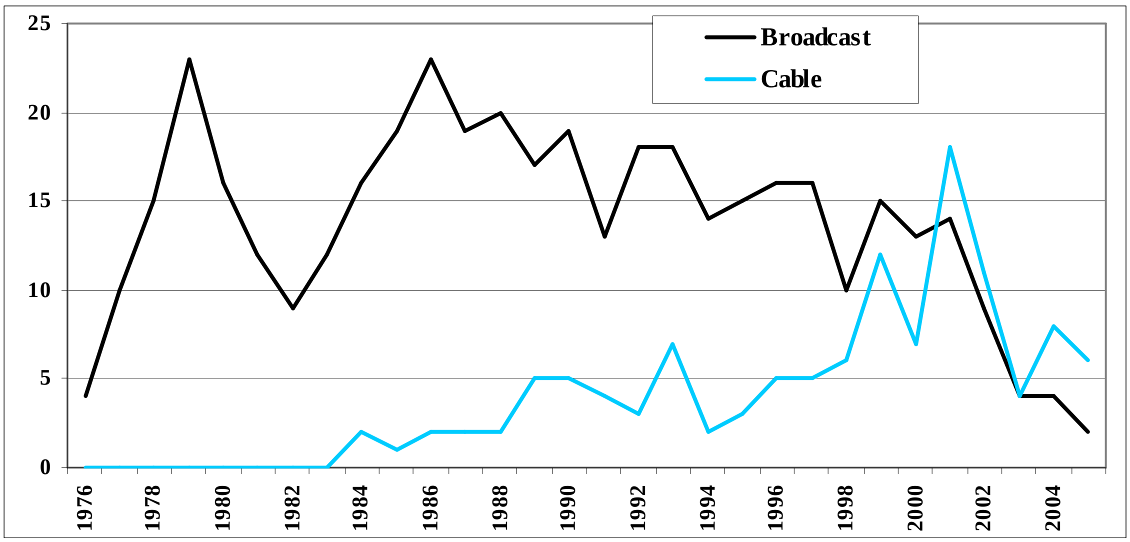
[5] Wikipedia, "The Free Encyclopedia", http://en.wikipedia.org/wiki/Miniseries

Broadcast And Cable Miniseries Production:

Shown in *Graph 9*, miniseries were predominately produced by the broadcast networks through to 1998, the number of cable produced miniseries rose from 5 in 1998 to 18 in 2001 (260%). Broadcast network aired miniseries rapidly fell from 14 in 2001 to 2 in 2005 (-86%) and cable-produced miniseries leveled off to 6 that year.

Graph 9

Location Of Broadcast And Cable Miniseries That Aired In The U.S.



Made for Television Movies and Miniseries – Final Observations

In 2005, 198 made-for-television movies and miniseries were aired; while this is down from the peak of 328 in 1998 (-40%) it is still a respectable amount of production. If one assumes an average budget of $3.6 million, expenditures on made for made-for-television movies are over $700 million.

The recovery of production in the U.S. from 49 in 2003 to 84 in 2005 (71%) coincides with the devaluation of the U.S. dollar against the Canadian dollar, and the introduction of incentives and rebates by various states in the U.S., and starting in 2004 the federal tax credit, the American Jobs Creation Act of 2004. For the same period production in Canada fell from 125 to 76 (-39%). As of January 2003 the Canadian dollar exchange rate against the U.S. dollar was $1.54, and December 2005 it traded at $1.16 (-25%).

The made-for-television movie and miniseries are a valuable and viable production genre; they take on the controversial social and cultural issues of the day, are a showcase for fine lead and supporting actors, from all generations, and provide jobs for artists and technicians, experienced, and up-and-coming. U.S. federal and state governments should do whatever possible to maintain and encourage the production of made-for-television movies and miniseries in the U.S.

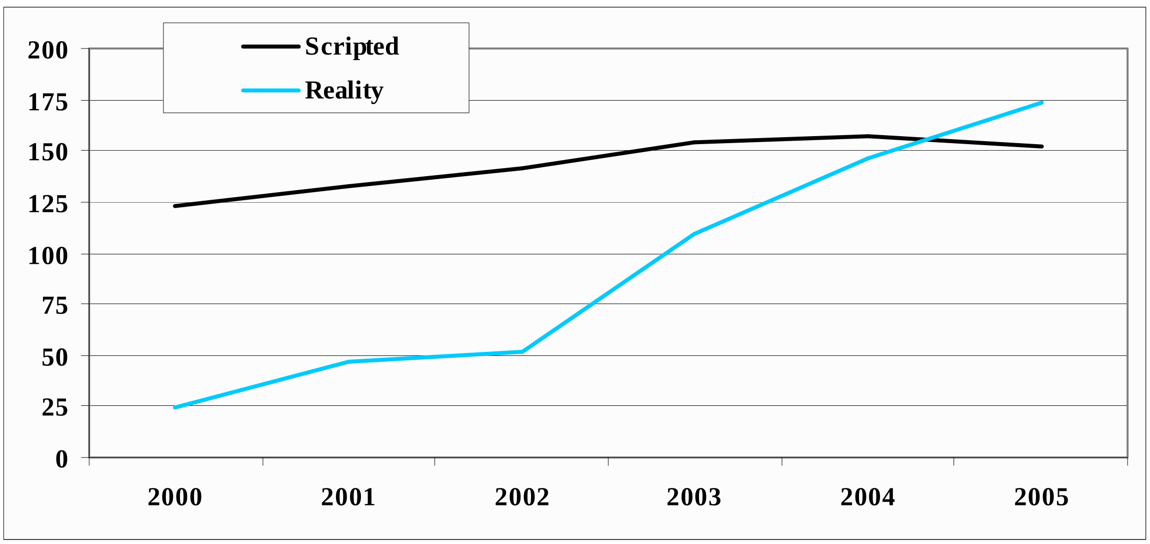
Broadcast And Cable Television

Scripted And Reality Broadcast And Cable Programming:

As seen in *Graph 10*, the total number of prime time one-hour and half-hour scripted and reality broadcast and cable programs that aired on U.S. television grew from 147 in 2000 to 326 in 2005 (122%). Scripted programs grew from 123 in 2000 to 152 in 2005 (24%), for the same period the number of realty programs grew from 24 to 174 (625%). In 2000, 84% of one-hour and half-hour programs were scripted and 16% reality, in 2005, 47% were scripted and 53% were reality.

Graph 10

Broadcast And Cable Programs That Aired On U.S. Television

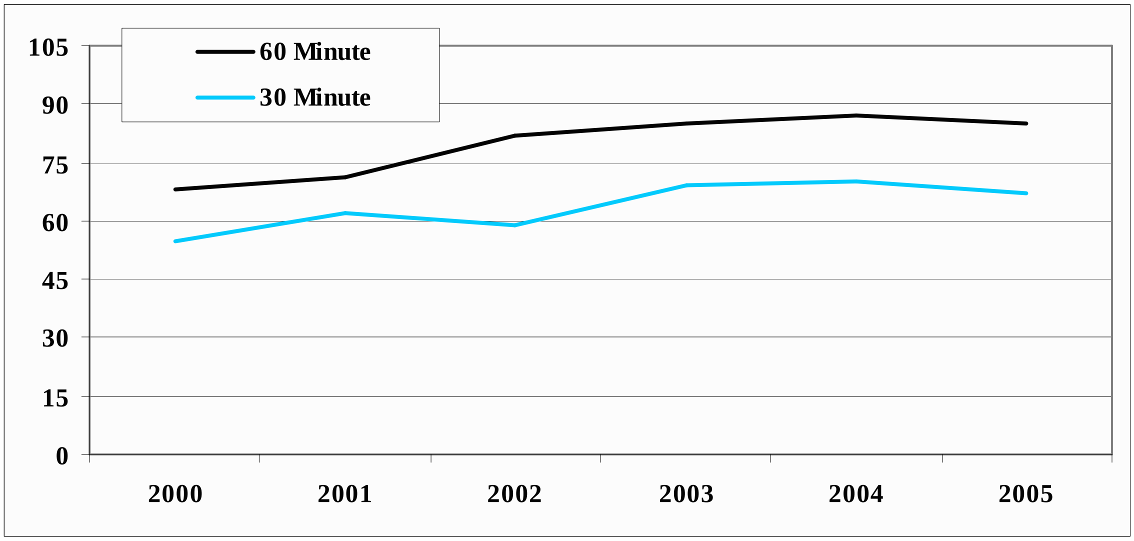


Scripted One-Hour And Half-Hour Broadcast And Cable Programming:

Shown in *Graph 11*, for scripted broadcast and cable programs in 2000, 68 were one-hour in length, that number rose to 85 in 2005 (25%). For the same period the number of scripted programs of half-hour in length grew from 55 to 67 (22%).

Graph 11

Scripted Broadcast And Cable Programs That Aired On U.S. Television

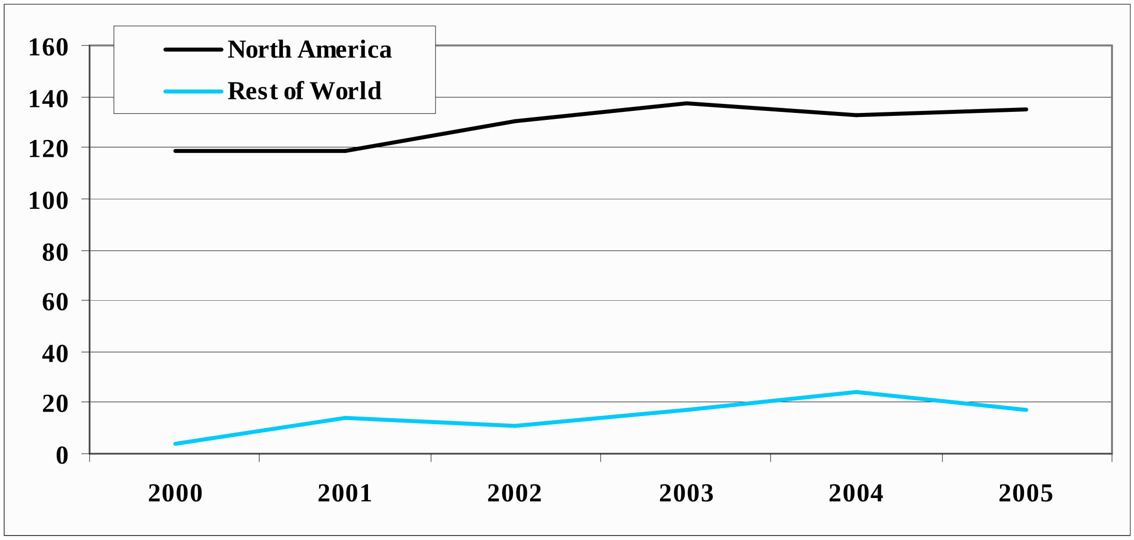


Scripted Broadcast And Cable Production In North America And The Rest Of The World:

Graph 12 shows that the majority of one-hour and half-hour scripted broadcast and cable programs were shot in North America; in 2000, 119 programs filmed in the U.S. or Canada, that number grew to 135 in 2005 (13%). Scripted, broadcast and cable programs that filmed in the rest of the world rose from 4 in 2000 to 17 in 2005 (325%).

Graph 12

Scripted Broadcast And Cable Programs That Aired On U.S. Television

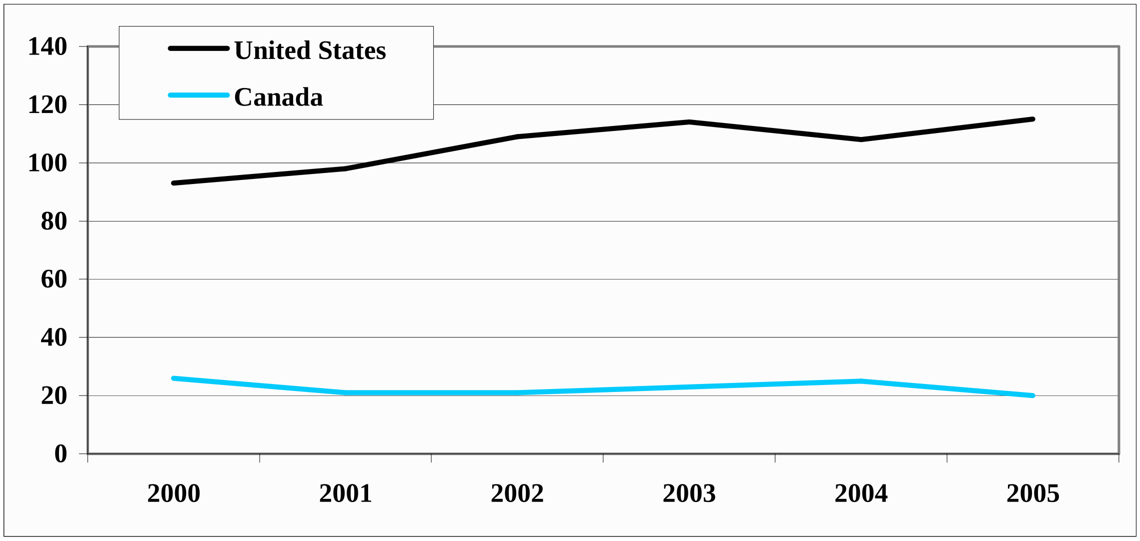


Scripted Broadcast And Cable Production In The U.S. And Canada:

As seen in *Graph 13*, the majority of scripted broadcast and cable programs were shot in the U.S. with 93 in 2000, growing to 115 in 2005 (24%). For the same period the number of programs filmed in Canada fell from 26 to 20 (-23%).

Graph 13

Scripted Broadcast And Cable Programs That Aired On U.S. Television

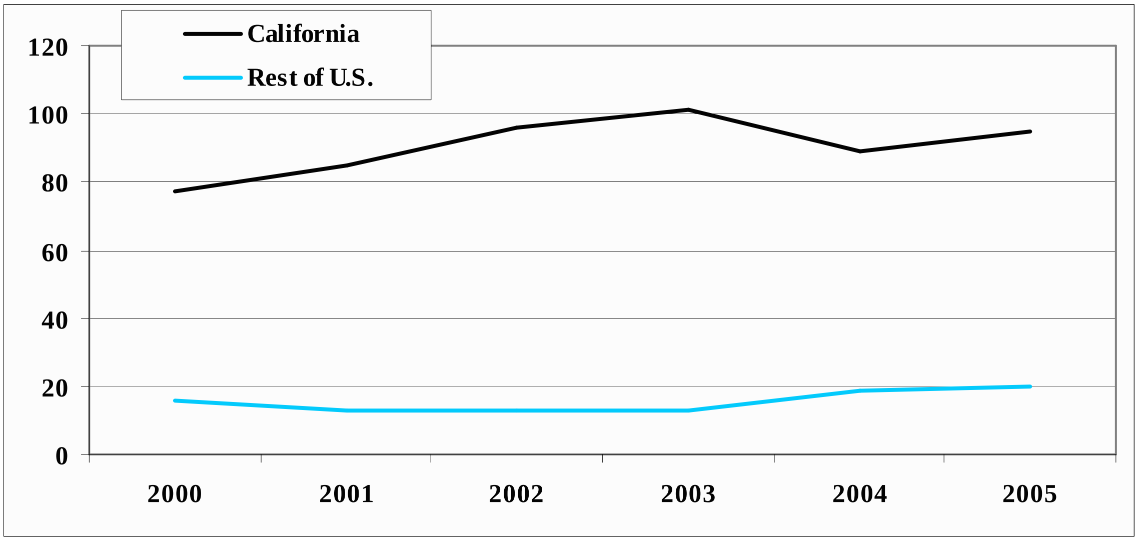


Scripted Broadcast And Cable Production in California And The Rest Of The U.S.

Shown in *Graph 14*, the greater part of scripted broadcast and cable programs that aired in the U.S. were shot in California with 77 one-hour and half-hour programs filmed there in 2000, that number grew to 95 in 2005 (23%). The number of productions in the rest of the U.S. fell from 16 in 2000 to 13 in 2001-2003 (-19%), then rebounded to 19 productions is 2004, and 20 in 2005 (54%).

Graph 14

Scripted Broadcast And Cable Programs That Aired On U.S. Television

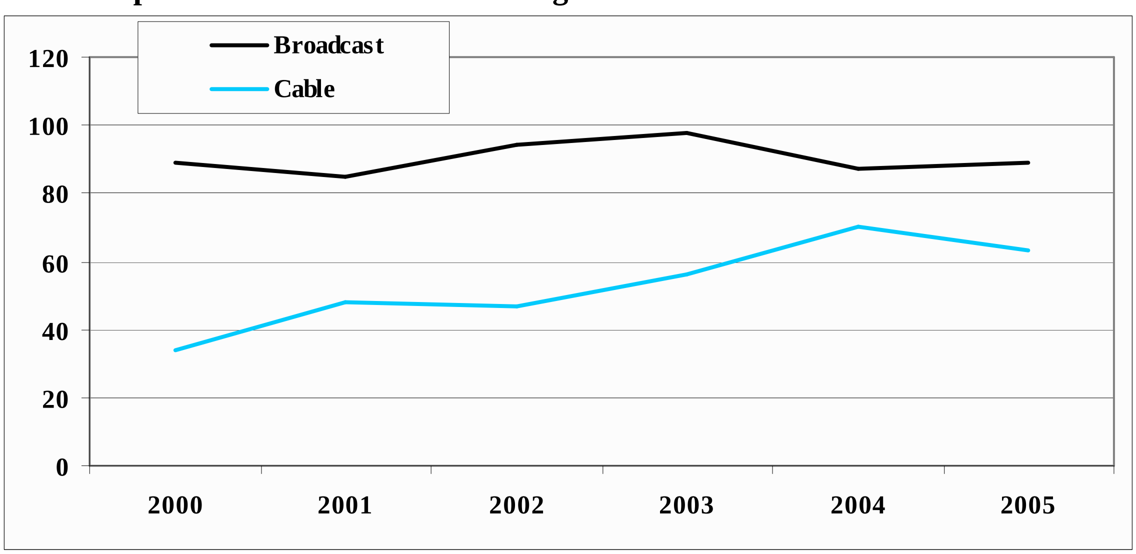


Scripted Programming On Broadcast And Cable:

Graph 15 shows the breakdown of one-hour and half-hour scripted programs that aired in the U.S. on broadcast and cable networks, in 2000 there were 89 broadcast network programs, that number rose to 98 in 2003 (10%) then returned to 89 in 2005 (-9%). Scripted one-hour and half-hour programming on cable grew from 34 in 2000 to 70 in 2004 (106%) then fell to 63 in 2005 (-10%). Overall, since 2000, scripted programs on cable networks grew by 29 (85%).

