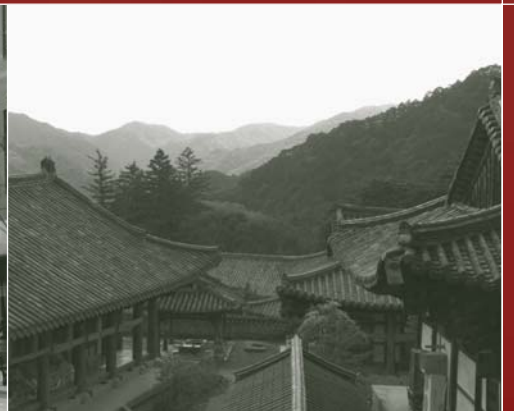
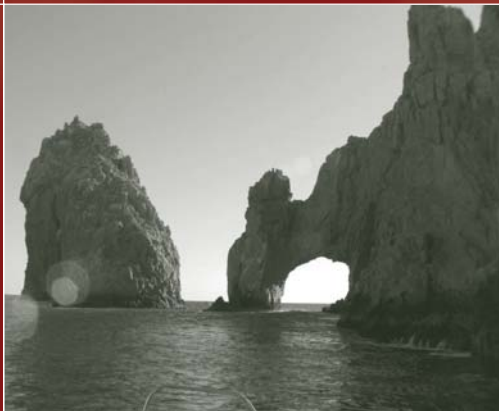


October 2006

INDEPENDENT FILM & TELEVISION ALLIANCE®
and **COMPLIANCE CONSULTING**

The Rules of Attraction

Creating a Production-Friendly Community





October 2006

Producers are always seeking better locations for filming. In some cases, “better” means “visually more suitable for the story line”, in others, it means “easier”, and in still others, it just means “cheaper”. But the variables don’t end there, and knowing what producers want is a crucial factor in promoting production in your community.

The Guide is designed for decision-makers in any community interested in building, attracting or simply accommodating local production activity. While explaining the factors that are important to producers and what will influence their choices, this Guide also identifies the community impact and policy concerns that should be weighed against the potential benefits of production.

The Guide is prepared from the perspective of the Production Company or Financier, both of whom must approve the decision where to shoot. The Independent Film & Television Alliance (IFTA®) is the trade association that represents the world’s independent producers and distributors and film financing institutions. Compliance Consulting’s Rob Aft has more than twenty years of experience in film finance and distribution. We have consulted extensively with IFTA members from around the world, as well as with local officials and industry advocates to learn what motivates these production decisions.

“Rules of Attraction” is our effort to share that knowledge with public officials and private citizens who want to build a “production friendly” environment. We look forward to your feedback and to updating this report in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jean M. Prewitt".

Jean M. Prewitt
President & Chief Executive Officer
Independent Film & Television Alliance

A handwritten signature in black ink, appearing to read "Rob H. Aft".

Rob H. Aft
President
Compliance Consulting

CREATING A PRODUCTION-FRIENDLY COMMUNITY

INTRODUCTION

In the past ten years, the number of cities, states and countries reaching out to encourage producers to spend production dollars within their borders has exploded. Local employment, finances, culture and tourism all benefit from local production. There is a strong sense of community excitement when a major production moves in.

But how many communities are really ready to host a steady stream of film or television production to the satisfaction of both the producers and local residents? Are you ready? This Guide is designed to help community decision-makers, in any size community anywhere in the world, to understand and meet those challenges.

This Guide is first of all a message from producers. We have consulted with producers who routinely choose between a wide variety of production venues based on various factors including shooting locations, production subsidies, co-production/co-finance arrangements, infrastructure or climate. This guide indicates what attracts them to shoot in one place rather than another. While individual producers may be influenced by specific local factors, attracting a steady stream of production requires predictability about conditions. The Guide identifies a number of variables that matter – some of which a community can control effectively, if it so chooses.

At the same time, the Guide reflects the significant questions that should be raised within each community prior to making a substantial economic commitment to attract or to build production capacity. Local filming may inconvenience residents and businesses, and the dedication of resources to attract production may alter the ability to support other meaningful programs. Establishing sensible systems for producers must go hand-in-hand with responding to the ongoing concerns of each community. If that balance is not struck effectively, local concerns may undermine any investment in

the production industry. Attracting production has become a highly competitive and often costly venture for communities, and we hope that these suggestions can help your community to compete intelligently and effectively.

ONCE IN A WHILE OR A FULL TIME COMMITMENT?

“These are really complex decisions, and financial aspects are only one consideration. It’s a balance of three main parameters: hard cost, what the talent wants and the co-production possibilities.” (Francois Invernel, Managing Director of Pathe Pictures in the UK, *The Hollywood Reporter*, November 1, 2005)

Producers select locations for a variety of reasons, including the most simple – because they are telling a story that occurs in that place. By the same token, communities may seek to accommodate periodic production without making a decision to reach out to other projects. Other communities may wish to attract production in order to support local tourism or culture but without interest in building a full-scale production infrastructure. Still others wish to attract production in order to support an economic development plan that encompasses job training, creation of pre- and post-production resources and an ongoing stream of production. These are all legitimate policy decisions but the producer’s threshold expectations of each type of community (and his willingness to return) will be different in each case. The Guide addresses this through a tiered approach, reflecting differences as Type I, II and III. The characteristics of each are discussed at pages 4-7.

But when and how does a community decide what “type” it is? The Guide encourages an active dialogue between public and private decision-makers to identify a community’s potential and the resources that will be made available to realize that potential.