Graph 15

Scripted Broadcast And Cable Programs That Aired On U.S. Television



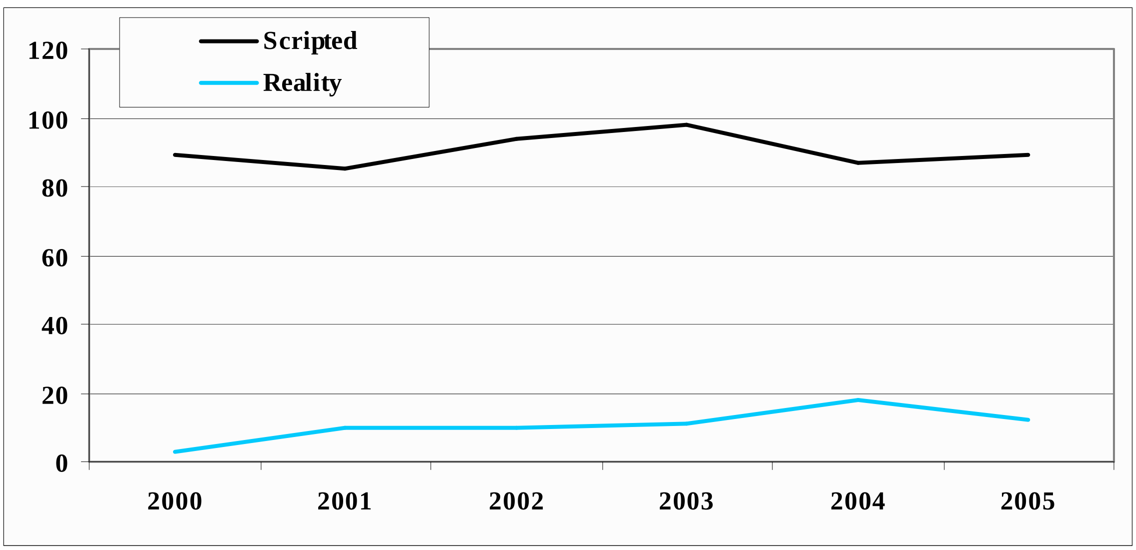
Broadcast Network Television

Scripted And Reality Broadcast Network Programming:

As seen in *Graph 16*, in 2000 there were 89 scripted one-hour and half-hour broadcast network television productions, that number peaked to 98 in 2003 (10%) then returned to 89 in 2005 (-9%). In 2000 there were 3 reality one-hour and half-hour broadcast television productions, that number peaked at 18 (17% of total programming) in 2004 (500%), then falling-off to 12 in 2005 (-33%), (12% of total programming).

Graph 16

Broadcast Programs That Aired On U.S. Television

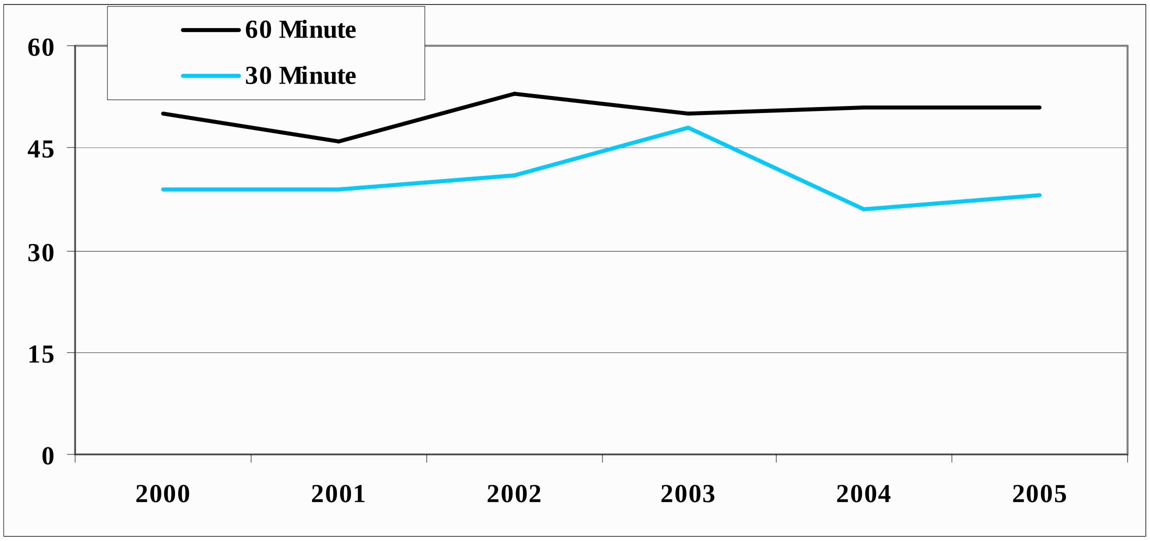


Scripted One-hour and half-hour Broadcast Network Programming:

Illustrated in *Graph 17*, the mix of 60 minute and 30 minute network programming was constant with 50, 60-minute programs in 2000 and, 51 in 2005 (1%). 30-minute programming increased from 39 in 2000 to a peak of 48 in 2003 (23%), then falling to 38 in 2005 (-21%)

Graph 17

Scripted Broadcast Programs That Aired On U.S. Television

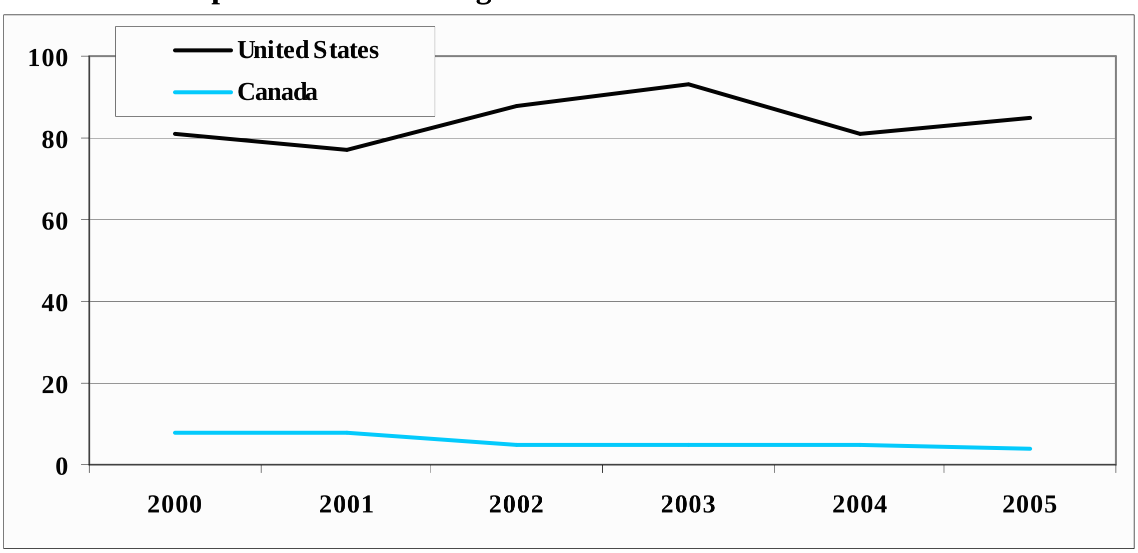


Scripted Broadcast Network Production In The U.S. And Canada:

Graph 18 shows that in 2000, 81 scripted programs that aired on broadcast television were filmed in the U.S. (91% of the total), and 8 were filmed in Canada (9% of the total). In 2005, 85 programs shot in the U.S. (96% of total), and 4 in Canada (4% of total). Overall, one-hour and half-hour broadcast network programming that filmed in the U.S. grew by 5% while programs shot in Canada fell –50%.

Graph 18

Scripted Broadcast Programs That Aired On U.S. Television

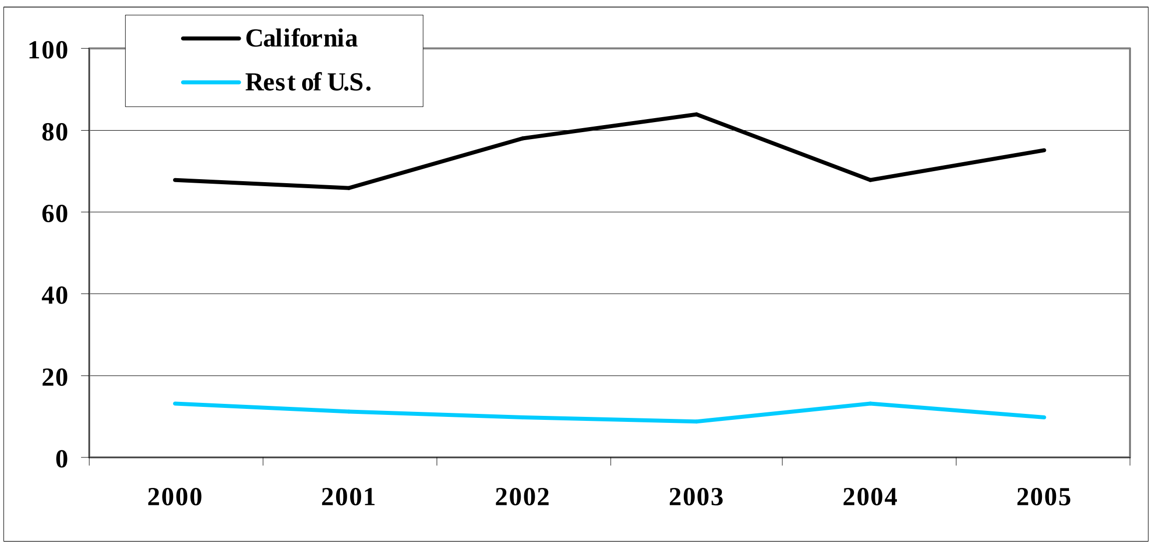


Scripted Broadcast Network Production in California And The Rest Of The U.S.:

In *Graph 19*, the majority of one-hour and half-hour scripted broadcast programming was filmed in California, production increased from 68 in 2000 to a peak of 84 in 2003 (24%) then decreased to 75 in 2005 (-11%). The rest of the U.S. went from 13 broadcast network programs in 2000 to 10 in 2005 (-23%). Overall the percentage of programming that shot in California improved from 84% in 2000 to 88% in 2005, for the same period the rest of the U.S. fell from 16% to 12%.

Graph 19

Scripted Broadcast Programs That Aired On U.S. Television



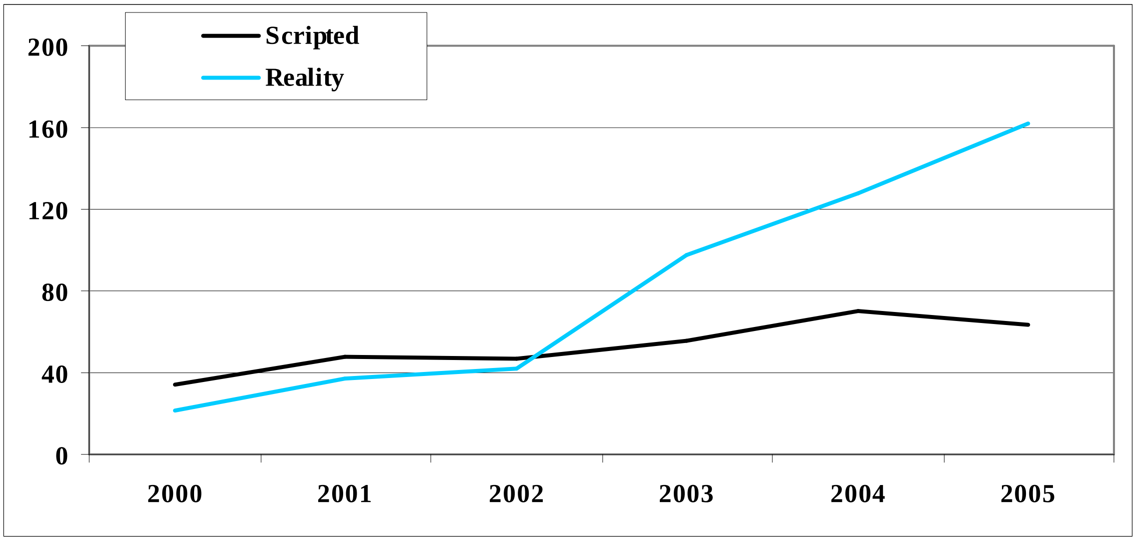
Cable Network Television

Scripted And Reality Cable Network Programming:

Shown in *Graph 20*, one-hour and half-hour scripted cable programming increased from 34 programs in 2000 to 63 in 2005 (85%), one-hour and half-hour reality programming on cable for the same period exploded from 21 programs to 162 (671%).

Graph 20

Cable Programs That Aired In The United States

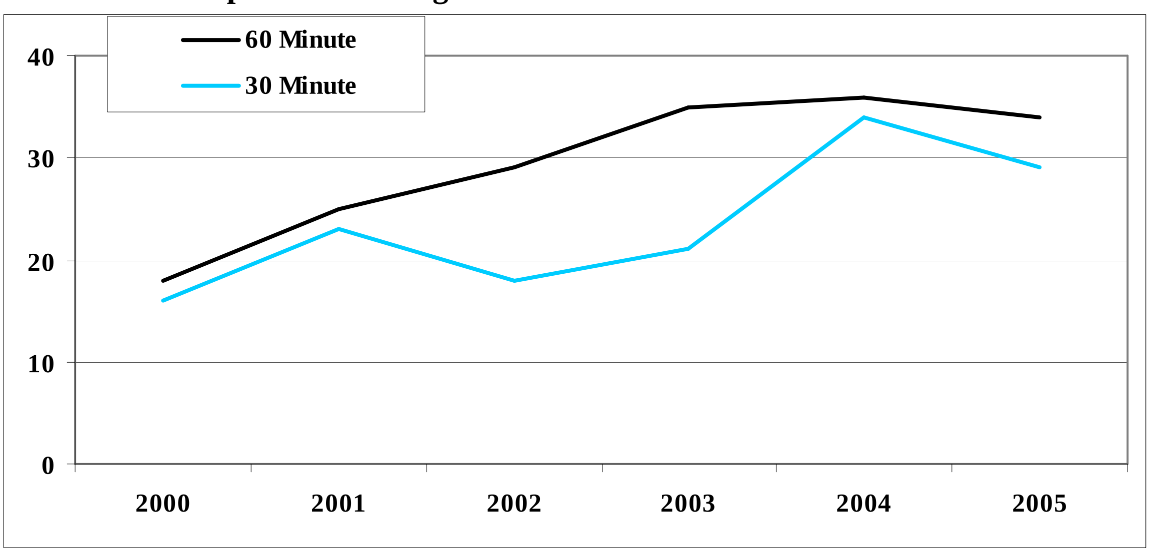


Scripted One-hour and half-hour Cable Network Programming:

Depicted in *Graph 21*, scripted one-hour cable programming grew from 18 programs in 2000 to 34 in 2005 (89%), for the same time period half-hour scripted programming rose from 16 to 29 (81%).

Graph 21

Scripted Cable Programs That Aired In The United States

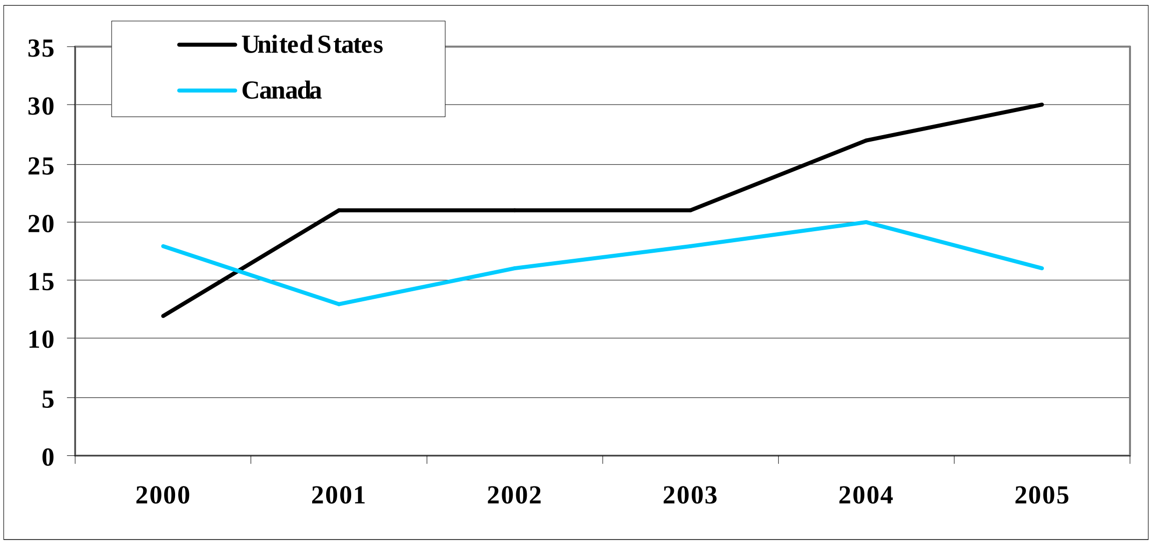


Scripted Cable Network Production In The U.S. And Canada:

Described in *Graph 22*, cable programs filmed in the U.S. grew from 12 in 2000 to 30 in 2005 (150%), for the same period productions in Canada dropped from 18 to 16 (-11%). The percentage of scripted cable that shot in the U.S. went from 40% in 2005 to 65% in 2005, conversely the percentage in Canada fell from 60% to 35%.