The first question every community needs to ask itself is ‘why do you want people to produce in your backyard?’ There are many answers, but the primary ones are:

Direct Economic Benefit to the Community – Productions can pump millions of dollars into a community. They occupy hotel rooms, eat, and hire transportation, sometimes even local crews, actors, directors and producers. They pay taxes and in some cases construct studios or other infrastructure. The direct spending is subject to a multiplier or ripple effect: a recent study by the Los Angeles Economic Development Corporation shows that every dollar spent on a production in California generates on average a total economic impact of nearly triple in addition to amounts realized by the state itself in taxes.¹

Encourage Tourism – From baseball fields in Iowa to beaches in Thailand to casinos in Las Vegas, a production can showcase the natural beauty or the excitement of a community, and attract untold millions in tourism dollars. *Brokeback Mountain* has brought a steady stream of visitors to Montana, where the story takes place, despite the fact that filming actually occurred in Calgary, Canada.

Create Jobs – Some communities look to the visiting productions to provide training for technical workers, thus encouraging additional indigenous and visiting production work as crews become more skilled and available. Of course, many productions will bring most of the skilled workers they need from outside the community. If job creation is an important factor, the community needs to provide for significant training and incentives for producers to train and hire locally.

Promote Local Culture – A primary reason to encourage local production is to create the artistic and narrative talent to promote a local culture, to tell the community's stories, and to introduce the culture to the world. Of course, if this is a primary factor, policies must be constructed to benefit productions that reflect, examine or promote indigenous cultures and that are based on the creative work of that culture.

The answer to the above question should shape any program that encourages producers to shoot their film or television program in your community.

“The idea that we (the UK government) have basically been financing these French films doing a bit of post-production work in London is a good thing to knock on the head,” says Barnaby Thompson, head of UK's Ealing Studio who recently shot “Fade to Black” in Serbia because nothing in the UK could double as

Rome in 1948. “It makes sense as an Anglo-Italian-Serbian co-production and it probably wouldn't have happened otherwise.”

At the same time, communities should be aware that production can affect the day-to-day life of its residents and make provision for the costs that may be entailed in overseeing the actual production activities that will take place.

If you were offering incentives to attract a manufacturing plant to your community, you would conduct environmental impact studies, research the background and history of the company and establish a regulatory process to ensure that there is full compliance with local laws and that any promises the company makes in exchange for the incentives are kept.

The same can be true for a production taking place in your community. Make sure that what they want to do will not have a negative impact. Many productions will want to shut down critical bridges during rush hour, and one recent production required large explosions in the center of a major US city. Will the producers understand when you inform them that not all of their needs can be met and that they will have to modify their schedules to accommodate the community around them? Will local politicians, community activists, labor leaders, etc. complain about the disturbance to the community, its landmarks, its reputation, etc.? What local agency or official will monitor the production, ensure compliance with any restrictions imposed and resolve conflicts that arise? What assurances exist that bills will be paid and damage or inconvenience compensated?

Finally, is the benefit to the community equal to or greater than the financial and social costs? How much are the producers actually spending in the community? Are they concerned about providing jobs or training to residents? Do they respect local cultures? Are they presenting your community in a light that will attract or repel potential visitors? Is the production a one-off that will never be repeated or is there a need to plan for ongoing activity that may require expansion of existing infrastructure or permanent regulation? What if a production company finds you independently? Are you ready for producers to descend? Should you welcome them with open arms or try to discourage them? We hope you will encourage them and that this document will lead to a good experience for both the producers and the community as a whole.

¹ “What is the Cost of Run-away Production? Jobs, Wages, Economic Output and State Tax Revenue at Risk When Motion Picture Productions Leave California,” Gregory Freeman, Jack Keyser, et al., Los Angeles Economic Development Corporation (May 2005). See www.film.ca.gov (study located under “Tax Benefits/Revenues Study” tab).

THE DOOR IS OPEN – NEXT STEPS

So, you have decided to promote production in your community. What are the best ways to meet the production industry and to market the community? What do producers need? What do they want to know? The Guide that follows focuses on these questions.

Assuming that a location provides (or can be made to provide) the cinematographic possibilities that are needed for a production, the threshold question for a producer will still be “can I make the costs work?” Production budgets are stretched very thin and competition among locations has resulted in some significant financial incentives being offered. Producers use “comparative budgeting” in almost every case to determine where they can afford to shoot.

When Joss Whedon was prepping *FIREFLY*, he insisted on shooting the film in the Los Angeles area to be close to his family and in order to work with his preferred crews. He demonstrated to studio executives through comparative budgeting that he could keep the film in LA and, through various efficiencies, spend the same as if he had taken the film to Canada and he got his way. (“Down Home Directing,” *Los Angeles Times*, October 9, 2005)

The competition for production spending is global. Producers will consider going anywhere for the best deal, but they expect world-class operations, security and communication.

“In one recent week, 20th Century Fox films were in various stages of production in the Czech Republic, Canada, Hungary, Morocco, and Dominican Republic, France, and Britain.” (*Los Angeles Times*, October 2, 2005)

Lack of top-class facilities or services may create cost overages in other budget categories or increase exposure to risk of loss, either of which will offset benefits from incentives or other cost-savings.

THE GUIDE

We have provided a set of suggestions for beginning or improving a community’s efforts to attract producers. These are contained in the enclosed chart. We have chosen to divide the chart into sections based on the type of Community and then for each type, the characteristics of the local Infrastructure and Marketing/Logistics that will influence producers’ response to the community’s efforts.

TYPE OF COMMUNITY:

“Community” for purposes of this Guide refers to any type of political jurisdiction – town or city, county, state, region or nation – with the capacity to commit resources to supporting production. The “Community Type” reflects both 1) Size and resources of the Community; and 2) Scope of the commitment to or development of the Community’s system for attracting producers.

Type I communities may be attractive to producers for one or more reasons. However, they have made only a limited public commitment to attracting production or they have other impediments to meeting producers’ needs (poor infrastructure, restriction on finance or activities, etc.). Type II and Type III are those communities that have made explicit decisions to attract production or develop indigenous production and to commit some economic and political resources to do so. The Guide suggests what a producer might anticipate and plan for in each type of community. It also suggests what steps might be appropriate for those communities to improve production-attractiveness in order to compete for production dollars within the policy parameters already adopted by decision-makers.

These are not strict categories and do not represent a value judgment that Type III communities are “the best”. Different

INFRASTRUCTURE — SETTING THE STAGE

Regulatory/Financial

| Facilities/Risk

COMMUNITY TYPE I

The community is interested in facilitating production in the local economy. One or more productions have located in the community for either creative or economic reasons and/or the community has decided to dedicate certain resources to encourage local production.

- Economically attractive packages for on-site crews (e.g., discount hotel rooms, waivers of local fees and tariffs, favorable equipment rentals, etc.) may be available and government offers some other limited incentives to attract producers
 - Government is aware of the benefits of production or the development of indigenous production
 - Local laws and regulations regarding labor, taxation, transportation, finance, etc. may limit producer's flexibility but local authorities provide clear guidance on these issues
 - Local financial institutions are able to meet producer needs on location (e.g., payroll, immediate cash needs and transfers)
 - Bond and insurance companies have limited or no experience with production in the area and may need additional information and assurances regarding location-specific risks (including political or weather risk)
 - Affirmative financial benefits to stimulate growth of ancillary services and related industries are in their infancy
 - Government has established a simple, clear and cost-efficient process for obtaining permits
- There are unique locations or other factors that will attract producers
 - These attributes may be limited or access to locations may be difficult
 - There are potential weather, political, currency, crime, labor or other risk factors that cannot be fully controlled, but attempts are being made to address them
 - Restrictions on the use of public lands or issues regarding endangered species, habitats, etc., may pose issues to producers seeking the best location option.
 - Efforts to develop crews, production infrastructure and creative talent are in their preliminary stages

COMMUNITY TYPE II

The community has an interest in and a history of attracting productions and has committed significant resources to this effort. Local infrastructure, production facilities and/or benefits are attractions for producers.

- Government provides meaningful financial incentives that make it attractive to shoot in the area and understands the importance of attracting production
 - Some government regulations regarding labor, taxation, transportation, etc. have been specifically designed to encourage production
 - A government entity with production expertise exists and can provide liaison services with the local production industry and outside providers including the government itself
 - Bond companies have some positive experience working in the community
 - The global entertainment banking community has some experience working within the legislative/tax structures established by the local government
 - Government entities can provide proactive help with the permitting process to smooth location shoots
- There are experienced production facilities and crews available
 - Prime locations are accessible and provide adequate power, lodging, and dining opportunities
 - Local crews have gained some experience working with producers from outside the area, and there are programs in place to develop indigenous crews and creatives
 - There is access to equipment and materials either within the area or reliably and quickly available near the area
 - There are manageable weather, political, currency, crime, labor or other risk factors
 - Public land managers understand production needs and offer reasonable access to those lands

COMMUNITY TYPE III

The community has an established history of providing top quality resources for indigenous and out-of-area productions including solid infrastructure, unique/desirable locations, financial incentives or other cost benefits, and ongoing dialogue with the production industry. The community markets itself to the production industry and seeks a steady flow of production into the area.

- Government entities at all levels actively encourage production through clear and reliable incentives, co-production or co-finance treaties or other arrangements, and tax breaks and provide substantial material support to those trying to attract production and to visiting producers
 - Community recognizes the economic importance of production for the local economy and actively works to make the production process attractive
 - There is significant production finance infrastructure (including banks with specialized lending divisions), local bond companies or representatives of bond companies who can provide on-site support
 - The global entertainment community knows how to use finance infrastructure to support production
 - The global banking/finance community has extensive experience working within the legislative/tax or other incentive programs available and actively participates in the development of such programs and works closely with producers to assure that they take full advantage of all finance opportunities
 - Regulations regarding all aspects of production are very clear and reliably enforced
 - Permitting process is simple, clear, cost effective and the government assists producers with a centralized permitting system across multiple jurisdictions
- Prime, diverse locations are easily accessible and provide world-class services and tourism facilities
 - There are many first-class production facilities (including production and post-production) and crews available
 - There is significant community support for all types of production and the government actively encourages this support
 - There is a reliable, local supply of equipment, talent and materials
 - There are limited and easily manageable weather, political, currency, crime, labor, or other risk factors
 - Use of public land is encouraged and incentives for the use of the land may be available and easily accessed

MARKETING AND LOGISTICS — MAKING IT HAPPEN

Organization/Marketing

| Resources/Community

- There are designated community employees who are charged with attracting producers to shoot in the area
- Community has provided some level of funding to support services to/for producers
- Community's mission in this area may be limited and focused on public safety, tourism, and convenience requirements
- The community may not yet engage in active marketing or outreach to attract production or to develop indigenous producers
- A community office, however, maintains relationships with other regional or national commissions to facilitate or attract production

- Reflecting its narrow mission, the community has only limited resources or knowledge to provide any assistance when productions encounter problems
- Officials have some relations with local unions, crews, and regional representatives but cannot be relied upon to provide extensive information to producers
- Cross-border or inter-regional issues are not customarily addressed, however, there is an effort to make permitting and other required paperwork easy and efficient
- Community is willing to assist with compliance with local regulations, access to locations, transport needs, customs, etc.