Graph 22

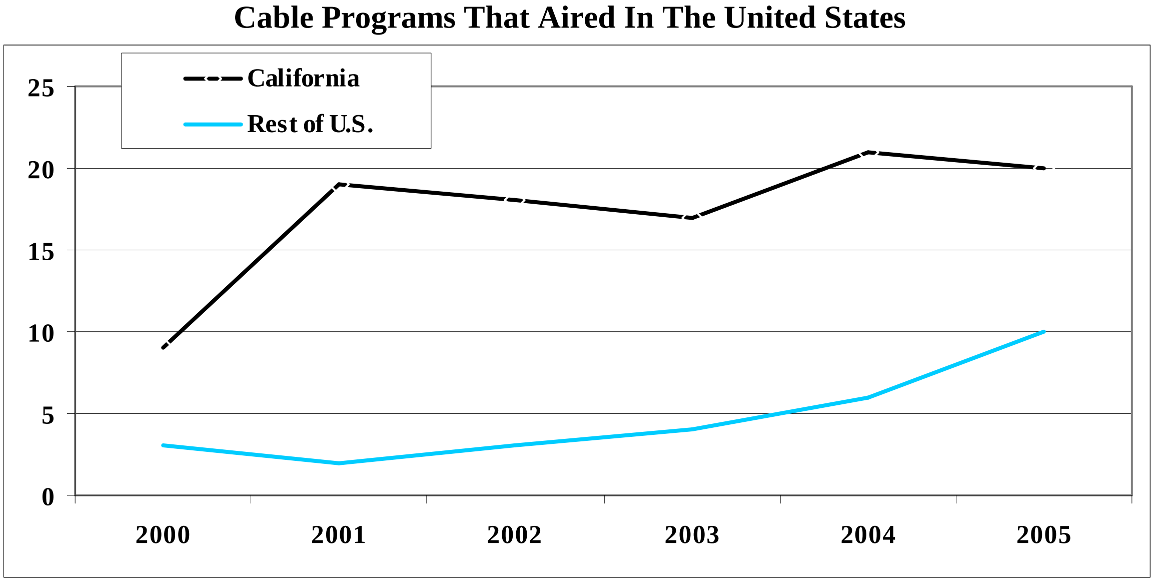
Scripted Cable Programs That Aired In The United States



Scripted Cable Network Production in California And The Rest Of The U.S.:

Shown in *Graph 23*, in 2000, there were 9 scripted cable programs that filmed in California, that rose to 20 in 2005 (122%). In the rest of the U.S. there were scripted 3 programs in 2000, which climbed to 10 in 2005 (233%). California's market share of U.S. scripted cable production was 75% in 2000; it dropped to 67% in 2005. Conversely, for the same period the rest of the U.S. grew from 25% to 33%.

Graph 23



Scripted And Reality Broadcast And Cable Programming - Final Observations

Overall, production of scripted broadcast and cable programming in the U.S. has grown from 93 in 2000 to 115 in 2005 (24%). From 2004 to 2005, production in the U.S. grew from 108 to 115 (6%); at the same time television production in Canada fell from 25 to 20 programs (-20%). This improvement is concurrent with the availability of the U.S. production incentive known as American Jobs Creation Act of 2004 and could very well be a driving force.

The improvement in the rest of the U.S. from 13 scripted programs in 2003 to 20 in 2005 (54%) is potentially from broadcast and television production incentives offered by selected states.

Production Incentives Around The World

Production Incentives In Canada

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Canada	430	412	1,022	1,047	1,261	1,191	1,373	1,200
% Market Share	26.4%	27.9%	49.0%	44.4%	42.0%	40.4%	34.5%	31.3%

Canadian Federal Incentives

A capital cost allowance provision (tax shelter) was first introduced in Canada in 1954. In 1974 the allowance for Canadian feature films was extended from 30% to 100%

(meaning the investor could write off 100% of the budget) making it very lucrative to invest in Canadian movies.

In the 1970s and early '80s, during the "tax shelter years," generous government incentives caused a stampede into the film business. The result was a wave of second- and third-rate American-style movies that made little money and were quickly forgotten, along with a few films that managed to succeed at the box office — such as Porky's and Ivan Reitman's breakthrough feature, Meatballs.[6]

In July of 1997 Canada's federal government announced that it was replacing its production services tax shelter program with a new incentive plan based on a production's labor costs.

A tax credit would be a boon for Canadian service producers, who front for U.S. companies shooting in Canada. But the major studios --- Disney, Warner Bros. and Viacom all have produced in Canada --- could be left out in the cold.[7]

In June of 1998 Canadian Production Services Tax Credit (PSTC) became final. It offered an 11% rebate on qualified Canadian labor. At the same time many of the provinces offered an additional rebate on regional labor from 11% to 47%, along with other incentives. Through a loophole the production services tax shelter program remained in effect offering considerable combined savings, especially to the studios. At that time the exchange rate was $1.47 for every $1.00 U.S. Savings could run 10% to 25% of the total budget.

Since the June 1998 revision of the Canadian Production Services Tax Credit (PSTC) and other rebates and incentives, the overall value of production in Canada has risen in total dollar volume by $635 million (154%). The U.S. has suffered a corresponding fall in annual production expenditures from 1998 to 2001 of $683 million (-17%).[8]

November of 2001 the Canadian government announced that it was finally ending its production tax shelter program.

Canuck producers had been vigorously lobbying the government to reconsider the move or at least delay the amendments. Hollywood studios and other foreign producers shooting in Canada have used the shelters widely to save up to 6% of their production budgets. Some C$1.5 billion ($940 million) in production is generated in Canada each year with help from the tax shelters.[9]

[6] Capital News Online, March 5, 2004, "Hollywood dreaming", by Rym Ghazal
[7] Variety, July 31, 1997, "Canada extends pic tax-shelter program", Variety Staff
[8] www.ceidr.org, "The Migration of Feature Film Production From The U.S. To Canada Year 2001 Production Report"
[9] Variety, November 4, 2001, "Reheating shelters", by Brendan Kelly

By December of 2002 the repeal of the tax shelters was being felt throughout Canada.

Across the country, unions, producers and suppliers are complaining of up to 50% unemployment or service reductions, in part, due to what they call an uncompetitive tax-incentive program that fails to lure lucrative U.S. productions. Canada's tax-shelter program, which flowed expenditures from film production to private investors, was eliminated in April, and the six-year-old production services tax credit is not returning enough to bigger-budget productions. Analysis shows that, for larger-budget productions and their more complex budgets, the 11% labor-focused production services tax credit returns only 2% to 3% of a total budget, rather than the 5% to 6% the credit was designed to generate back in 1997. Put in simplest terms, this is because as overall budgets grow, the labor portion becomes less significant. The old tax shelters compensated for the lower rate of return. Canadian film representatives, at press time, were set to descend on the federal Ministry of Finance in Ottawa for a series of meetings pitching the "urgent" need for expanded tax incentives to preserve jobs and investment.[10]

In February of 2003 the Canada raised its production services tax credit.

Hollywood craft and talent unions got some bad news Wednesday as the Canadian government announced it is raising production tax credits from 11% to 16% for foreign producers shooting there.[11]

By December of 2004 the Canadian production industry had a new set of problems.

A variety of factors, led by the soaring value of the Canadian dollar, have given Canada a runaway film production problem of its own. The Canadian dollar had hovered in the range of about 65 United States cents from the late 1990's to early 2003, when it began to rise to its present value, 81 cents, an increase of almost 25 percent. With foreign film production down almost 40 percent from the peak years of 1999 and 2000, the debate in Canada has become how to compete with lower-cost areas like Eastern Europe or American states like Louisiana and New York that have recently introduced attractive filmmaking subsidies.[12]

Canadian Provincial Incentives:

To stave off tougher competition, internationally, and from each other, within 5 months, six out of 10 Canadian provinces increased their tax credits and other incentives.

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[10] Playback, December 19, 2002, "Feds pressured to up tax incentives", by Ian Edwards
[11] Hollywood Reporter, Feb. 25, 2003, "Canada boosts tax credits for foreign film, TV prod'n"
[12] New York Times, December 23, 2004, "Fade to Black in Canada's Film Work", by Ian Austen

Ontario

The Ontario government has come to the rescue of the beleaguered local film and TV industry, upping tax credits for domestic production to 30% from 20% and for foreign production to 18% from 11%. That percentage of the labor portion of a production's budget -- usually between 70% and 90% of overall cost -- will be tax exempt. Unlike similar initiatives in some U.S. states, there will be no caps on labor costs. Initiative, which the provincial Legislature is expected to pass in the spring, will go into effect Jan. 1 and is expected to save producers C$48 million ($39 million) per year.[13]

Quebec

The Quebec provincial government is increasing tax credits for foreign film producers to counter a similar tax-credit increase recently unveiled by the neighboring province of Ontario. On Thursday, Quebec Finance Minister Yves Seguin announced that the province will increase its tax credit from 11% to 20% of labor costs on foreign film and TV productions shooting in Quebec. The change comes a week after Ontario announced a C$48 million ($40 million) package of tax credits to bail out that province's faltering production industry.[14]

Nova Scotia

Nova Scotia raised its tax credit to 35% and Manitoba upped its credit to 45%. Newfoundland, a remote island province off the East Coast, orchestrated a slew of changes to its film program to entice foreign producers, including getting rid of a law that forbade the government from giving assistance to larger production companies. All foreign productions are eligible for these provincial tax credits as long as they hire labor in the province. In addition, non-Canadian producers can boost the financing with another tax credit from the federal government, which increased in 2003 to 16%.[15]

Alberta

Academy Award nominated Brokeback Mountain filmed in Alberta.

"Ang Lee did not want to come here," says Cox. "Because the story is set in Wyoming, he wanted to honor the writing... but there is no real infrastructure there. There is no company like ours that has a track record like we have with the unions, crews and government, and there is no incentive there. While the Alberta Film Development Program does not offer a labor tax credit per se, it does offer producers a rebate of 20%

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[13] Variety, December 21, 2004, "Ontario boosts local, foreign prod'n credits", by Tamsen Tillson

[14] Variety, January 2, 2005, "Quebec ups tax credits to lure film prod'n", by Brendan Kelly

[15] Variety, May 8, 2005, "Northern tax haven sweetens the pot", by Brendan Kelly

on Alberta costs, capped at a total of $1.5 million per project, with the stipulation that out-of-towners partner with a local producer. (The cap was $750,000 at the time Brokeback was shot.)[16]

British Columbia

The provincial government is offering film and TV production companies at least a temporary tax break to keep them for moving their operations to Ontario. Finance Minister Colin Hansen says Victoria will raise the tax credit for foreign film productions from the current 11 per cent to 18 per cent, and 30 per cent for domestic productions – matching the new higher incentives being offered in Ontario. Just last week, several major B.C. production companies had threatened to move east if B.C. didn't improve the tax credits.[17]

In January 2006 British Columbia extended the tax credit.

Bowing to pressure from the province's film and TV production industry, British Columbia's Liberal government said it will extend for two more years the labor tax credits that benefit U.S. producers who bring runaways here. The provincial government said the timing of the announcement was meant to help producers who are making budget decisions about projects for the year. B.C. industry is expected to report production revenues topping C$1 billion ($860 million) in 2005, mainly from service work for Hollywood. The news was welcomed by unions, which are negotiating long-term contracts.[18]

British Columbia will review the program in 2007 to decide whether to continue the credits beyond March 31, 2008.

Production Issues In Canada

Labor Relations In British Columbia

Showbiz union infighting is so serious in British Columbia that work is being driven out of the area, according to the Canadian Film & Television Production Assn. and the Alliance of Motion Picture & Television Producers. The orgs' complaints have forced the provincial government to order a high-level industrial inquiry commission to look at the issue; panel will be headed by Justice David Tysoe of the Supreme Court of B.C. There is plenty of evidence that squabbling by the five main film and TV unions is escalating and has disrupted productions. The unions concede the government's intervention will help. More than 40 grievances have been filed by the unions in the past two months,

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[16] Playback, February 20, 2006, "Alberta back on Oscar Mountain", by Dustin Dinoff
[17] CBC.CA News, January 20, 2005, " B.C. boosting film tax credits"
[18] Variety, January 23, 2006, "B.C. extends tax credits", by Don Townson

including disputes between the Teamsters and the theatrical stage employees unions over who will drive golf carts and move equipment on sets.[19]

The report was released March 2004.

Leaders at major British Columbia film and television production unions have until June 1 to consult with members and voluntarily implement a series of recommendations laid out in a report by B.C. Supreme Court Justice David Tysoe or face potential legislation. IATSE Local 891 and Teamsters Local 155, two of the three unions that make up the powerful British Columbia Council of Film Unions, were criticized by Tysoe for filing too many grievances and for their handling of issues relating to seniority, both of which have undermined the competitiveness of B.C.'s production sector, according to the Industrial Inquiry Commission report published March 4.[20]

Other recommendations include; a "three strikes" rule in which employers can refuse to hire union members who have been fired with cause from three or more productions, and changes to the dispatch system to allow production companies to hire crew members by name.

As of April 2006 there is a new union contract which includes a tiered wage structures for low-budget film and TV shoots in the province, but nor resolution on the seniority issue.

The technicians and the producers still have to resolve the contentious issue of seniority through arbitration. An earlier report by B.C. Supreme Court Justice David Tysoe recommended replacing the traditional seniority dispatch system for Teamsters Local 155 and IATSE Local 891 with a name request system - enabling producers to choose workers from a list of available union members. The impasse on seniority may not be settled any time soon, according to Milne. "We would be willing to sit on weekends to move the issue along, but at the present time, there's no dates," he says.[21]

As of April 2006 there is no new contract agreement between the major U.S. studios, and the actors represented by the Union of British Columbia Performers, major issues include salary increases, and wage and benefit rollbacks on big-budget studio pictures.

Producer Turf War In Quebec

Foreign production has gone flat in Montreal this summer, having hit what appears to be not one, but two roadblocks put up by the APFTQ (Association des Producteurs de Films et de Télévision du Québec). Hollywood has balked at shooting in la belle province, say

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[19] Variety, November 19, 2003, "B.C. panel to look into unions' row", by Don Townson

[20] Playback, March 15, 2004, "B.C. unions the focus of commission findings", by Ian Edwards

[21] Playback, April 3, 2006, "Producers reach deal with B.C. technicians", by Etan Vlessing

sources, because of the $14,000 entry fee put up by the Quebec producers association and to protest its ongoing efforts to represent U.S. film and TV shoots. The long-running turf war reached a new stage late last month as Hollywood moved to block an application before Quebec's labor tribunal that, if approved, would hand exclusive bargaining rights for all film and TV shoots in the province to the APFTQ.[22]

April 2006 the Quebec government appointed a Senator to mediate the standoff between the AQTIS and IATSE.

British Columbia's Tax Credits Come Under Attack

Production of film and television here has soared since the British Columbia government raised labor tax credits in January from 11% to 18% for foreign productions and from 20% to 30% for domestic. About 80% of all production revenue in B.C. was foreign-sourced in 2003-04, compared with just 19% in Ontario and 16% in Quebec. While the generous tax credits are helping the B.C. industry recover from a slump, the provincial government's coffers are taking a big hit. The higher tax credits have accounted for an increase of $17 million in tax revenues, but that's more than offset by the cost to the government of $38.25 million in forgone tax income from producers, according to the study by Intervistas Consulting for the B.C. Ministry of Economic Development. The study will be used in assessing the value of the tax credits to the industry and the province. The increase was demanded by the British Columbia production industry to meet an increase in tax credits by rival Ontario, but it drew considerable criticism from many in B.C. even before it was announced. The study suggests that if production spending in B.C. does not decline by more than 53%, the provincial government will achieve a net revenue gain from eliminating the tax credits.[23]

British Columbia Filmmakers warn the government against cutting tax Incentives.

B.C. filmmakers are alarmed by a government report that recommends the province cut millions of dollars in tax credits for the film industry. Earlier this year several movie producers threatened to leave the province if the government didn't match tax breaks offered by Ontario. The government did, but the findings of a report by InterVistas Consulting suggest it may be paying too much to have movies made in B.C. It recommends cutting tax credits, and forcing the industry to become more competitive on its own. That would be bad news for B.C.'s booming film industry, says Peter Leitch, chair of the Motion Picture Production Industry Association of British Columbia. If the tax credits were eliminated we would see a dramatic decrease in production immediately and an erosion of infrastructure shortly thereafter. It's that sensitive, the industry, and there's no doubt in my mind that that would happen and that was confirmed by discussions that our members had with major studios in the U.S.," he said in an interview

[22] Playback, July 4, 2005, "Turf war in Quebec", by Ethan Vlessing
[23] Variety, November 24, 2005, "Tax credits boost B.C.", by Don Townson

with CBC Radio. The film industry has built infrastructure over the past seven years, but it needs government help to stay healthy, Leitch says.[24]

Union Power Struggle In Quebec

New Regency's "Jumper" has shifted production from Montreal to Toronto to avoid a dispute between rival film technicians unions in the Canadian province of Quebec. The Alliance Quebecoise des Techniciens de l'Image et du Son (AQTIS), the province's main film technicians union, and the Intl. Alliance of Theatrical and Stage Employees argued about which union should rep employees on the pic, helmed by Doug Liman and based on Steven Gold's novel about a teleporting teenager. "Each union blames the other for the film's loss."[25]

Toronto Needs Better Infrastructure

After months of delay and much speculation that the project was in difficulty, Toronto Mayor David Miller finally announced Thursday a new deal to create a C$100 million ($85 million) studio, Filmport, on the Toronto waterfront. Filmport is designed to attract the big-budget Hollywood pics that have often bypassed Toronto because there was better large-scale studio space in Vancouver and Montreal.[26]

Regions In Canada Are Highly Competitive

Ben Stiller didn't order Twentieth Century Fox's A Night at the Museum to relocate from Montreal to Vancouver. Special effects were to blame. The US$100-million film recently moved west despite having begun stage construction in Montreal, a stinging loss for the city. It will shoot early next year. Fox is expected to recover the cost of breaking down the set and reassembling it in Vancouver by tapping the Digital Animation and Visual Effects tax credit offered by B.C. Fox stood to lose the 15% post-production cut if it had kept principal shooting in Quebec, while going to Vancouver for visual effects work.[27]

Production Incentives In The United Kingdom And Ireland

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
U.K & Ireland	486	450	245	414	584	257	752	809
% Market Share	29.8%	30.5%	11.8%	17.6%	19.5%	8.7%	18.9%	21.1%

[24] CBC Arts, Canadian Broadcasting Corporation, November 28, 2005, "B.C. filmmakers warn against cutting tax credits"
[25] Variety, March 6, 2006, "Dispute jousts' Jumper'", by Brendan Kelly
[26] Variety, September 15, 2005, "Canucks' pix pluck", by Brendan Kelly
[27] Playback, November 21, 2005, "Stiller pic bolts Montreal for cheaper FX", by Ethan Vlessing

United Kingdom

In 1957, the Eady Levy, a tax on box office receipts in the United Kingdom, was established to assist the British film industry.

The rise in British cinema (including the James Bond movies) during the 1960s caused by an influx of American producers can be attributed to the Eady Levy - and also to the cheaper production facilities - making it cost far less in the UK to achieve the same quality of production. A number of American film makers worked in Britain in this period on a near-permanent basis, including Sidney Lumet, Stanley Donen, and John Huston. Stanley Kubrick moved to Britain in the early sixties to make Lolita, Dr. Strangelove, 2001: A Space Odyssey and A Clockwork Orange amongst others. The Eady Levy also provided funding for the National Film and Television School, which trained a number of directors and actors still in work today.[28]

In 1985 Eady Levy, as well as other tax breaks were discontinued.

The Thatcher years undeniably changed the state of the British film industry. Thatcher, who never exhibited more than a dislike for film, made major cuts in support for arts institutions. The Tory government wanted the film industry treated like any other business, and hence be accountable to market forces. A Films Bill in 1985 abolished the Eady Levy; the law that had meant a percentage of box office takings in Britain were put into British production. Also, the 25% tax break for investors in film was abolished making film investment more risky for businesses. The NFFC (The National Film Finance Corporation), the only direct source of government film financing, was privatised. No new measures were introduced to replace the lost revenue.[29]

In 1992 the United Kingdom instituted 'Section 42' relief that allows the cost of producing British' films to generate a loss, which can be offset against other income over a 3-year period. By March of 2003 'Section 42' was not having its intended effect.

Film producers hoping for sorely needed help from the British government got nothing in the budget delivered yesterday. The industry had hoped the government would unveil a package of reforms to boost film investment and end the withholding tax on foreign artists working in the United Kingdom. The tax is thought to discourage some highly paid Hollywood actors from accepting roles in British-lensed films, although they would receive a tax credit to offset against their tax liabilities at home. When accelerated write-off of pre-production costs and three-year write-off of production costs were introduced last year, producers' hopes were raised that the government would view film more sympathetically. Those measures had only a marginal effect on film investment and production continues to lag, despite the pound's sharp fall against the dollar, which

[28] Wikipedia, http://en.wikipedia.org/wiki/Eady_levy
[29] www.zenbullets.com, "The Renaissance of the 1980s" by Matt Pearson

theoretically makes the U.K. more attractive for offshore producers. Producers had lobbied for 100% write-off of film costs to attract more private capital to an industry that relies heavily on TV coin, co-productions and the government-aided British Screen Finance.[30]

In 1998 the British Government instated 'Section 48 relief' which is more generous and allows the loss to arise entirely in the first year of the partnership. By 2003 the program was in full stride.

As the German tax funds look set to become tougher to tap, the U.K. tax shelters have become the latest focus for pic producers. The number of companies promising to provide producers with up to 40% of their budget through sale-and-leaseback arrangements (made possible through Section 42 and Section 48 of the Finance Act) has mushroomed over the past few years. To participate, a pic must officially qualify as a British Film, either by fulfilling a number of conditions set out in the Films Act or by satisfying the terms of an international co-production agreement that includes the U.K. Once certified, a pic's producer or owner can enjoy 33.3% income tax relief annually over a three-year period. Section 42 applies to films budgeted at $25 million and up. Section 48 applies to films with a budget ceiling of $25 million.[31]

Section 48 was due to expire in July 2005. In December 2004 the industry received bad news.

Filmmaking in Blighty is set to plummet in the coming months, following last week's decision by the U.K. government to slash the value of tax breaks for movie production. With the collapsing dollar already making Britain a less attractive location for Hollywood producers, local projects will also be increasingly driven abroad in search of co-production finance to plug the hole in their budgets. Yet for all that, there was relief in the British film industry that the clampdown Dec. 2 by Chancellor of the Exchequer Gordon Brown was not as draconian as feared. As expected, Brown outlawed "double dipping," whereby producers routinely claimed tax relief twice on the same movie -- once via a production fund, and later via a sale-and-leaseback deal. For films made under Section 48 relief, which applies to budgets under $29 million, that double dip covered anything from 25% to 40% of the production cost. For bigger budget movies using Section 42, such as the "Harry Potter" franchise or "Phantom of the Opera," the value ranged from 15%-25%. Experts say these benefits will now be halved for upcoming pics.[32]

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[30] Variety, March 17,1993, "U.K. gov't ignores pic biz", by Don Groves
[31] Variety, November 2, 2003, "Tax incentives around the globe", by Katja Hofmann
[32] Variety, December 5,2004, "U.K. tightens tax relief", by Adam Dawtrey

In May of 2005 the British government extended the existing system of tax credits for another year.

This will give more time for the government and the film biz to think through a new system of production tax credits.[33]

August of 2005 the British government made radical changes in their incentive programs and added a culture threshold. The industry was perplexed.

The British film industry is going to get a lot more British, and a whole lot less international, if the U.K. government gets its way. The government has proposed a complex regime of production tax credits, combined with a new "cultural test" to qualify for the benefits, to replace the existing Section 42 and Section 48 reliefs next April. "The changes are so radical, and the calculations so complex, that they have caused a mass outbreak of head-scratching even among those accountants and lawyers who specialize in the dark arts of production financing. Mere producers confess to being utterly baffled.[34]

Producers response to the new incentives was concerning to the industry.

Hollywood movies shooting in Blighty would qualify for just 2%-5% of their budgets from the U.K.'s proposed new production tax credits rather than the 9% under the existing system, according to leading London law firm Olswang. That figure, which assumes at least 80% of the film's budget is spent in the U.K., is down from what industry accountants initially calculated, after the U.K. government published its proposals July 29. The news will come as a major discouragement to Hollywood studios eyeing the U.K. as a location. It has already been widely reported that the next James Bond movie is likely to quit Blighty because it's too expensive to shoot there, and Warner Bros. is still deciding whether the fifth "Harry Potter" pic, due to shoot next February, will follow.[35]

In September 2005 a report was released revealing that a majority of the income of the British film industry came from U.S. productions.

The British film industry contributed £3.1 billion ($5.6 billion) to the U.K.'s gross domestic product in 2004, and paid $1.53 billion in taxes, according to research published Tuesday by Pinewood Shepperton Studios. The report, by Oxford Economic Forecasting, reveals that most of this benefit came from Hollywood movies shooting in the U.K. These so-called "inward investment films" contributed $3.6 billion to the U.K.'s gross domestic product and generated $990 million in tax revenues. The report is part of intensive lobbying to persuade the government to improve its proposed tax credits for film production, which go into effect in April. The number of foreign movies shooting in the U.K. has already started to drop dramatically, partly because of uncertainty over the

[33] Variety, May 8, 2005, "Blighty schemes get another year", by Adam Dawtrey
[34] Variety, August 7, 2005, "U.K. tax proposals baffle filmmakers", by Adam Dawtrey
[35] Variety, August 10, 2005, "Blighty tax break tiny for H'wood", by Adam Dawtrey

planned tax revision. The report predicts that inward investment in production will fall 40% to $592 million in 2005, down from $988 million in 2004 and a peak of $1.31 billion in 2003.[36]

December of 2005 the British production industry received good news.

The British government has given Hollywood and its friends in the U.K. film industry an early Christmas present. On Monday it unveiled major tax credits for films shot in the U.K. The breakdown: 16% tax credits will be given for films with budgets above £20 million ($34.8 million) and 20% for films below that figure. The credits are far better than the approximately 6% proposed by the government in July for bigger-budget films and 17% for smaller pics, and end months of uncertainty during which Hollywood and the local industry lobbied hard for more coin. "In terms of the big international productions, what this really means is that Britain is back in business," said U.K. Film Council CEO John Woodward.[37]

The response to the new tax credits is promising.

With news earlier this week that UK production spending was down 31% in 2005, the industry is on shaky ground going into 2006. The good news is that 2006 is expected to be a stronger year in terms of both inward investment from Hollywood and wholly UK films, thanks in large part to the new film tax credit announced in December.[38]

The new tax credit can be very lucrative to an off shore producer.

Producers will be able to obtain credits on the British spend levels of their budgets from 25% upward. Industry observers said the reduction in the required minimum British spend likely will enable the U.K. to continue to attract shoots from overseas, including such high-budget Hollywood fare as "Harry Potter and the Goblet of Fire" and "Charlie and the Chocolate Factory." Miles Ketley, partner in Wiggin, a media and movie law firm specialist, said the announcements would "propagate a self-sustaining movie industry" in the U.K. Ketley and fellow partner Charles Moore, both former U.S. studio executives, also noted it was good news that cash spent on talent filming in the U.K. — for example, the salaries paid to stars — would count toward U.K. qualifying spend. "It's a fantastic incentive for the (Hollywood) majors to come over here to shoot," Ketley said.[39]

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[36] Variety, September 20, 2005, "Film feeds U.K. GDP", by Adam Dawtrey
[37] Variety, December 5,2005, "Brits roll credits, U.K. woos H'wood with fiscal incentives", by Melanie Goodfellow
[38] Screen Daily, January 19, 2006, "UK Production looks healthier for 2006"
[39] Hollywood Reporter, March 23, 2006, "Tax break seeds U.K. movie biz", by Stuart Kemp

From April 1, for movies with budgets of £20 million ($35 million) and over, tax relief will be available on qualifying amounts to filmmakers at a net rate of 16%. It means that for a film shooting in the U.K. with a budget of £50 million ($87.4 million), the qualifying expenditure would come in at £40 million ($69.9 million), which means that the net benefit to producers would be £8 million ($14 million). For low-budget movies made for up to £20 million, the relief available stands at a net value of 20%. Both rates apply only to the U.K. spend of a film's budget. The small print in the budget report also indicates that large-budget films will receive "an enhanced deduction of 80%, with a payable cash element of 20% of surrendered losses, amounting to a benefit typically worth 16% of qualifying costs." Small-budget films will receive an enhanced tax deduction of 100%, with a payable cash element of 25%, amounting to "a benefit worth at least 20% of qualifying production costs."[40]

Ireland

Ireland was one of the first countries to create a tax break to attract foreign producers in the early 1990s. Known as Section 35, the benefits were redesigned in 1997 in order to attract larger-budget foreign productions.

Already there is talk of Steven Spielberg's World War II pic "Saving Private Ryan," starring Tom Hanks and Ed Burns, coming to Ireland this summer.[41]

The program was updated June 2000, and renamed Section 481.

Strong Irish content is not necessarily a requirement for 481 eligibility: "Braveheart" and "Reign of Fire," among other projects, have taken advantage of the scheme.[42]

Through an arrangement known as the "The Good Friday Agreement" producer could get southern Irish tax incentives from Section 481 and a U.K. sale-and-lease-back.

Disney's "The Count of Monte Cristo" was one of the first films to tap into both U.K. sale-and-lease-back and Irish Section 481 tax incentives. Shot in Ireland, the film snagged the maximum credit, 16% of the Irish production value or about $3 million. And the pic posted in London. The producers eventually recouped around $8.6 million through the combined incentives…[43]

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[40] *Ibid*
[41] Variety, March 27, 1997, "Ireland courts filmmakers", by Paul Power
[42] Variety, May 12, 2001, "Irish shores gleam green for producers", by Karen Fricker
[43] Variety, February 21, 2002, "Europe's soft coin aiding hard biz", by Liza Foreman

In 2003, amongst industry concerns, Ireland's film incentive program was extended until 2008.

There had been speculation that economic pressures would force the government to scrap the tax breaks, despite a vociferous campaign by filmmakers and a petition organized by Screen Producers Ireland signed by 500 actors, including Stephen Rea and Aidan Quinn. It claimed the industry relied on the funding to compete with the European film sector. The emerald isle has become a preferred location for Hollywood pics including "Saving Private Ryan" and "King Arthur.[44]

In 2006 under pressure from incentives offered by other territories, including Eastern Europe and certain U.S. states, Ireland raised the value of the Section 481 tax break.

The Irish government has announced a significant increase in the value of its Section 481 tax break, intended to make Ireland a more attractive location for big-budget international film and TV projects. Productions spending $40 million in Ireland can now get a net benefit of approximately $7 million, more than double the previous maximum.[45]

Incentives In Australia And New Zealand

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
% Market Share	**113**	**116**	**298**	**65**	**275**	**639**	**219**	**717**
% Not In U.S.	**7.0%**	**7.8%**	**14.3%**	**2.8%**	**9.2%**	**21.7%**	**5.5%**	**18.7%**

Australia

In 1993 Paul Hogan made use of tax concession to help finance his $24 million film, "Lightning Jack."

"Lightning Jack" relies on the little used tax concession known as 10B, which offers a deduction on investment over two years. Importantly, it has less stringent local content and residency requirements than the widespread 10BA concession, which means Hogan can shoot extensively in the U.S. with a largely U.S. cast.[46]

[44] Variety, December 3, 2003, "Ireland retains tax breaks" by Archie Thomas
[45] Variety, February 5, 2006, "Ireland doubles S481 tax break", by Adam Dawtrey
[46] Variety, June 1, 1993, "Hogan to fund next pic via Oz stock exchange", by Blake Murdoch

By 1996 the use of tax concessions in Australia was in full swing. Concerned, the government ordered a study.

The major surprise is that, contrary to widespread speculation and what appeared to be well-sourced leaks (Daily Variety, Feb. 3), Gonski shied away from urging the closing off of section 51.1 of the Tax Act, a device via which an estimated A$600 million ($474 million) in Australian funds has been channeled into U.S. films. One source suggested that while Gonski is personally opposed to what he sees as artificial schemes for investing in Hollywood films, closing that loophole would be a dauntingly complex task, given that 51.1 is widely and legitimately used by many Australian companies to claim deductions on expenditure incurred in producing taxable income. Much to the relief of indie producers who feared the inquiry was an excuse to justify cutting back government financial support, Gonski recommends the current broad "funding envelope" for the film and TV industry continue for at least five years.[47]

In the spring of 2001 there was an economic downturn in Australia, and the government was striving for a budget surplus before it faced an election at the end of the year.

The tax office is trying to do away with the deduction, originally designed to encourage investment in intellectual property development but later applied to film funding. Facing competition from Canada, the U.K. and Ireland, Oz industryites are lobbying the government to introduce new legislation or to stop the ATO's negative rulings.[48]

The tax office rulings were causing big problems for the Australian production community.