- Community entity that encourages production is organized as a stand-alone department or entity with separate offices and designated staff
- There is an awareness of this entity within the production community inside and outside the region
- Community is actively marketing the region to producers around the world
- Staff is knowledgeable and familiar with the local production community and international producers
- Community recognizes benefit of developing indigenous production and attracting outside producers, and is willing to commit resources to the effort
- Community generally has a presence at industry events such as Locations Trade Show and major film or television markets

- Community has the resources and relationships to provide support to producers who encounter problems
- Officials have ongoing dialogue with local unions and authorities to aid producers and to smooth future productions
- Community has funded a dedicated staff that is knowledgeable regarding locations, incentives, local facilities and crews
- Community staff is aware of the impact of production on specific neighborhoods and works actively with producers to find alternatives to over-filmed locations
- Community staff has ongoing and good relationship with other production entities in the area
- Staff has significant influence or experience outside of their immediate jurisdiction if regional, or over all jurisdictions if national
- Community staff offers permits or is able to facilitate permitting and works actively to secure community cooperation with permit terms
- Staff is available to help during the production process
- Staff is available in various locations/cities in the area and can coordinate with other regional or national entities to provide services to producers

- Community has provided a substantial budget to fund attendance at major trade events as well as significant world travel to promote the area to producers
- There is significant direction, enthusiasm and support for the community's efforts within the local production community
- There is active outreach to producers through publications and the Internet to provide significant information and support
- Community publicity makes it clear that attracting production is a significant goal and that they are willing not only to provide resources, but will seek active input from the production community regarding incentives

- A community agency is fully integrated into the production industry of the region and is regarded as a good-faith advocate by both the industry and the community
- Agency staff works aggressively to promote indigenous production and encourage local producers and develop local creative and technical communities
- Staff is on very good terms with government, union and production representatives and can issue permits and provide effective support when dealing with government or union issues and actively participates to secure community support
- All staff is significantly knowledgeable regarding locations, crews, and all infrastructure, subsidy and financial considerations that would interest producers
- A dedicated staff person can provide round-the-clock assistance as well as help coordinating activities with other jurisdictions
- Agency works actively to improve production facilities and government and union involvement in production process
- Agency is the dominant force in policy-making regarding production, and has a jurisdiction-wide authority to enforce or enact policy

Communities have different intentions, resources and responsibilities. A small town is unlikely to have the resources by itself to be a Type II or Type III Community for these purposes, but an entire nation might responsibly aspire to be a Type III Community and to support its own sub-regions, cities and towns at that level. In all cases, the Chart describes Communities that seek to provide the best services possible within the policy framework that has been adopted locally.

STEP-BY-STEP:

At a very minimum, a Community seeking to increase production will want to show an interest in working with film and television producers. That usually starts with designating an individual or creating a film office or commission charged with “selling” the community to producers and to helping them with whatever needs they have. These needs can include location scouting, dealing with local unions, obtaining permits for filming, filing paperwork for subsidy or tax rebate programs, etc.

The mission of a film commissioner or officer should be clear to the community and should reflect the community’s distinct policy aims, whether they are employment growth, cultural, attracting tourism or something else. The commission can be attached to the tourism authority or the cultural authority, but there should be dedicated personnel familiar specifically with the demands of production and knowledgeable about the advantages of shooting in the community.

“AFCI’s Locations Trade Show brings the global competition for Hollywood dollars together in one place. It gives film commissions from around the world a chance to tout their attractions to a stream of commercial and feature film producer and directors, film and TV execs, location managers and scouts.” (*Variety*, April 12, 2004)

“Even though there is no central film commission in India, the government is confidently marketing India as a cost-efficient location destination for international film and TV productions.” (*Screen International*, October 28, 2005)

Irrespective of the nature of the Community, every production has specific requirements that must be met to ensure that principal photography can be done effectively and the

production itself brought in on time and on budget. Walking through the chart from the top left all the way to the bottom right should illuminate the ways in which local characteristics and decisions affect concerns about timetable, costs, and ability to complete a production. The information in each column is a progression from the most basic issues for a producer to more complex aspects of increasing production activities in a community.

“Hungary has long offered filmmakers a rich source of locations but the film industry’s post-Communism collapse also exposed the deficiencies of local production services. That reality is changing of late, though, because of the tax-rebate scheme and a \$50 million state loan fund designed to help develop infrastructure and studio space.” (*The Hollywood Reporter*, November 1, 2005)

We will occasionally deal with the issue of the diversity of communities that may study this document – local, state, national and even international – but generally it will be up to the reader to apply the various suggestions to their community. It should also be noted that it is often a goal of communities not to just attract outside producers, but to nurture indigenous production, and all of these suggestions are meant to be valid for both goals.

“The best bet for major productions hoping to maximize France’s funding sources is to find a French co-producer who can access the full range of financing from the federal agency, CNC, regions and other national and European sources.” (*The Hollywood Reporter*, November 1, 2005)

INFRASTRUCTURE – SETTING THE STAGE

Of course, some productions call for a specific location whether it is the Eiffel Tower or the lights of Las Vegas. Improvements in special effects have not yet made location shooting obsolete, and producers will still choose a location based on the needs of a script. Most scripts, though, allow for significant flexibility in where a film or TV program can be shot, and often a decision is made based on facilities, personnel, and ease of shooting. We have outlined many of these factors in the “Infrastructure – Setting the Stage” section and make suggestions for what communities can do to improve infrastructure.

Infrastructure encompasses the production facilities and trained crews that might be available, but also the entire range of services and personnel that are required for a successful production. This is not meant to be an exhaustive listing of the requirements for production, but it should be noted that professionals in the areas of banking, insurance, catering, and law enforcement are every bit as important to the physical production as directors, actors and writers (though we are certain this latter group would disagree).

It is also important that transportation to and from the location, local lodging, laboratory and payment services are provided and can meet the timetables dictated by production budgets. Whereas it is not always necessary to provide every aspect of infrastructure, it is important to be able to inform would-be producers regarding what is available and what they will need to supply from outside the community.

REGULATORY/FINANCIAL

Producers have come to expect that local, state and national governments will encourage their efforts and not hinder them. This can mean as little as offering simple procedures for procuring shooting permits and access to local officials to resolve questions, all the way up to providing significant financial incentives to shoot in a community.

PERMITTING AND REGULATION

Most communities require permits to shoot, and these can be very easy or very difficult (or expensive) to obtain. Ease of permitting is important, but community considerations also must be taken into account and local officials must be able to act as community liaisons to assure that the production will proceed smoothly. Blocking traffic, diverting flight paths, blocking driveways and shutting local buildings can interfere with local employment and business needs, create bad feelings in a community and cause endless headaches for producers and politicians. One bad production experience can ruin years of careful work. Local officials who are aware of alternate locations and can assist producers to avoid over-filmed areas or can negotiate appropriate conditions to meet residents' concerns are invaluable in retaining production opportunities.

“A single, one-time permit give carte blanche to work anywhere in the Kingdom [of Morocco].” (*Los Angeles Times*, October 16, 2005)

Similarly, local officials should be able to coordinate with representatives of other regulatory agencies or groups including health and safety, animal regulation, sanitation and labor. It would be unfortunate if a production were shut down because the food service technicians violated minor health codes or a crew member failed to obtain a needed local work permit. Officials should be aware of potential problems and work with producers to avoid those whenever possible.

FINANCIAL INCENTIVES

Direct Subsidies: Some communities will actually pay producers to locate their productions there. This can come in the form of government grants or free use of government facili-

ties or personnel. It is important that these subsidies programs are clear and well administered and that anticipated benefits do not disappear before applications are satisfied. Governments should assure that the rules and regulations are understood by local officials and that the information is effectively communicated to producers in a way that will allow them to access the subsidies without abuse or waste.

“New Zealand’s Large Budget Screen Production Grant, a 12.5% rebate scheme that targets international productions is very highly regarded due to the efficiency of its administration and its ability to pay out approved grants within about three months,” says Judith McCann, CEO of locations office Film New Zealand. (*The Hollywood Reporter*, February 28, 2006)

Co-Production Treaties and Co-Finance Arrangements: At a national level, some countries have chosen to establish arrangements with other countries that will encourage production by offering incentives for producers from more than one country to work together. These arrangements can take the form of treaties or regulatory frameworks that usually offer tax incentives to parties in both countries. Sometimes these tax benefits are transferable to producers in third-party countries. The UK, Germany, Canada, Ireland and other countries have seen production spending within their borders grow based on such treaties. These arrangements can offer direct economic benefits such as the non-refundable 10-15% of budget benefit offered by the now-defunct UK-Sale/Leaseback program (which required a minimum 40% UK spend and the participation of a UK producing partner) or the 20% refundable benefit offered by some of the German tax funds. They can also result in a film being considered a “local content” production for purposes of quotas or distribution incentives – providing a significant boost to potential revenues or reduction in distribution costs. We recommend studying various Co-Production and Co-Finance arrangements carefully before attempting to enact legislation as the potential for outright abuse or of benefits being given without the intended goal being attained is quite high.

The constant adjustment of existing benefits in these areas can be detrimental to a community’s effort to attract production, as demonstrated by the recent changes in the UK and German legislation. Producers need to have confidence that the benefits offered will continue to be available.

“Most recently, the German government introduced a three-year, \$110 million revolving fund, paid out in the form of repayable loans of as much as 20% of a film’s budget.” (*The Hollywood Reporter*, November 1, 2005)

Tax Breaks: Tax incentives have become a major factor in producers’ choice of location. Many communities provide rebates of sales tax, or waivers of local occupancy taxes, while others provide significant income tax benefits to taxpayers to invest in production in that area. Some of these incentives have been extremely successful not only to attract economic activity from outside the community, but also to develop local production for cultural and economic reasons. It is important to design these incentives to effectively produce the intended results. Again, for producers and investors, the crucial issue will be certainty that the benefits will be available as promised.

Regarding recent changes in German film incentives: “Anything that smells of a tax shelter – be it sale-and-leaseback or some fund structure or whatever – would be a big mistake,” said Marco Mehlitz, a former production executive at film fund Cinerenta. “With those, the only people who win are the middlemen. The government would be better off just increasing film subsidies.” (*The Hollywood Reporter*, November 1, 2005)

BANKABILITY

Much has been written about film finance, and the resources at the back of this Guide can provide additional detail, so without launching into a broad discussion of the topic, it should be noted here that one of the main advantages of the above incentives is their “bankability.” In short, that means that the financial benefits of promised incentives can be used as collateral for a production loan through a bank or transferred to an investor in exchange for equity investment. Producers we consulted stressed the importance of this factor and the importance of working with banks to assure the collateral value of the incentive.

“In most states the (tax) credit is for whoever funds production costs and the person or entity cannot sell the tax benefit to somebody else. That approach makes it much

more difficult to find capital. But in Louisiana, where the credits are transferable, it becomes much more manageable, because you can use brokers, who'll buy the credits and then sell them to someone else." (Entertainment attorney Schuyler Moore in *Variety*, September 7, 2005)

FINANCIAL INSTITUTIONS

There are two principal types of financial institutions involved in productions – insurance companies and finance companies. Insurance companies include completion bond companies, production insurance companies, risk insurers and providers of other types of production insurance. Finance companies include banks and payroll services. Communities with experience in production have developed longstanding relationships with these entities and have established regulatory environments wherein they can function effectively with a minimum level of duplicative local administration. Easy access to information needed by these entities for risk assessment, compliance, financial transactions, tax payments, etc. should be facilitated by the local government agencies.