Local producers fear attempts by the Australian Tax Office to shut down a key film financing avenue is flying a red flag in the face of studios and major independent producers considering lensing Down Under. The government is reviewing the tax law historically used to bankroll offshore pics, and has promised to deliver a clarification of the law in weeks. That will be too late for investors of "Moulin Rouge," whose application for a tax break was rejected last week.[49]

The ATO decision leaves Fox on the hook for the entire $53 million production budget; investors who had agreed to bankroll the pic did so on condition the film would be granted a 10B ruling. The deals are structured so that the studio effectively gets a 10% discount on production costs -- a handy savings which Fox now will lose on "Moulin Rouge.[50]

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[47] Variety, February 6, 1997, "Oz pic funding study suggests few reforms", by Don Groves

[48] Variety, June 26, 2001, "Tax man drags heels on film deduction", by Michaela Boland

[49]

[50] *Ibid*

Under internal and external pressure the Australian government came up with a new plan.

The U.S. studios bluntly told the Australian government last month the tax regime for international films was a huge impediment to shooting Down Under -- and last week, the government made amends. Arts Ministers Richard Alston and Peter McGauran trumpeted a new Canadian-style tax rebate for producers of big-budget productions (films and miniseries, but not TV series) that location in Oz. The government fast-tracked a review of the situation after Hollywood execs slammed the Australian Tax Office's decision to deny tax breaks for the Aussie investors in 20th Century Fox's '"Moulin Rouge." Mutterings were heard that runaway production would decamp to countries like Canada and Ireland, which offer clear-cut concessions. The government consulted closely with the Motion Picture Assn. and reps of studios including Warner Bros. and Fox on the kind of incentive needed. The outcome is a tax rebate to producers equal to 12.5% of money spent in Australia, effective immediately, so that upcoming films like "The Matrix" sequels will be eligible (though "Moulin Rouge," having already been produced, is not).[51]

Facing an election before the end of this year, the government shrewdly coupled the rebate with a pledge to boost funding for local films and TV drama by A$92.7 million ($48.2 million) over the next five years. The Australian Film Finance Corp. and industry groups such as the Screen Producers Assn. had argued that Australia's success in winning offshore production relies on a healthy local industry to provide talent, skills and production infrastructure, which in turn relies on government support.[52]

The incentive plan was approved March of 2002.

The Australian government has delivered on its promise to implement a 12.5% tax rebate for big-budget film and TV productions lensed Down Under.[53]

To qualify, producers must spend a minimum of $A15 million ($7.8 million) in this country. In all cases where the production outlay here is under $26 million, that coin must rep at least 70% of the total budget. The 70% rule does not apply to any film that shells out more than $26 million in Oz. The government expects the average rebate will work out to 10% of a film's total production outlay, varying according to the level of Australian spending.[54]

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[51] Variety, September 11, 2001, "Oz sets rebate plan to lure H'wood coin", by Don Groves
[52] *Ibid*
[53] Variety, March 14, 2002, "Oz rolls out rebate", by Don Groves
[54] *Ibid*

To help reverse a downturn in Australian production the government commissioned a report.

It costs 7.5% less to shoot a medium-budgeted film in Australia than in Canada, according to a new report commissioned by the Oz government.[55]

The government asked for the study after Canada upped its incentives for offshore productions. Kemp was keen to prove the 12.5% tax credit for films lensed Down Under is still more attractive than Canada's concessions. The report by Moneypenny Business and Taxation Services compares the costs of shooting a $25 million pic in Vancouver B.C. and Sydney. It found the net cost would be $19.6 million in Sydney vs. $21.2 million in Vancouver, a saving of $1.6 million, or 7.5%. The Aussie tax credit would rep 10.4% of the budget vs. 7.14% for Canada's. "Once a project qualifies for the Australian rebate, the larger the budget, the greater the advantage over Canada, particularly when there is an increase in the dollar value of the U.S. above-the-line personnel providing their services in Australia or if post production activity is also undertaken locally," it said.[56]

In January of 2006 the Australian government extended their incentive to include television series.

The Oz government is luring foreign TV projects to its shores by extending the 12.5% refundable tax rebate to include major television series. Originally introduced for features, made-fors and miniseries, the initiative pays a rebate on production costs on all goods and services, including cast and crew costs, in Oz.[57]

To qualify, TV shows must spend A$15 million ($11.3 million) in the country and have a qualifying spend of at least $750,000 an hour. For productions with budgets between $11.3 million-$37.5 million, 70% of the expenditure must be in Oz.[58]

Regions of Australia offer additional incentives including:

South Australia

South Australia announced a new incentive in March 2005 for projects filming 50% of their production in SA. The new incentive will rebate 10% of the value of cast and crew salaries paid to South Australian residents. This is in addition to payroll tax exemptions

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[55] Variety, August 5, 2003, "Oz study bucks Canucks for pic play", by Don Groves
[56] *Ibid*
[57] Variety, January 9, 2006, "Aussie tube groove, Oz extends tax rebate to include skeins", by Paul Chai
[58] *Ibid*

to qualifying feature films (worth approximately 6% on crew wages), low cost location fees and supportive councils and public services (eg. fire and police).[59]

South Australia's major production center is Sydney. It is the home to full service production stages, and postproduction facilities including world-class visual effects and sound facilities.

Queensland

Queensland's incentives include a Payroll Tax Rebate of 4.75% of eligible payroll costs for productions with a minimum AUD$3.5m spend in Queensland or bundling two or more projects with a minimum expenditure of AUD$5m in Queensland within a four year period. A Cast and Crew Salary Rebate for projects employing local cast and crew with a minimum spend of $AU1m. Rebate is on a sliding scale, with a maximum rebate of $AU300,000. For the maximum rebate, production must spend a minimum of $AU15m in Queensland. A Head of Department Rebate provides cash rebates to productions that employ Queensland resident Heads of Department. The maximum available is $AU25,000 per Head of Department for a maximum of two eligible Heads of Department per production. Maximum rebate available on projects with a minimum spend of $AU5m in Queensland or for a partial rebate there is a minimum spend of $AU3.5m. Queensland has recently announced (Sept 05) a new post production incentive providing a cash rebate on a sliding scale for post production work in Queensland. Eligibility: $AU100,000 for spends from $AU1-2m, $AU200,000 for spends from $AU2-3m and to a maximum of $AU300,000 for spends over $AU3m.[60]

Queensland's main production center is Brisbane; it is home to Warner Roadshow Movie World Studios and award winning animation, visual and special effects facilities.

Victoria

The Victorian State Government offers two incentive funds to encourage producers to locate film and television projects in the state, both administered through Film Victoria. The Production Attraction Incentive Fund (PIAF) is designed to attract interstate or offshore feature films, television series, mini-series, telemovies, animation series, "reality" programs and documentaries to Victoria. The grant is calculated on the total production spend in Victoria with the offer increasing in value for undertaking post-production, new media production and maximising the employment of Victorian cast and crew. Eligibility: a minimum of 70% of the total production budget or AU$3.5 million must be spent in Victoria. This incentive can also apply to post-production only, in which case a minimum of three or more Victorian post-production service companies must be utilised. The second fund is the Regional Victoria Assistance Fund (RLAF) is designed to encourage local and footloose filmmakers to use locations outside metropolitan

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[59] Ausfilm, www.ausfilm.com.au/

[60] *Ibid*

Melbourne for five or more shooting days. The grant assists projects by offsetting some of the additional costs incurred when filming in regional areas such as accommodation, living overheads and travel. Grants are calculated on the total production spend in regional Victoria. RLAF Grants will not exceed AU$100,000 per project.[61]

New Zealand

Through a tax loophole the New Zealand government was instrumental in the financing of the "Lord of the Rings" trilogy.

The Government assisted New Line's "Rings" project by allowing the studio to form shell companies that got tax breaks and then "sold" the finished film to New Line. That cost the New Zealand taxpayer more than $100 million and the loophole was closed as soon as the "Rings" films wrapped and is highly unlikely to be reopened.[62]

July 2003, after first rejecting the idea, the New Zealand introduced an incentive plan targeted at large-budget offshore productions.

In a pragmatic and swift policy turnaround, the New Zealand government announced Monday that it will introduce an incentive plan to entice large-budget offshore productions, effective today. The new policy is a bid to remain competitive in the offshore sector, particularly given the effectiveness of neighboring Australia's tax rebate system for production, on which the New Zealand model is largely based.[63]

Under the plan, a 12.5% "expenditure grant" - essentially a cash rebate - will be given to productions budgeted between NZ$15 million and NZ$50 million ($8.7 million and $29 million) that spend at least 70% of their budget in New Zealand. Productions with budgets exceeding NZ$50 million ($29 million) automatically qualify for the grant.[64]

March 2006, New Zealand extended its incentive program.

New Zealand has extended its film rebates to 2009 to attract more "King Kong"-sized movies. The rebate was launched in 2003 to maintain Hollywood interest in New Zealand after the success of Peter Jackson's Kiwi-shot "The Lord of the Rings" trilogy.[65]

In 2005 the scheme paid $33.3 million for five projects including Jackson's "King Kong" for Warner Bros. (interim payout of $16.6 million) and Walden Media's "The Chronicles of Narnia: The Lion, the Witch and the Wardrobe" ($10.3 million). "Without incentives

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61 I*bid*
62 Variety, March 11, 2003, "New Zealand biz wants piece of pic pie", by Peter Calder
63 Hollywood Reporter, July 1, 2003, "N.Z. production plan gets OK", by Blake Murdoch
64 I*bid*
65

like this grant system, New Zealand wouldn't be in the ballgame," Economic Development Minister Trevor Mallard said Friday.[66]

New Zealand is home to Weta Digital Ltd, an Academy Award winning visual effects facility based in Wellington. Their credits include: "King Kong," "I, Robot," "Van Helsing," "Return of the King," "The Two Towers, "Fellowship of the Ring," "Contact," "The Frighteners," and "Heavenly Creatures."

Eastern Europe

Table 16

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Eastern Europe	**30**	**85**	**70**	**208**	**340**	**191**	**447**	**308**
% Market Share	**1.8%**	**5.8%**	**3.4%**	**8.8%**	**11.3%**	**6.5%**	**11.2%**	**8.0%**

Czech Republic

The Czech film industry grew up in Prague around Barrandov Studios; Václav Havel, father of the Czech President of the same name, built it in the 30s. During the occupation of Czechoslovakia by Germany during World War II major additions were made to the Studio's facilities.

After the War II, Barrandov was nationalized and remained under State ownership until the beginning of the 1990s. At the same time, Hollywood was looking for cost savings and was attracted to Prague's large stages, extras and experienced crew. Crew in Prague earns per week what a comparable U.S. craftsperson earns for one day.

Prague is reclaiming its pre-WWII title of Euro film capital. Last fall saw producers scouting the city at the rate of one or two per week. The production boom has spurred predictions of a three-year explosion, spearheaded by feature films. Extras and skilled craftspeople come at a tenth of the Hollywood cost. In countries where rampant capitalism only recently replaced communism, unions and labor regulations are dirty words. Even Western actors get around SAG rules by being hired out of foreign addresses.[67]

And it's not just Hollywood feeling the competition coming out of Prague. Local production services say they're winning projects away from London, New Zealand -- and even Canada.[68]

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[66] Variety, March 3, 2006, "Kiwis reup rebates to attract epics", by John Drinnan
[67] Variety, February 5, 2002, "Prague-matic decision easy", by Cathy Meils
[68] *Ibid*

2002 was a tough year for the Czech Republic and production dropped.

Europe's top location for runaway production has weathered more than most in the past year: the aftershocks of Sept. 11, a steep hike in the value of the Czech crown against the dollar, devastating floods and an ill-conceived five-fold increase in the cost of location rentals and filming permits.[69] That was enough to scare off some productions: Miramax's American Civil War romance "Cold Mountain," director Anthony Minghella's $80 million feature starring Jude Law and Nicole Kidman, ended up shooting in Romania, lured by cheaper costs and government incentives.[70]

2003 was the Czech Republic's busiest year on record, followed by a winter 2004 slump.

A weak dollar and the rise of competitive neighboring countries have Czechs stressed. "(The Czech Republic) is by no means as cheap as they were," Hammel says. "Tax breaks and incentives wouldn't hurt. Right now the government doesn't do anything. It's a laissez-faire attitude." Producers across the board agree on that point. Without incentives to help balance the 30%-35% rise in prices due to exchange rates and rising labor and material costs, Prague will need to strengthen other areas, including labs, soundstages, and the breadth and depth of services.[71]

Though the Czech government has been offered scant encouragement, local producers are driving Prague industry. A film commission, funded not by the government but by the local producers association (unheard of in any other country), is just a first step toward retaining the country's lead position.[72] Of late, the less then favorably received, British incentive plan has led to an uptick in production in the Czech Republic and led Barrandov to build a new stage. Indeed, the feast or famine nature of the production biz has left the city frustrated in recent months: The arrival of Bond flick "Casino Royale" was applauded, as was "The Omen 666" and "Young Hannibal," all currently shooting at Barrandov.[73]

Romania

In 1998 Romania's largest studio was privatized.

Quietly and with only a few discretely placed legal notices to announce the event, one of Europe's largest filmmaking facilities has been put on the auction block. The privatization sale of the government-owned Romanian Film Studios near Bucharest was

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[69] Hollywood Reporter, January 28, 2003, "Prague Resurfaces "
[70] *Ibid*
[71] Variety, April 11, 2004, "Destination: Prague", by Cathy Meils
[72] *Ibid*
[73] Variety, February 12, 2006, "Czech studios prep for crunch, New Barrandov stages will help Prague prod'n picture", by Will Tizard

announced in mid-January, with only a few weeks between the announcement and the Feb. 26 deadline for bids. The 74-acre production center includes seven soundstages, a glass-walled underwater tank, 30,000 complete period costumes and 1 million props and weapons… The previous government wasn't flexible and didn't understand the need for American projects to come in and bring training, technology and modern Western filmmaking know-how.[74]

In 2002 lured by low costs, trained extras, experienced crew, and unspoiled landscape director Anthony Minghella shot the $80m Civil War epic Cold Mountain in Romania.

"Without the savings that Romania offered, 'Cold Mountain' absolutely would not have gotten made," said producer Albert Berger. He estimated that the country's affordable labor trimmed more than $20 million from the film's budget, which he said would have exceeded $100 million had the movie been shot entirely in the United States.[75]

The production environment in Romania is unregulated.

Although U.S. filmmakers and studio executives are loath to say it aloud, another advantage of exporting film production is that the unions and watchdog groups don't make the trip with them. The work environment encountered overseas is often unsafe and unregulated — conditions that test the politics of an industry long concerned with the plight of working-class Americans. It's not unusual for stages to be filled with choking paint fumes. Workers dangle on ropes to do repairs in the rafters. And everyone, it seems, smokes. Darren McLean, a gaffer on "Bloodrayne," told of Romanian electricians putting up ungrounded, poorly secured lights above a water tank with actors in it — arguably more chilling than the vampire tale being filmed. "They didn't have any [ground fault interrupters] in the country, so I had to go get them," McLean said. "I went back on the next day to retie all of their knots." American union rules often guarantee overtime wages after eight hours in a day, but Romanian crews usually don't collect extra pay until they've topped 72 hours in a week. Producers say even those Romanian overtime rules are flexible. "You'll be amazed how far your money will go," said Richard Wright, an executive at Lakeshore Entertainment, which made this summer's "The Cave" in Romania. Wright estimates that Romanian labor could run at least 80% cheaper than American labor. A movie filming in Los Angeles could pay a driver as much as $470 a day; that same person in Bucharest might be given a daily rate as low as $9.52.[76]

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[74] *Ibid*

[75] Los Angeles Times, October 2, 2005, "Filmmakers Are Swept Away by Romania", by John Horn

[76] *Ibid*

Hungry

Hungry instituted incentives January 2004.

Hungary is aggressively targeting foreign filmmakers by introducing cash rebates that create one of the most production-friendly environments in Europe. The measures include a 20% rebate on all production costs incurred in Hungary, available to foreign and local filmmakers. However, foreign firms must have a local partner to be eligible for the coin.[77]

But if compensating for a hole in the budget is the objective, Hungary is the place to go. Although more expensive than the Baltics and Romania, the country offers an offsetting tax incentive that can provide producers with 20% of their Hungarian spend. "We're 20% cheaper than the Czech Republic, but 10% more expensive than Romania," admits Hungarian line producer Erika Tarr at Hunnia Film, who estimates that Hungary has about four to five A-list crews. "In terms of equipment, everything can be rented here. If we need to bring it in from abroad, we can still write off the rental costs as Hungarian spend," she adds.[78]

Incentives In Europe

Table 17

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Europe	**204**	**90**	**275**	**440**	**303**	**349**	**549**	**413**
% Market Share	**12.5%**	**6.1%**	**13.2%**	**18.7%**	**10.1%**	**11.8%**	**13.8%**	**10.8%**

France

In 2004 France introduced a tax incentive.

To dissuade productions from flocking to neighboring Belgium, the French have introduced a scheme inventively called "bring back production." Film producers will receive a 20% tax rebate on labor and lab costs from the government as long as the entire shoot takes place in France and employs a local crew. Cap per film is $600,000.[79]

A delegation from the newly formed Paris Film Commission hit town Tuesday to tubthump new incentives to attract Hollywood producers to the Ile de France region. Idea is to promote the "savoir faire" of French talent, both in front of and behind the camera;

[77] *Ibid*
[78] Variety, April 10, 2005, "Eastern bloc party", by Katja Hofmann
[79] Variety, May 9, 2004, "Tax Tips", by Katja Hofmann

the digital expertise of its technicians; and the unparalleled scenery and locations the area in and around Paris offers.[80]

Film shoots in Paris recovered strongly in 2004 with promise of further success this year, according to the Ile de France Film Commission. Last year, productions shot for 611 weeks in the capital and its environs. That figure represents a 25% jump over the previous year. Shooting had fallen into decline between 2001 and 2003 but new incentives like the tax-credit scheme and a special Ile de France fund have prompted a recovery. Foreign productions are also up with 29 weeks shot in the area in 2004.[81]

Germany

Germany has not per say offered production incentives but rather the government offered tax breaks to investors in film funds. The funded films can be shot anywhere but the access to tax-based financing was used to bring production to Germany.

A chill is setting on Germany's once-sizzling private film fund biz that has financed Hollywood mega pics like the "Lord of the Rings" trilogy and "Terminator 3: Rise of the Machines." Germany's federal finance ministry issued a long-awaited media decree this month making it tougher for film funds to raise cash that goes primarily to Hollywood productions.[82]

May 2005, the government announced a replacement for the film funds.

German Chancellor Gerhard Schroeder has greenlit a d90 million ($110 million) government fund to support the local film industry over the next three years. Venture, unveiled in May after the government introduced plans to effectively kill private investment film funds as part of a tax reform bill, will provide some $37 million a year over the next three years, supplementing the more than $300 million offered annually by existing federal and regional film subsidies. Officials described the scheme as an answer to the planned elimination of private film funds, which last year raised an estimated $1.9 billion, 90% of which was used to fund studio or international indie movies.[83]

No longer able to offer foreign producers funding as an incentive to filming in Germany production dropped considerably.

Speaking in a panel discussion about the state of the film industry, Studio Babelsberg topper Carl Woebcken called on whoever wins the Sept. 18 federal elections to recognize film as an economic good rather than a cultural one and to treat it as such. Instead of "emergency remedies" like the government's recently unveiled three-year, E90 million

[80] Variety, November 9, 2004, "French doors open", by Elizabeth Guider
[81] Screen, November 9, 2005
[82] Variety, August 17, 2003, "Film fund law stiffens", by Ed Meza
[83] Variety, august 1, 2005, "Schroeder reels out $110 mil film fund", by Ed Meza

($112 million) fund, Woebcken said the government should create tax incentives to help Germany compete with burgeoning industries in Eastern Europe, like Hungary, which offers international producers a 20% tax rebate. Woebcken said that incentive had persuaded Steven Spielberg to move the shoot of his terrorist pic "Munich" to Hungary from Germany. Without tax incentives, Germany would never be taken seriously by Hollywood producers, Woebcken warned. Producer Eberhard Junkersdorf added that Germany was already losing its own productions to countries such as Hungary.[84]

Malta

In 2005 Malta launched an incentives package in January that includes a 20% cash rebate on all expenditures while filming in the country. In 2006, the government will introduce a tax credit package for companies investing in production facilities, technical supplies and other services that contribute to the expansion of the biz in Malta.[85]

Incentives In Africa

Table 18

Estimated Budgets Of Domestic Theatrical Releases ($ million)

	1998	1999	2000	2001	2002	2003	2004	2005
Africa	**48**	**120**	**34**	**0**	**92**	**7**	**325**	**314**
% Market Share	**2.9%**	**8.1%**	**1.6%**	**0.0%**	**3.1%**	**0.2%**	**8.2%**	**8.2%**

South Africa

In 2005 South Africa initiated a 15% rebate on monies spent in the country, with a cap of $1.5 million.

Incentives In the United States

Federal Tax Incentive

Federal legislation to stem runaway production was first proposed to the House of Representatives July 1999.

Hollywood's allies on Capitol Hill began a push for tax incentives designed to keep "runaway" TV and movie productions at home. "Remember the film 'Coming to America?' Unfortunately, it seems that film jobs are now running from America," Rep. Jerry Weller, R-Ill., told the House Ways and Means Committee on Wednesday. Weller is one of the authors of the "United States Film Production Act," a package of incentives for the film and TV productions industry that was offered as an amendment to the

[84] Variety, September 1, 2005, "Teutons tout tax incentives for pix", by Ed Meza
[85] Variety, December 18, 2005, "Locations update", by Cathy Meils

massive Republican tax-cut package the panel began to consider Wednesday. While Weller and Reps. Mark Foley, R-Fla., and Xavier Becerra, D-Calif., later withdrew their amendment, they said it brought the problem to the attention of the panel's members. Their plan is likely to be considered a bit too generous by many lawmakers, as it provided a 20% wage credit, tax-exempt film production bonds and low-interest loans. "There's been a tremendous amount of attention paid to the loss of jobs in the steel industry, but there's been no attention given to the loss of jobs in film production, and more jobs have been lost in the film industry than in the steel industry," Weller said.[86]

Senate legislation was proposed summer 2001.

Three Democratic senators are sponsoring a tax-credit bill to battle the burgeoning problem of runaway production. Blanche Lincoln of Arkansas, John Breaux of Louisiana and Dick Durbin of Illinois might introduce their wage-based tax-credit measure as early as today, sources said. The legislation would cover theatrical releases, telefilms, movies of the week and other television productions. The credit would be for 20%-25% of the first $25,000 in wages spent on the production.[87]

The bill stalled and was reintroduced in 2003 by Representative David Dreier (R-Calif.), and Howard Berman (D-Calif.).

"When productions head to countries like Canada, they take American jobs with them," said Dreier, chair of the House Rules Committee. "It's the caterers, florists, retailers and truck drivers that suffer as a result of runaway production. I'm a free trader, but I believe in a level playing field."[88]

October of 2003 the industry got some good news.

Backers of anti-runaway production legislation have cleared a key hurdle for their tax credit bill aimed at productions budgeted under $10 million. The measure, introduced two weeks ago as the U.S. Independent Film and TV Production Incentive Act of 2003, has been included in the Foreign Sales Corporation/Extra Territorial Income bill approved Wednesday by the Senate Finance Committee. The FSC/ETI bill allocates $250 million over a period of five years to the runaway legislation. The FSC/ETI bill would replace a tax break for American exporters -- ruled an unfair subsidy by the World Trade Organization -- with a tax cut. Its most controversial provision would also allow companies with profits invested overseas a four-month amnesty period to return the money to the United States at a tax rate of 5.25% rather than 35%, which is expected to

[86] Hollywood Reporter, July 15, 1999, "'Film Production Act' in a cameo on Capitol Hill 'Film Production Act' in a cameo on Capitol Hill / Plan would fight flight with tax credits", by Brooks Boliek

[87] Hollywood Reporter, July 31, 2001, "Tax-credit bill to target runaways", by Peter Kiefer, Brooks Boliek

[88] Variety, February 12, 2003, "Production bill reborn", by Dave McNary

bring a flood of money back to the U.S.[89]

The bill known as, the *American Jobs Creation Act of 2004* was signed into law October 2004.

After years of lobbying, independent filmmakers scored a major victory Friday when President Bush signed a bill that gives a sweeping tax break to movies made in the U.S. Producers believe the measure may draw substantial fresh funds into indie filmmaking. Yet industry watchers said that while the legislation has the potential to boost the indie biz, Hollywood studios view the initiative as falling short and are not as enthusiastic about the tax bill as their specialty film counterparts. "The net is that Hollywood has had some significant gains with this legislation," said one industryite. "But it was not the grand slam that these three studios would like it to be. You rarely get everything you are shooting for."[90]

Independent producers now may write off a movie in a single year if it has a budget of $1 million-$15 million and 75% of that budget is spent in the U.S. The expensing limit increases to $20 million if the movie is made in a low-income area of the U.S. Actors, directors and producers have spent nearly a decade lobbying Congress to pass legislation aimed at curbing the flight of filmmaking overseas. The showbiz tax break is a tiny piece of a massive $136 billion corporate tax bill intended to end a bitter trade war with Europe.[91]

January 2005 independent producers got bad news.

Possibly as soon as next month, Congress will consider dramatically reducing two key provisions that independent film producers hailed as major victories in last year's corporate tax bill. After years of lobbying, indies rejoiced upon learning in October that President Bush had signed the bill, which included a sweeping tax break for filmmakers and an incentive for financiers to invest in indie films. But congressional staff members now say the two provisions appear to be "oversights" that should be "corrected." As written, the provisions allow producers of films with budgets under $15 million and their investors to deduct their costs or investment in a single year -- as opposed to depreciating it over several, which the tax code previously required. If the film is eventually sold, the provisions also allow investors to be taxed on profits at the capital gains tax rate, which is significantly lower than the personal income tax rate. Because of these allowances, investors were guaranteed to make a profit even if the film sale only broke even. For example, a $10 million investment, deducted in one year, yields a $3.5 million savings on taxes (based on a 35% tax rate). The net outlay is thus $6.5 million. If the film is later sold for $10 million, breaking even, the investor pays only a capital gains tax rate of 15%

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[89] Variety, October 2, 2003, "Runaway bill on the move", by Dave McNary
[90] Variety, October 24, 2004, "Indie pics catch break with tax bill", by Susan Crabtree, Ian Mohr
[91] *Ibid*

(vs. the normal 35%), walking away with $8.5 million -- $2 million more than his $6.5 million outlay. And if the film is sold for a higher amount, the investor would still be taxed at the capital gains rate.[92]

Television appears to be benefiting from the Jobs Creation Act.

TV series producers appear to be the major beneficiaries thus far from a federal tax break aimed at keeping small-budget features from fleeing the U.S. That was a key conclusion Wednesday evening from a panel hosted by a pair of showbiz tax experts: Ernst & Young senior partner Jeff Tolin and PricewaterhouseCoopers partner Rick Rosas. The "Making Cents of New Tax Incentives" event, sponsored by the Academy of Television Arts & Sciences, drew more than 100 people to CBS Studio Center in Studio City. Rosas and Tolin focused on the nuances of the film provisions contained in the American Jobs Creation Act, signed into law last fall by President Bush. The language allows producers of films with budgets under $15 million to immediately write off their costs in a single year -- if 75% of their principal costs are incurred via shooting in the U.S. Previously, producers had to amortize those costs over several years. "While the legislation was designed for the writeoff to be taken for independent films, TV really has the right scale to take advantage of these incentives," Rosas asserted. "On the TV side, it's being used a lot."[93]

"It's been a home run for TV producers," says Rosas. "Everyone who can use the 181 program is using it." Essentially, the legislation allows investors to accelerate the depreciation of a TV show or feature, making it a one-time benefit for those producers who spend the same amount every year. "Normally, you would have had to wait to deduct as you put programs on the air, but now you can do it in the same year you produced it," Rosas says. "But it's not a cost subsidy like what you get from Louisiana or New Mexico. It's more of an indirect benefit."[94]

The improvement in scripted broadcast and cable production in the U.S. and the subsequent decrease in Canada could be in part the influence of the American Jobs Creation Act of 2004 as the nature of television production makes it comparatively straightforward to qualify. The tax break, referred to as Section 181, was a small element of a $136 billion corporate tax bill aimed at ending a contentious trade dispute with Europe.

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[92] Variety, January 18, 2005, "Congress likely to take back indie pix tax break", by William Triplett

[93] Variety, May 5, 2005, "TV catches a break", by Dave McNary

[94] Variety, February 9, 2006, "Federal incentive gives runaway pix reason to stay home", by Dave McNary

The budget cap in the American Jobs Creation Act is a major obstacle for studio and independent feature films in utilizing it.

The IRS further reduced the Jobs Act's benefits by announcing that it would count participations and residuals as part of the film's budget. What that means is, assuming the movie is a success and profit participations or bonuses to stars have to be paid, these would be applied retroactively. So, if a movie costs $15 million and then makes $30 million in theaters, and one has a contract stipulating that the star gets a $1 million bonus when the boxoffice crosses the $30 million threshold, the IRS deems that the movie no longer qualifies for the tax break.[95]

Elected officials understand there are problems with the program.

Rep. Howard Berman, a veteran Los Angeles Democrat who's long supported legislation to halt runaway production, asserts he'd be open to backing further legislation once there's evidence of benefits from Section 181. "Common sense says the tax break has to be playing a role, and I'd be open to there being more federal support," he adds. "This is a major industry that we want to hold on to, especially when other countries aren't reluctant to offer subsidies."[96]

State Subsidies:

Over 40 states offer some form of production subsidy ranging from rebates on labor and expenditures, sales and use tax abatements, and free police and permits. States offering generous production incentives include:

Arizona

Arizona offers tiered transferable tax credit with an aim to build up the state's crew base. On Friday, May 20, 2005, Governor Napolitano signed the Motion Picture Production Tax Incentive Bill (SB1347) into Arizona law. SB1347 is a tax incentive for production companies that incur costs of $250,000 or more in Arizona on local goods, services and wages. Certain qualifications apply, such as employing a percentage of Arizona residents in its production activities. For example, in 2006, at least 25%, in 2007 at least 35% and in 2008 and subsequent years, at least 50% of the production's full time employees must be state residents. Effective in January 2006, the incentive grants a qualified production company a refundable/transferable 10-20% tax credit and a 100% sales tax exemption on their Arizona costs. The incentives include any single medium or multimedia program, including commercial advertising and other types of production.[97]

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[95] Hollywood Reporter, September 20, 2005, "Take this job (act) and shove it", by Stephen Galloway

[96] Variety, February 6, 2006, "Federal incentive gives runaway pix reason to stay home", by Dave McNary

[97] Arizona Film & Media Coalition, Inc., http://www.azfilmandmedia.org/

Florida

Florida has a 15% reimbursement on qualified expenditures for productions spending at least $850,000 in the state. The maximum reimbursement is capped at $2 million per production.

Georgia

Georgia implemented production tax credits in 2005. Georgia's new law offers a 9% base tax credit to production companies that spend at least $500,000 in services, materials and labor for a production project in the state. Companies receive an additional 3% credit for hiring Georgia residents. Productions can count on yet another 3% credit if they film in counties outside of metropolitan Atlanta. Also, if a company involved in multiple television projects invests more than $20 million in the state, it is entitled to an additional 2% credit.[98]

Georgia officials are quick to note that the two movies are there because of the new incentives. Officials estimate that the two films alone with have an economic impact of about $45 million for the state. "It's no secret that it's an incentive-based business," says Greg Torre, director of the Georgia Film, Video and Music Office. "It used to be a location-based business. … Coming in late, we lost a fair amount of business (the past few years), but we hope this will turn things around."[99]

Illinois

Illinois passed wage-based tax credits in 2003. A significant victory in the ongoing battle against runaway film, television and commercial production was scored over the weekend when the Illinois Legislature passed a measure establishing a wage-based tax credit designed to encourage more production in the state. The bill — SB785, which was passed Saturday night — created the Film Production Services Tax Credit Act, which credits labor expenditures for Illinois residents to entities engaged in film or television production in the state. The 25% tax credit applies to the first $25,000 in wages per person per production. To qualify, projects under 30 minutes must have a minimum of $50,000 in labor expenditures on Illinois residents, while those productions over 30 minutes have to spend $100,000 on Illinois labor.[100]

As of December 31, 2004, a full year into the Film Production Service Tax Credit, there was dramatic evidence to the efficacy of the new tax credit with film and television production expenditures generating $77 million, which is a 208% increase in just one year, and created nearly 15,000 jobs in 2004. Comparatively, the numbers in 2003 were

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[98] Hollywood Reporter, May 11, 2005, "On Location" by Borys Kit
[99] *Ibid*
[100] Hollywood Reporter, June 3, 2003, "Illinois adopts prod'n tax credit", by Peter Kiefer

$25.7 million in expenditures and 5972 jobs.[101]

Louisiana

August 2002 Louisiana announced a very aggressive incentive program.

The state of Louisiana has launched a major production-incentives program expected to put the state on par with Germany, Canada and the U.K. when it comes to film production tax credits. The program's legislation will be announced at a press conference today in New Orleans. Under the new legislation, authored by Louisiana Rep. Steve Scalise, qualifying productions can earn tax credits of up to 15% of the total production expenditures in the state. In addition, attorney Michael Barnes of Barnes Morris Klein Mark & Yorn has organized a financing fund to enable producers to take advantage of the incentives through the state tax structures. The fund can accept any size or number of filmed productions. In addition, the state can provide productions with additional tax credits of up to 20% of Louisiana resident payroll costs, exemption from state sales tax for production-related purchases and potential matching funds or loan guarantees for certain feature projects.[102]

The incentives produced immediate results.

When it comes to battling runaway production, the bayou has begun to cast its spell. In the process, an unlikely leader has emerged in the fight to keep film and television productions from fleeing the United States as Louisiana has used an attractive tax incentive package and an aggressive sales pitch to rejuvenate its production business. In just over a year since the state passed a tax credit incentive package, Louisiana has seen the economic impact from production in the state top the $100 million mark -- a dramatic jump from its recent average of $20 million-$30 million a year.[103]

From mid-2002 to the end of 2004 Louisiana experienced a sizeable growth in the production of movies, television shows, music videos, and commercials with production budgets growing from $11.8 million in 2002 to $355 million in 2004 - a growth rate of 2,850 percent.[104]

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[101] Illinois Film Office
[102] Variety, August 26, 2002, "Prod'n gets Bayou boost", by Dana Harris
[103] Hollywood Reporter, October 1, 2003, "Louisiana tax incentives get $100 million results", by Josh Spector
[104] Louisiana industry sources

The success of Louisiana's program is attracting top crew and talent to move to the state.

Danny Retz has been a Hollywood film editor for nearly three decades. His 50 features include "RoboCop," "Cutthroat Island" and "Collateral Damage." For the last several years, though, steady work has proven elusive. He longed for a place where work was plentiful and life was affordable. "I don't have any more wiggle room left," Retz said a few days before he boarded a plane for Louisiana, where he was born 57 years ago. "I was bleeding money." Retz wasn't returning to New Orleans just to be close to good food and extended family. He was chasing Hollywood.[105]

The success of the program led Louisiana to adjust the program.