FACILITIES

Facilities can include traditional studio space, outdoor areas specifically designed and outfitted for production, post-production studios, film processing facilities, or the availability of specialized equipment such as cameras, cranes, sound recording facilities and even catering trucks and trailers for properly housing cast and crew on set. Some communities might have facilities that they do not realize have a significant value for production such as military bases that could provide extras and equipment for war films, local schools and public buildings, jails and industrial plants.

Communities have at times taken an "if you build it, they will come" approach to facilities. It is important for communities to properly research the facilities that producers may desire and weigh the costs against the economic benefits that may be generated by providing those facilities.

Recently, significant emphasis has been placed on providing post-production and special effects facilities locally. This can

be an incentive to producers to remain in a community to complete their production and for encouraging local production. However, these facilities can be quite costly and require highly trained local technicians. Producers will tell you that the equipment is only as good as the operator, and communities should bear the costs of training in mind.

"The downside (in New Zealand) is that local productions, with their limited budgets, often cannot afford the international rates (at the top post-production facilities). The dilemma for the facilities is: Do they lower them for local production (and), in doing so, risk going broke themselves?" (Don Reynolds, Silverscreen Films co-founder, *The Hollywood Reporter*, February 28, 2006)

CREWS

There are a variety of reasons for developing world-class technical teams that know how to handle cameras, build sets, light scenes, etc. Increasing local employment (both in production and in industries relying on related technical skills) and attracting producers are two of the main reasons. The development of crews can also encourage locally generated production that can tell a community's stories, share their culture and encourage tourism.

Training crews is a long and complicated process that can be accomplished through local training institutions (academies and film schools), incentive programs for visiting producers to train local crews, and through solicitation and incentives for foreign crews to migrate to a community. All have positive and negative factors that should be weighed. A steady stream of production, and the effort to attract and retain it, is critical if the policy decision is made to encourage the growth of local crews. Recent production downturns in Canada and Mexico resulted in extreme hardship for production crews who found themselves idle due to factors beyond individual control, such as a stronger local currency and changes in the subsidy structure in the case of Canada in 2004-2005. Canada has since recovered significantly; however, a great deal of the production work has shifted to the interior provinces as production subsidies in those areas have increased.

“Our politicians need to understand that foreign productions help support local productions by creating full employment for crews that work both on Hollywood and Czech movies.” (Ludmila Claussova, director, Czech Film Commission, *The Hollywood Reporter*, November 1, 2005)

At least as important as training the crews and technicians is the training of the local producers and line producers. These are the people that organize local activities on the ground and are familiar with locations, people, infrastructure, labor, regulations, permitting, etc. Local producers of indigenous product are a major community asset not only for their own productions, but for their ability to attract outside productions by providing reliable, cost-effective and high quality services.

Encouraging and training local producers is important. The relevant film authority or agency should maintain a database of these producers along with their production histories, references, etc. Often a local “qualifying” producer is required to access certain subsidies or to act as the local co-producer under treaties. In those cases, it is even more important that quality personnel are available. As we write this, the province of Manitoba in Canada currently offers significant production incentives that are very difficult to access due to the lack of qualified producers and crews in the area. The same is currently true of the state of New Mexico in the US, where anecdotal information suggests that the wait for qualified crews there is now more than 12 months.

“Producer Greg Hoffman was able to fill two sound stages (in Romania) with tunnels so intricate that even the ‘Catacombs’ construction crew – a few dozen carpenters eager to work for \$20 a day – would get lost in them.” (*Los Angeles Times*, October 2, 2005)

“As a producer, (Serenity’s David) Lester says he is tired of hearing that Los Angeles crafts people are ‘too expensive.’ They cost more than in other parts of the world, he says, because they know how to do things better and faster.” (*Los Angeles Times*, October 9, 2005)

Importantly, film and tourism agencies that promote a community or facilitate production are not, themselves, producers and should not be drawn into organizing production

activities. Producers will expect significant assistance from these agencies up to and sometimes including acting as an advocate for the project with local authorities. These agencies will need to learn where to draw the line between facilitating production generally and taking on responsibilities for the individual production.

“India has no plan to establish a central film commission. Thomas Nickel, head of the Arri Film and TV Services office in Mumbai says foreign producers would be wise to seek out the help of facilitator companies such as OTR Productions or India Take One productions to get the film made efficiently. Those companies will help hire local crews, familiar with Western production practices, jargon, and help avert dangers that any naïve Westerner arriving in India might fall prey to.” (*Screen International*, October 28, 2005)

RISK

The noted risk factors – weather, political, currency, crime and labor – are only a few of the potential risks that a production can face. Some, like political and labor risks, may be within the control of local government or production communities; others, like the weather, are not. Since a risk-cost equation will impact the producer’s ability to find financing, bond the production and attract talent to the location, the external perception of these risks and of the community also is important. Communities must be self-aware of local risk factors and prepared to discuss them with producers and to work to control or mitigate the factors where possible.

“Oliver Stone’s ‘Alexander’ faced such a dilemma as did Baz Luhrmann’s ‘Alexander the Great’ project after suicide bombings killed 41 people in Morocco last year. Luhrmann moved the production to his native Australia, while Stone’s cameras continued lensing across the Moroccan landscape.” (*Variety*, April 12, 2004)

One of the reasons that Southern California became the focus of US production is that the sun shines reliably most of the year. If that is not the case in a community, they might consider promoting the availability of local soundstages rather than outdoor shoots. Most countries enjoy relatively stable political systems, but some with a recent history of unrest may make border entry difficult for some and impos-

sible for others. Some countries will not allow productions with certain subject matter to be shot within their borders.

Kidnappings, theft and extortion are all common dangers in producing in some areas, and if attracting producers is a priority, local authorities need to determine a way to protect them from these problems. Labor disputes are constant threats to production, and many projects have been shut down or seen their costs drastically increase because of actions by government or organized labor in response to such disputes. One bad incident can produce a reputation that will drive producers away and local officials should be active in education and reconciliation in the case of such controversies.

“As for security, you really have to keep a tight watch on the equipment. Healthcare can also be a major issue, so we advise clients to bring along a nurse, especially if they are getting away from population centres.” (Chris Palmer, director of risk security at entertainment insurance broker Aon/Albert G. Ruben, *Screen International*, October 28, 2005)

“AQTIS interim proxy Celine Daignault said IATSE told distributor 20th Century Fox and the producers that ‘there would be labor unrest if they came to Quebec with an AQTIS contract.’” (“Dispute Jousts Jumper – AQTIS, IATSE argue over Liman Pic,” *Variety*, March 7, 2006)

“Labor Unrest” – these two words strike fear into the hearts of producers. Labor risk can stem from many factors and can be inflamed by strong unions, weak unions, and even a lack of unions. They can be industry specific (such as writers and actors guilds) or unrelated to production (transportation, sanitation, etc.). The impact of a work stoppage or inability to move goods and people in a timely way is measured in budget over-runs and inability to complete a film in time to meet contractual requirements. A community’s ability to guarantee a smooth relationship with local labor representatives can be crucial to attracting production.

MARKETING AND LOGISTICS – MAKING IT HAPPEN

The most beautiful locations, the best crews and the best tax incentives will not attract production if producers do not know they are available. The section on “Marketing and Logistics” makes suggestions for getting the word out and working with producers to make sure that their experience in your Community is the best it can be. As previously mentioned, there is significant competition for production; community investment in attending events such as Locations Trade Show and the American Film Market, staffing offices and training staff, lobbying governments, and in making producers feel welcome are necessary to compete effectively.

ORGANIZATION

One of the first steps in the process for local governments is usually to establish a “Film Commission” as the producer’s first or principal point of contact. Today, the reference to film may be anachronistic since these entities deal also with television and commercial productions. In fact, television and commercial production may well be the major drivers of the local production sector in many communities.

A Film Commission may take various forms. In some locations, it is a single person office headed by a Commissioner or Executive Director drawn from within the local government, possibly the tourism authority. More active communities have created full governmental or quasi governmental

commissions and staffs, specifically selected for production related experience. It is important to establish the responsibilities and expectations for the organization, which may be limited to granting permits for local filming or extend to an express mandate for economic development with a substantial budget allocated for that purpose.

MARKETING

Film Commissions and the communities they serve may use every conceivable method to get the word out to producers. They make the most of the Internet, creating web sites that showcase locations and provide listings of local talent and crews. Direct mailings and print advertising in publications aimed at producers (like *Locations Magazine*, *Variety*, *Hollywood Reporter*, etc.) are also used. Location events such as the Association of Film Commissioners International's (AFCI) annual Locations Trade Show are important opportunities for communities to get the word out to producers as are events such as the American Film Market in Santa Monica in November, Sundance and similar festivals, the television markets NATPE, and MIPCOM and MIPTV in France.

“The entire world is at our fingertips,” says Bill Bowling, location manager on such films as “Red Dragon” and “The Insider.” “I can find information fast, get suggestions and follow leads. To be able to quickly explore details of any place on earth is amazing.” (“Cyber-Scouting Opens Screen Doors,” *Variety*, April 11, 2004)

Obviously, some of the best marketing for a community are the films and TV programs produced there and word of mouth from producers who have had good experiences.

RESOURCES

Producers expect communities to make their experience easier rather than more difficult. This seems self-evident; however, it is often not the case. Sometimes, producers have unrealistic expectations of the community, but there may also be conflicting priorities in a community. At the very least, a community should facilitate any permitting and access issues, providing rapid and clear guidelines for producers as to what is and is not allowed. Ideally, they should be represented on

set to resolve any problems a producer may have and should be prepared to help producers through the process of accessing subsidies or other incentives and to act as a fair arbiter or negotiator for local services.

One important factor in being able to offer these services is the expertise of Commission personnel and their relationships with the service providers and other government entities in the community. Developing good relationships with service providers such as hotels and catering services, as well as local health and safety personnel, labor unions and transit authorities, is crucial to providing services to producers.

Of course, allocation of resources will reflect both the community's commitment to attracting production and the potential benefits that can be derived from that activity. It should be noted that resources may be provided for the commission or agency through direct budgeting in the case of a government department, by government payments to a private or quasi-governmental agency to compensate for services performed in the public interest, or by allowing the Film Commission to generate revenues on a fee-for-service basis (e.g., charging producers a modest fee for issuing a permit or providing related services).

GOVERNMENT

It might seem self-evident that a government that wants to attract producers will not drive them away. However, jurisdictions repeatedly “give with one hand” and “take with another,” often failing to realize the complex array of regulatory and logistical issues that impact on the production process. For example, a state may enact an attractive subsidy program but leave in place time-consuming or exclusionary import licensing requirements affecting production crew or equipment.