As of Jan. 1, the state has put its legislative energies into fortifying the local infrastructure and will provide incentives solely for in-state production expenditures. That said, the Investor Tax Credit is a flat 25% based upon investments $300,000 and up. Productions can take a 10% credit of their aggregate Louisiana payroll, in addition to an Infrastructure Tax Credit of 15% of the investment for the construction of new production facilities or studios. Despite Hurricane Katrina's disruption of productions skedded for lensing in the state, Louisiana posted 2005 film revenues of $550 million.[106]

Massachusetts

With a stroke of his pen, Governor Mitt Romney signed bill 4252, providing tax incentives to the motion picture industry, into law and completed the work begun by members of the Massachusetts Production Coalition (MPC) and members of the House and Senate. The new law puts Massachusetts in the spotlight as a premiere venue for motion picture production, and not surprisingly is already garnering projects from motion picture studios that would not otherwise have come to the Commonwealth. Upon hearing the news, Mary Ann Hughes, Vice President, Film Production Planning, Walt Disney Company commented "This law makes Massachusetts very competitive in attracting film and TV production. We look forward to doing business in Massachusetts." The new law will take effect in 90 days but will be retroactive to January 1, 2006. It’s principal elements include a 20% tax credit on all Massachusetts source payroll, a 25% tax credit on qualified production expense in Massachusetts, and a Sales tax credit for producers who spend a minimum aggregate of $250,000 per year in the commonwealth. The law is in place through the year 2013.[107]

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[105] Los Angeles Times, August 17, 2005, "Hollywood's New Backlot? The U.S.", by John Horn

[106] Variety, February 9, 2006, "Louisiana opts for local film incentives", by Bashirah Muttalib

[107] Massachusetts Production Coalition, http://www.massprodcoalition.com/

New Jersey

January 2006 New Jersey Senate passed a 20% tax credit.

As far as film and TV production were concerned, the Garden State appeared to be blooming. For example, 2004 was a banner year as a record 868 projects, 90 of them features, brought $83 million into the state. Last year, the state's production business began to wilt. The main reason was nearby New York's decision to fight fleeing production by instituting new tax incentives; New York state now offers 10%, and New York City tosses in an additional 5% on top of that. The pressure on New Jersey increased after Philadelphia introduced a 20% tax incentive in 2004. Suddenly, New Jersey's neighbors were aggressively courting film production. "No question about it, we lost a number of movies there," says Steven Gorelick, associate director of the New Jersey Motion Picture/TV Commission. "And there is no question that in 2005 certain movies did not shoot in New Jersey because they were taking advantage of the New York tax credit." "The handwriting was on the wall: If we didn't get a tax credit, we were going to lose productions," Gorelick says. "Filmmakers are going where they can save money."[108]

New Mexico

In 2002, New Mexico introduced a bold program of no cap incentives and loans.

A growing number of states offer tax credits as a way to lure Hollywood dollars. But New Mexico actually is investing in movies — the state has established a fund of $85 million for the purpose. The money comes in the form of no-interest loans, repayable in two to five years. The state will invest as much as $7.5 million in any movie that passes muster with the New Mexico State Investment Council, as long as filmmakers agree to spend most of their shooting schedule in state and hire a crew made up of at least 60% New Mexico residents. On top of that, New Mexico offers any film, whether financed by the state or not, a 15% tax rebate for every dollar spent locally. It also has a mentor program that offers an eye-popping 50% salary rebate for advancing the skills of crew members who are either hired for the first time or promoted to higher positions. The law also allows filmmakers to get their tax credits immediately, allowing the money to go directly into the film's production budget.[109]

The program has been enormously successful.

The program was so successful that in just two years the state went from hosting zero movies to welcoming 25 projects. According to the New Mexico Economic Development office, the film industry has generated close to $200 million in new revenue for state and

[108] Hollywood Reporter, February 15, 2006, "On Location", by Borys Kit
[109] Los Angeles Times, September 30 2003, "Another suitor for filmmakers", by Patrick Goldstein

local economies.[110]

With neighboring states now offering incentives in 2005 upped New Mexico the program.

The post-production tax credit expands the film tax rebate to post-production and film-rated technologies. This bill responds to the evolution of the industry and opens doors for more techjobs for New Mexicans. The film production tax credit loans bill allows the state investment council to loan a production company up to 80% of its expected tax rebate upfront. Program supports small filmmakers by assisting with cash flow in the early stages of production. The film training program allows film companies to utilize $2 million in job-training incentive program funds. The low-income-county film production tax credit enhances the existing tax rebate by adding an additional 5% for expenditures made to companies and crew members who have lived in the state for at least two years. The state investments in film projects and funds increases the allowable cap on the film loan from $7.5 million to $15 million and increases the percentage of the severance tax permanent fund that can be utilized for film loans from 2.5% to 5%.[111]

New York

In 2002 film production in New York reached unprecedented lows.

The Mayor's Office of Theater, Film and Broadcasting issued a report in April indicating that the number of film and TV permitted shooting days in Gotham for 2001 had reached its lowest level since 1994 -- 18,096 (there were 22,029 in 2000). That's even with the production increase early in 2001 in the face of strike threats by the Screen Actors Guild and Writers Guild of America.[112]

Cost and the lack of studio space were cited.

"If you can save 35%-40% going to Canada," said Joe Roth, the former Disney studio chief, "it's hard to explain to the studio accountants that it's better to go to New York."[113]

A TV movie about New York Mayor Giuliani shot in Canada.

The Big Apple becomes La Grande Pomme next month when a TV movie about former New York Mayor Rudolph Giuliani and his handling of the Sept. 11 terrorist attacks starts shooting -- in Montreal.[114]

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[110] Hollywood Reporter, March 2, 2005, "On Location", by Nicole Sperling
[111] Variety, April 4, 2005, "New Mexico spices up prod'n incentives", by Bashirah Muttalib
[112] Variety, September 4, 2002, "Big Apple tries to regain pic prod'n juice", by Charles Lyons
[113] *Ibid*

Pressured by business, government and, labor in 2004 New York passed film and television production incentives.

State lawmakers have approved the first tax credit to benefit film and television productions in New York, and many in the industry say the incentive will help lure more film productions to the city and the state and counter the flight of film jobs to Toronto, Vancouver and Montreal. Passed as part of the budget approved last Wednesday by the Senate and Assembly, the legislation commits the state to contributing $25 million annually for four years - a total of $100 million - in offering a 10 percent tax credit on the so-called below-the-line production costs, largely for blue-collar technicians and crew members. Actors' wages and the cost of other creative work like scriptwriting are not included. In addition, the measure would permit New York City to contribute as much as an additional $12.5 million annually to the tax credit program, "sweetening the pot and helping to level the playing field for the city," said Michael N. Gianaris, a Queens assemblyman who vigorously pushed for the tax credits. Under the provisions of the new legislation, companies shooting 75 percent of their productions in New York State would be eligible to apply for benefits under the first-come, first-served program. It would apply only to film and television productions, not commercials.[115]

New York City passed their incentive program, and by February 2005 production had significantly improved.

Runaway production is making a U-turn for Gotham, coaxed by an aggressive new state and city tax incentive program that's been in full play only since Jan. 1. There's already been a sharp uptick in the number of productions deciding to shoot in Gotham, Mayor Michael Bloomberg announced on Tuesday. He estimated that the new productions will contribute at least $75 million to the city economy, not to mention bolster its soundstages. Tax incentives are proving a powerful punch for those who want to shoot a TV show or film that's about New York in New York, according to Bloomberg.[116]

Foreign production is attracted by the New York incentives.

Two Indian projects featuring Bollywood superstars are gearing up for autumn shoots with the financial support of New York Mayor Bloomberg's Made In NY tax credit initiative. Shirish Kunder's romantic comedy Jaaneman stars megastar Salman Khan with Preity Zinta and Akshay Kumar and is being produced by Nadiawala Grandson

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[114] Los Angeles Times, October 28, 2002, "TV Movie About NYC's Giuliani to Be Shot in ... Montreal", by James Bates

[115] New York Times, August 17, 2004, "Bill Offers Filmmaking Tax Breaks to Keep New York in the Picture", by Glenn Collins

[116] Variety, February 22, 2005, "Gotham prod'n picks up the pace", by Pamela McClintock

Entertainment, which plans to launch a US production and distribution hub in New York.[117]

January 2006 New York State increased the funds available for production incentives.

Gov. George Pataki said Friday that he will increase tax incentives to bring film and TV shoots to New York. Pataki will build on a state plan passed in 2004 to dole out $100 million in tax credits over four years to production companies shooting 75% of their projects in the state. As part of his 2006-07 exec budget, the governor will propose that the state's credits jump from $25 million per year to $30 million, beginning in 2009.[118]

March 2006, the New York City incentive program has problems.

Spurred by tax credits from the city and the state, the film and television industry has become the fastest-growing employment source in New York City, creating 10,000 jobs over the last year and pressuring California to consider similar incentives. The industry has grown so quickly since the incentives, which provide a 15 percent credit on much of a production's expenses, began in 2004 that city officials are now considering reining them in. Officials are concerned that they are too costly and often going to productions like "The Sopranos" that were already being filmed in New York.[119]

But the good news for the city's film industry is a mixed blessing for the city's treasury. In 13 months, the city has exhausted the $50 million it had allotted for four years' worth of tax credits for the industry, while the state has used up most of the $125 million it has allotted over five years. It is not clear if new business spurred by the program is making up the difference. State officials want to increase financing for the credits, but city officials, concerned at the overruns, are now seeking to limit the tax breaks. Under the city's proposal, television shows would get the credit for no more than three years, while there would be a cap to the overall city funds made available each year, according to an aide to of Mayor Michael R. Bloomberg's who spoke on condition of anonymity because revisions to the plan were still being negotiated. One concern is that "The Sopranos" and the three "Law and Order" series have received nearly a quarter of the tax credits, the aide said. The prospect of limiting the tax credits in New York has alarmed producers, studio executives and state legislators from New York City. They say states like New Jersey are now offering competitive tax credits of their own, leading to the kind of gamesmanship between states more typically seen for manufacturing plants.[120]

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117 Screen Daily, September 4, 2005 "Two Bollywood movies set to shoot in New York"
118 Variety, January 15, 2006, "Pataki ups tax credits", by Ian Mohr
119 New York Times, 14, 2006, "Bid to Lure Films Works So Well, It's Nearly Broke", by Danny Hakim
120 *Ibid*

In April 2006, New York State in a bold move made their tax incentives permanent until 2012, raised the yearly film and television cap from $25 million to $60 million (140%), and added a separate $42 million incentive for commercial producers. New York City credits are to be expanded from $12.5 million to $30 million annually and added a separate commercial production credit worth $7 million annually.

North Carolina

North Carolina instituted production incentives August 2005.

On Aug. 13, the state put into law a plan that will allow a production company that spends at least $250,000 in the state to receive a 15% tax credit for all the goods, services and labor it purchases in North Carolina. The state expects the incentives to cost about $5.4 million a year. The maximum a company can receive is $7.5 million for a feature film, which would require an investment of $50 million.[121]

Pennsylvania

Pennsylvania created an incentive package in 2004.

Governor Edward G. Rendell today signed House Bill 147 into law which provides for a 20 percent Film Production Tax Credit for film production expenses incurred in Pennsylvania during the taxable year. The bill was signed into law at the Prince Music Theater in Philadelphia. "Filmmakers continue to discover that Pennsylvania is an ideal location for film production," said Governor Rendell. "With widely diverse locales and innovative benefits, Pennsylvania is dedicated to helping filmmakers make their projects a reality." The tax credit is available for feature films, television series and television shows of 15 minutes or more in length, intended for a national audience. Production expenses that are eligible for a tax credit include wages and salaries, construction, operations, editing, photography, sound synchronization, lighting, wardrobe and accessories and the cost of rental of facilities and equipment. Marketing and advertising costs cannot be applied toward the tax credit. In order to further qualify for the tax credit, 60 percent of the total production expenses must be incurred in Pennsylvania.[122]

Puerto Rico

Puerto Rico offers a 40% tax credit for motion pictures, TV series and original soundtrack recordings.

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[121] Hollywood Reporter, August 31, 2005, "North Carolina enters production-incentive race", by Borys Kit

[122] Press release, Pennsylvania Film Office, www.filminpa.com

South Carolina

South Carolina's package offers an aggressive set of rebates. A provision already in place exempts companies that spend at least $250,000 from sales, use and accommodations taxes. This provision may be particularly attractive to smaller companies that want to spend as little money up front as possible. The new incentives start at the $1 million mark and will likely attract the bigger film fish. These million-dollar babies will get two rebates. The first, a 15 percent labor wage rebate, applies to any labor hired for the production as long as the individual pays South Carolina withholding taxes. (This includes California crew which comes in to work on a South Carolina shoot.) At the end of the production, South Carolina will cut the company a check for 15 percent of the total amount of labor wages it paid. The second incentive, the supplier rebate, works essentially the same way. At the end of the shoot, the production company will get a 15 percent rebate for all expenditures it made with any South Carolina supplier. Incentives are the deal making for bottom-line conscious Hollywood producers today, said South Carolina Film Commissioner Jeff Monks said. "In this business, the equation used to be show us your locations. Tell us about your crew and suppliers, then if it all works, we'll come," he said. "Now it's tell us what your incentives are, and then we can talk about your crew and suppliers. The whole equation has been turned around 180 degrees."[123]

Conclusions

Savings Offered By Production Incentives have significant effect

Many a producer will tell you that if not for production incentives, whether they are foreign or domestic, their movie would not have been made. The incentives offered by other countries along with favorable currency exchange rates can be very lucrative, saving the 10% to 15% of the total budget. On a $50 million dollar film, the very film most incentives are targeted at, the producer saves $5 million to $7.5 million. At the current exchange rate the savings in Canada on labor 42.1%, a $25.00 an hour technician costs the producer $14.49. The same hourly technician in Australia costs $16.14 (35.4%), and in New Zealand $13.71 (45.2%). And then there are countries with low wages and high exchange rates, in Eastern Europe a $25.00 an hour worker costs the producer $2.50 an hour. Also, more and more countries are offering incentives that include visual effects and postproduction, a significant employer, and up to now dominated by the U.S.

U.S. state incentives are working, but it is not clear if they are they keeping production from leaving the U.S., or just moving them from one U.S. location to another, especially if a location doesn't offer any incentive. State incentives on average are 15% of qualified labor which means that a $25.00 per hour worker will cost the producer $21.25 an hour, comparatively, Canada saves the producer an additional $6.76 (27%), Australia $2.61 (10%), and New Zealand $7.54, (30%).

[123] The Savannah Business Report & Journal, Inc, May 16, 2005, "S.C., Georgia Poised for Return to Movie Making", by Christian Livermore

As seen in *Table 19*, historically, 11% of the savings in Canada is from the exchange rate, and 28% is from the federal and provincial rebate, a $25.00 an hour worker in the U.S. has a net cost in Canada of $15.38, a savings of $9.63 an hour (38.5%). In Australia the currency represents 24% savings and the rebate saves 16%, for a total savings of 39.9%. In the U.K. the entire savings is from the incentive as $1.00 U.S. is currently valued at $0.53 in the U.K.

Table 19

	Rate (per/hr)	Exchange Rate	Federal Rebate	Province Rebate	Cost to Producer	Total Savings	% Total Savings
Canada	$25.00	$1.12	16.0%	18%	$15.38	$9.63	38.5%
Australia	$25.00	$1.31	12.5%	10%	$15.03	$9.97	39.9%
New Zealand	$25.00	$1.56	12.5%	0%	$14.02	$10.98	43.9%
United Kingdom	$25.00	$1.00	16.0%	0%	$21.00	$4.00	16.0%

Benefit And Cost Of Foreign Federal Production Incentives

Shown in *Table 20* in 2005 the Canadian government paid an estimated $58 million in feature film incentives resulting in 48,000 jobs, at a cost of $1,200 per job. The federal Canadian incentive is only on what a foreign feature film spends on production labor, this averages 30% of the total budget -- the percentage increases on lower budget productions, and decreases on large budget films. In Australia/New Zealand, and the U.K/Ireland the incentives are for all "in-country" expenditures including; postproduction, visual effects, and foreign talent and labor, as long as they pay in-country withholding taxes.

Table 20

Estimated Benefit And Cost Of Foreign Incentives ($ U.S.)

	2005 Estimated Budgets ($m)	% Of Budget Rebated	Eligible For Rebate ($m)	Federal Incentive	Estimated Cost ($m)	% Of Total Budget ($m)	Estimated Jobs	Estimated Cost Per Job
Canada	1,200	30%	360	16%	58	5%	48,000	$1,200
Australia/N.Z.	717	70%	502	12.5%	63	9%	28,680	$2,188
U.K./Ireland	809	80%	647	20%	129	16%	32,360	$4,000

Future Considerations

Incentives In The Rest Of The U.S. May Impact California Television Production:

Many of the new state production incentives are specifically designed to attracting one-hour and half-hour television programming. Productions that ordinarily would of shot in California will now look at other states that offers incentives as well as other cost savings.

There Are Offshore Threats To Television Editing, Postproduction, And Archiving:

As the technology and skills becomes more ubiquitous other countries are looking to get a piece of television production and postproduction.

Two of India's biggest corporate names launched a joint venture yesterday to offer editing, post-production and archiving services to the world's media companies. The news television network NDTV - New Delhi Television - and the huge outsourcing specialist Genpact, which was started and is now 40% owned by America's General Electric, said media groups could cut costs by at least a fifth by outsourcing the work to India. NDTV's chairman, Prannoy Roy, pointed out that 70% of all media work is digital and 70% of this could be done more cheaply in India. The global media and entertainment industry was estimated to be worth £770bn in 2005 and set to reach more than £1 trillion by 2009. "It was going to cost $1m but we did it for $200,000. That's an 80% saving. We look at the cost of editing suites abroad and they are $140 an hour. In India it costs just $15. When you are editing 100 hours of footage that makes a difference."[124]

Two Fledgling Broadcast Networks Are Merging:

As there are only so many primetime broadcast network hours available the loss of a broadcast outlet could lead to a reduction of programming.

CBS Corp., Warner Bros. Entertainment and Tribune Co. surprised the TV biz Tuesday by shuttering two struggling outlets -- the WB and UPN -- and merging the two into a new -- now fifth -- web called the CW Television Network. Move will unite shows from both nets -- such as UPN's "Everybody Hates Chris" and "Veronica Mars" and WB's "Gilmore Girls" and "Smallville" -- in a bid to create a dominant player in the 18-34 demo. New net is structured as a 50-50 joint venture of CBS and Time Warner and will be distributed on CBS- and Tribune-owned stations reaching 95% of the country.[125]

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[124] Guardian, March 30, 2006, "TV jobs face Indian outsourcing threat", by Randeep Ramesh

[125] Variety, January 25, 2006, "Secret's out as rivals elope", by Michael Learmonth

What Might Be Done to Stem the Tide?

Film and television production has been a vital part of the U.S. economy. The industry has a 100-year reputation, heritage and legacy. Filmed entertainment and music exports are more than a $33 billion a year business.

Section 301 Filing

There are groups and individuals that are challenging the legality of foreign production subsidies by seeking a Section 301 filing[126] with the United States Trade Representative. While well-intentioned, many believe this approach could present unintended consequences and difficulties for the U.S. production industry, including:

- Affected countries could take punitive action against U.S. entertainment and other exports.
- The possibility of limited unions support as many U.S. unions are international.
- The difficult enforcement as international partnerships and co-production treaties circumvent enforcement.
- Reduction of U.S. production volume.
- Questions of WTO jurisdiction to products in this industry.

A U.S. Federal Incentive

While record Federal deficits may make it politically difficult to support the idea of a Federal Incentive for production, there are many compelling reasons it should be considered as it would it would allow the U.S. to regain a competitive position in the global market for production. Based on a number of considerations, including those below, there is a reasonable basis to believe that a U.S. Federally-based program would quite effective.

Producers Prefer To Film In The U.S.

- The U.S. has a large, local pool of talented, accomplished, known, and ethnically diverse actors, and extras.
- It possesses a deep roster of highly skilled, experienced, and dedicated craftspeople and technicians

[126] Section 301 of the Trade Act of 1974, as amended, is the principal U.S. statute for addressing foreign unfair practices affecting U.S. export of goods or services. Section 301 may be used to enforce U.S. rights under bilateral and multilateral trade agreements and may also be used to respond to unreasonable, unjustifiable, or discriminatory foreign government practices that burden or restrict U.S. commerce. For example, section 301 may be used to obtain increased foreign market access for U.S. goods and services, to provide more equitable conditions for U.S. investment abroad, and to obtain more effective protection worldwide for U.S. intellectual property.

- It has the most extensive state-of-the-art production infrastructure, services, resources, tools, and technology in the world
- It provides an abundance of identifiable, desirable, fresh, versatile, and real locations
- Perhaps most significantly, it's where they live

There is considerable evidence that state programs have been effective and have provided strong economic returns.

- In Illinois the first year expenditures increased from $25.7 million to $77 million (208%) and jobs went from 5,972 to 15,000 (151%)
- Louisiana grew from $11.8 million in 2002 to $355 million in 2004 (2,850%)
- New Mexico in two years went from zero films to 25 generating $200 million in new revenue
- Incentives in New York in 2005 created 10,000 jobs and $1.5 billion in new economic activity

The Jobs Creation Act Of 2004 is having a positive effect on television production in the U.S.

Since 2004 …

- … Scripted Television Production in the U.S. grew by 6% -- Canada fell 20%
- … Made-For-Television movie production the U.S. increased by 42% -- Canada fell by 15%

Potential Benefit And Cost Of A U.S. Federal Incentive

While a U.S. Federally-based incentive would clearly have a cost to the Treasury, it is likely that it would be a sound investment in our Country's future and that results and benefits would significantly outweigh the cost. By way of illustration, *Table 17* shows that a 16% U.S., labor based tax credit could gain 33,780 jobs and have a value of $3 billion to the economy, at a cost of $203 million, which equals $1,200 per job. This table assumes a 25% gain in production based on 2005 estimated budgets.

Table 17

Based On 2005 Estimated Budgets Of Domestic Theatrical Releases ($ million)

	After 16% U.S. Labor Incentive ($m)	Increase In Production ($m)	Value To U.S. Economy ($m)	Estimated Jobs Gained	Estimated Total Jobs	Estimated Cost ($m)	Estimated Cost Per Job
U.S.	4,223	845	2,787	33,780	168,900	203	$ 1,200

In the world today, globalization is an economic fact of life. Companies across the world are seeking lower costs of manufacturing, distribution and operations. The growth of foreign production of U.S. originated entertainment product, however, seems, to a significant measure, to be driven by economic subsidies to producers as a conscious decision by countries seeking well-paying jobs in a clean industry.

The question is with any job leaving the U.S. is, where and when does it stop. When Canada was proposing their federal incentive their rallying call was, "These are the jobs your children want." The U.S. must decide it they want feature film production careers for their children, and their children's children.

Study Methodology

The author of this study, Stephen Katz, President, Stephen Katz and Associates wrote the widely acclaimed *1999 Motion Picture and Movie of the Week Production Survey, The Migration of Production from the U.S. to Canada- Year 2000 Production Report*, and *The Migration of Feature Film Production From The U.S. To Canada and Beyond Year 2001 Production Report.* For over 20 years, he has been involved in the marketing of motion picture and television production equipment. For that time, he has kept an extensive database of feature film and television production. Louise Levison, President of Business Strategies[127] and a financial consultant to independent filmmakers for over ten years, has provided additional worldwide box office and budget data.

Feature Films

Box Office Period Covered:

This study is based on feature length motion pictures that were released theatrically in the U.S. for the "release years" of 1998, 1999, 2000, 2001, 2002, 2003, 2004, and 2005. The "release year" is traditionally defined as December 15th through December 14th of the following year.

Number of Films:

Since, 2000 all feature films that appear on the weekly charts of Box Office Mojo, Variety, and the Hollywood Reporter. The box office is tracked and all films that gross $500, 000 or better are included as long as a qualified estimated budget could be found.[128] Excluded from the study were; animated films, large format films, documentaries, and films that were released in Canada but not the U.S.

Gross Domestic Box Office Receipts:

The gross domestic box office receipts are from the cumulative reported box office as published by Daily Variety in their weekly charts, "Film Box Office Wrap." The gross domestic box-office receipts are current to May 2005.

Source of Financing Criteria:

Whether a film can be defined as "independent" depends on the picture's source of financing. If a film's primary source of financing comes from any entity other than a major U.S. studio, and a studio does not control its creative process, the film is considered independent. When financing comes from a foreign entity, the film also is considered to be independent for this study. Despite the tendency of many filmmakers

[127] http://www.moviemoney.com/
[128] The budgets were found for all films that were shot in North America

and analysts to want to include or exclude films by somewhat subjective philosophical definitions, the purpose of reporting independent film data in the CEIDR report seeks to be as objective as possible

Film financing has been evolving since the mid-1990s into a new paradigm where studios have begun to act more and more like independents rather then the other way around. Often films have primary financing from an independent source and pre-sell North American distribution to a studio. If it has been determined that the studio is acting as just another investor and has contributed 50 percent or less of the budget, these films meet the definition of independent. On the other hand, studios have developed specialty divisions that both acquire and produce films. If Miramax, Sony Classics, Fox Searchlight, Focus Features, Paramount Classics or Screen Gems acquires for distribution a film that has been financed from equity sources, that picture is considered an independent. Depending on a specialty division's status, its self-financed films also may be considered independent. Focus Features, for example, is an autonomous division of the NBC Universal family and makes its own financing decisions. In addition, until September 30, 2005, Miramax was run by the Weinstein brothers and made its own financing decisions. All films financed by the current Miramax division are considered studio films. Where the situation may not be so clear-cut — e.g., a specialty division co-produces with a studio — CEIDR's research determined the true status of a film. If a studio released it and the research team could not ascertain with some certainty what financing entity controlled the making of a movie, it remains in the studio category.

The term "studio" refers to the original seven majors — Universal (now NBC Universal), 20th Century Fox, Warner Bros., Paramount, Columbia (now Sony Entertainment), Metro-Goldwyn-Mayer (now a private company functioning mostly as a distributor and co-owned by a consortium comprised of Sony Corporation of America and Providence Equity Partners) and The Walt Disney Company. For independent companies, size is not a definition. DreamWorks, now a part of Paramount Pictures, was still an independent film company through 2005. Pursuant to the definition above, if that independent company co-produces a particular film with a studio, the elements of the film's deal are taken into account in determining whether the film is independent.

Estimated Budgets:

The estimated budgets were gathered from a consensus of industry sources including: production executives, producers, trade publications, news articles, qualified industry databases, and other sources.

Production Location:

As some feature films shoot in multiple locations, the principal location was determined by where there was the longest period of production. If in doubt a producer, or member of the crew were contacted to verify.

Made-For-Television Movies And Miniseries

Period Covered:

This study is based on made-for-television movie and miniseries that were aired on U.S. television for the “year” of 1976 through to 2005 all-inclusive. The “year” is defined as January 1st through December 31st of that year.

Source Of Data:

The made-for-television movie and miniseries titles were gathered from state and regional film offices, industry databases, the trades, newspapers, and television guide listings.

Date Of First Airing:

The date of the first airing is the premier television airing of a made-for-television movie or miniseries. The date was researched through the trades, industry databases, newspapers, the Internet, and television guides.

Production Location:

The principal production location of made-for-television movie or miniseries was researched through state and local film offices, the producers, director, production staff, crewmembers, the trades, and industry databases.

Broadcast Or Cable Network:

Broadcast networks are national television networks that transmit their programs locally. The broadcast networks surveyed that air original made-for-television movies and miniseries include: ABC, CBS, Fox, NBC, and the WB.

Cable Networks are networks that can only be viewed on cable or satellite equipped televisions. Included in the data are: ABC Family, A&E, Animal Planet, Cinemax, Disney Channel, ESPN, FX, Hallmark Channel, HBO, Lifetime, MTV, Sci-Fi Channel, Showtime, TNT, and USA.

Scripted And Reality Broadcast And Cable Television

Period Covered:

This study is based on scripted and reality television programs that aired on U.S. television for the “seasons” of 2000, 2001, 2002, 2003, 2004, and 2005. The “season” is traditionally defined as starting on the third Monday in September and continuing through the third Sunday in September of the following year.

Scripted Television:

Scripted television is a genre of programming that is produced from a pre-written script with the parts portrayed by professional actors. Scripted television programs that air on broadcast and cable television included in this report are nominally one hour in length, or thirty-minutes in length, and are presented over a number of weeks, and can run for a number of seasons. Each season of a program that is within the scope and time of this report are included in the data for each surveyed year.

Reality Television:

Reality programming as broadcast on cable and broadcast television is a genre of television programming with unscripted situations, and uses "ordinary" people over professional actors. Reality television programs that air on broadcast and cable television included in this report are nominally one hour, or thirty-minutes in length, and are presented over a number of weeks and can run for a number of seasons. Each season of a program that is within the scope and time of this report are included in the data for each surveyed year.

Source Of Data:

The scripted and reality television programming was gathered from the trades, industry databases, newspapers, and television guide listings.

Production Location:

The principle production location was researched through state and local film offices, producers, directors, production staff, crewmembers, the trades, and industry databases.

Broadcast Networks:

Broadcast networks are national television networks that transmit their programs, locally. The networks that have and/or broadcast original made-for-television movies and miniseries are ABC, CBS, Fox, NBC, and the WB.

Cable Networks:

Cable Networks are networks that can only be viewed on cable or satellite equipped televisions. Included in the data are: ABC Family, A&E, Animal Planet, BET, Bravo, Cinemax, Court TV, Discovery, ESPN, Disney Channel, ESPN, FX, HBO, HGTV, Lifetime, MTV, Nickelodeon, Oxygen, PAX, Spike, TBS, The Learning Channel, and VH1.

Types of broadcast and cable programming not included in this report are; animated, children's programming, comedy, cooking, docudramas, documentaries, game shows, music, news, sports, talk shows, and variety.

Biographical and Contact Information for Stephen Katz

Stephen Katz won an Academy Award for the co-development of Dolby Stereo. He has over thirty feature film credits including, *Star Wars*, *Close Encounters of the Third Kind*, *Altered States*, *The Rose*, *The Deer Hunter*, *Logan's Run* and *A Star is Born* and was the Associate Producer of Universal Studios, *The Pirates of Penzance.* For the fifteen years he was been a consultant in the marketing of production equipment to the industry for companies including The Samuelson Group International, Victor Duncan Inc. and Hollywood Rental. The author of this study, Stephen Katz, President, Stephen Katz and Associates wrote the widely acclaimed *1999 Motion Picture and Movie of the Week Production Survey, The Migration of Production from the U.S. to Canada- Year 2000 Production Report*, and *The Migration of Feature Film Production From The U.S. To Canada and Beyond Year 2001 Production Report*, and produced the panels and seminars for Showbiz Expo, the seminal industry trade show. Prior to working in the film and television industry, he was a recording engineer for Jimi Hendrix, Barry Manilow, Ike and Tina Turner, Chuck Berry, Bo Didley, Tony Orlando and Jerry Jeff Walker and designed and built recording studios for Dolly Parton and Porter Wagner, the original Cherokee Ranch, Tom T. Hall, Johnny Cash and Grand Funk Railroad. He was the founding partner of Eventide Electronics, one of the first manufacturers of professional digital audio equipment including digital delay lines, auto-locators, pitch changers and the Instant Phasor. Mr. Katz is a member of the executive board of The Entertainment Coalition of the United States (ECO*USA), a think tank of motion picture and television professionals.

He can be contacted at 818-501-3833, Fax 818-501-4008, e-mail skatz@facade.com

Biographical and Contact Information for Mark A. Rosenthal

As President of Raleigh Enterprises, Mark A. Rosenthal is responsible for overseeing the six operating divisions of the organization, which include film and television studios, lighting and grip rental, hotels, business records management, commercial property and winemaking. Mr. Rosenthal initially joined Raleigh Enterprises in 1982 and subsequently served nearly a decade as the company's General Counsel.

Founded in 1955, Raleigh Enterprises employs a staff of more than 450. The diverse businesses owned or managed by the company include assets such as the Sunset Marquis Hotel and Villas, File Keepers, Malibu Hills Vineyards, Raleigh Film and Television Studios and Hollywood Rentals (including Olesen and ESS). The company also has significant commercial real estate investments and joint venture holdings..

Raleigh Studios, the largest independent film, television and commercial studio group in the country, consists of two major complexes, one in Hollywood and one in Manhattan Beach. Raleigh Studios-Hollywood is the oldest continually operated studio in the country and the newest is Raleigh Studios-Manhattan Beach, the production home to some of the entertainment industry's hottest shows, including David E. Kelley Production's Boston Legal, CSI: Miami, The Medium and The O.C.

Raleigh Studios has also consulted with regard to the development of production studios in Illinois, Louisiana, Mexico, Hungary, Kazakhstan and China.

He may be contacted via email at **mrosenthal@raleighenterprises.com**

Biographical and Contact Information for Louise Levison

A specialist in writing business plans for independent filmmakers, including the most profitable independent film in history, The *Blair Witch Project*, Levison is the author of *Filmmakers & Financing: Business Plans for Independents* (Fourth Edition, Jan. 2004, Focal Press) and publisher/editor of *The Film Entrepreneur: A Newsletter for the Independent Filmmaker and Investors*. She is on the Advisory Committee of the Grow America Film Fund, an adjunct professor at UCLA Extension, an affiliate of European consulting firm Peacefulfish (peacefulfish.com) and frequent speaker at film festivals and conferences. Some of her clients' films are *The Blair Witch Project*, *Toussaint (in preproduction by Danny Glover), The Highroller: The Stu Ungar Story, Extremedays, Dinner Rush, Michael Winslow Live, Hoover, The Headhunter* (currently in postproduction) *and Out Of Omaha* (currently in postproduction). Among her corporate clients are Louverture Films (Danny Glover), Tokuma International Ltd (*Shall We Dance* and *Princess Mononoke),* The Ilya Salkind Company, WhiteLight Entertainment (Academy Award-winner Gerald Molen) and Gener8Xion Entertainment (*The Omega Code*). Prior to working in the entertainment industry, Levison worked in analysis and corporate planning for 18 years in corporations, including the metals and minerals industry, health care and Stanford Research Institute (SRI), where Mobil Oil and The Executive Office of the White House were among her clients. She holds an M.A. in Asian Area Studies from New York University and an M.B.A. in Finance from California State University.

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