“We will do everything we can to support and promote film production and make it easier to film in L.A.” (Los Angeles Mayor Antonio Villaraigosa, “Film Permit Group Gets a Remake,” *Los Angeles Times*, December 9, 2005)

Governments change and priorities change. No one can expect complete continuity in policies regarding employment, taxation or culture, but it is important for the authorities to effectively communicate these policies to producers

and to give confidence that any changes will not have an adverse impact on their ability to produce. Recently, Germany, the United Kingdom and Canada have made major changes in their tax subsidy policies, all to the detriment of certain categories of producers. Some producers have seen projects cancelled entirely due to these changes, while others have located elsewhere to wait out the regulatory process. They will be wary of basing future productions in those areas.

“There has been progressive debureaucratisation in all spheres,” explains Vishvajit Sahay, director (films) at the Ministry of Information & Broadcasting in India. “Government sees foreign film production as a major investment opportunity and the ministry is looking at ways to work more closely with other concerned ministries to facilitate even speedier clearances for foreign projects.” (*Screen International*, October 28, 2005)

On the other hand, many of the changes have favored local producers and could mean an increase in employment for those areas and a better return for taxpayer money. The same rules apply, however: the new regime must be adequately communicated to the production industry and the provisions and funding must be sufficiently certain to allow producers to plan financing and budgeting around the new benefits.

INTERNATIONAL CONSIDERATIONS

Whereas most of the suggestions are applicable to production anywhere in the world, trans-national production is subject to special considerations. Often, factors beyond a community’s control will have a significant impact on the ability to attract outside production.

Exchange rate fluctuations can make shooting in a country very expensive or relatively cheap. A few years ago, the relative weakness of the Canadian Dollar made Canada a very attractive production location. These days, with the Canadian Dollar much stronger, that exchange rate incentive has essentially disappeared. In 2004, production in Vancouver had dropped to its lowest level in six years. However, increased provincial subsidies and other incentives have resulted in studios there being fully booked for the foreseeable future.

Many countries place a significant premium on the cultural content of production – variously defined to reflect local story line or to involve employment of local talent or crews – particularly if that production is assisted by the government. The content requirements may offset the financial benefits of any local subsidies or tax incentives that are offered and will affect which types of productions are attracted to the area.

“Marrakech is doing much to woo the international movie community through its annual film festival.” (*The Hollywood Reporter*, November 1, 2005)

Security concerns, whether real or imaginary, can have a serious impact on decisions to produce in a country. Whatever the producer’s personal attitudes, financial institutions and bonding companies, insurance companies binding coverage on principal talent and others with a stake in the production may all veto a location that seems risky. For example, concerns over Islamic terrorism have affected production in Morocco, one of the world’s safest countries. Similarly, reported crime in some countries may be limited to one major city, with outlying communities completely unaffected, but result in the location being shunned by producers nonetheless.

Producers may also be affected by a country’s specific political and cultural sensitivities. No country likes to be looked at as ripe for exploitation and few producers wish to attract negative publicity to their films. Promoting inexpensive and flexible labor might be very positive – promoting the fact that people in a country are desperate to work for low pay and will tolerate poor conditions is not.

Governments that actively interfere with the content of a production will have a difficult time attracting producers. Some productions (in subject matter or in the on or off screen conduct of talent and crew) will directly or indirectly violate local customs or sensibilities, and it is important that this is minimized or, at the very least, that producers are made aware of potential difficulties.

TIME HORIZONS AND COSTS

For the community, being realistic about goals and time horizons is important. If you are developing indigenous production, it might be many years before a satisfactory result is

achieved. If you want to quickly attract producers with huge subsidies, your time horizon might be shorter (assuming the region has sufficient physical infrastructure to allow production). When spending tax-payers' money, there are inevitably critics who believe they could have spent the funds more effectively. Managing community expectations is crucial.

PRODUCER EXPECTATIONS

Managing producers' expectations is equally important. The goal is not only to have producers return to the community, but for them to spread the word in the greater production industry.

Above all, producers expect that promises will be kept and that they will enjoy a safe, efficient and predictable production experience. Given the inevitable problems associated with production itself, that is a lot to ask. Local communities that can deliver these elements can expect producers to return. Managing producer expectations is part of the job of the local authorities. You can't promise clear skies (or maybe you can), but if you have promised that a street will be blocked, local authorities will be cooperative or labor problems will not occur, you need to be able to deliver on those promises.

This is because even the most expensive productions are budgeted down to the last dollar, Euro or yen. Each day is allocated a certain amount of money based on the needs of the script, and the fact is that most of the money for a production has already been allocated to rights, script, producer, director and cast (what are called the above-the-line expenses). The day-to-day costs are "below-the-line", and that is where budgets are broken. An hour delay in safety inspections or not having the promised rooms or rental cars available can easily waste a day or more of filming, costing a production dearly. Those are the things producers will remember long after the shoot is over.

"The thing I love about making movies in places where it's not so common is the fact that everyone really bends over backwards to help get your film made." (Producer Randall Emmett, *Variety*, September 7, 2005)

"The country itself embraces film," said Sam Layani, the owner of one of Morocco's biggest production companies. "They do what it takes to get it done." ("Down, Dirty in Morocco," *Los Angeles Times*, October 16, 2005)

NOW WHAT?

You have decided you want to attract production and decided how you are going to go about putting a plan in place to do just that. What now?

First, build alliances within your own community. Local businesses, civic leaders, labor organizations, economic development organizations, and educational institutions all may play a role in creating the environment that is needed. It is important that these groups become involved both in developing the rationale for building production and in marketing and supporting the effort.

Then, extend this outreach beyond the community. Production is a relationship driven business and there are national and international groups with a common interest and much learning to share. Organizations like the Independent Film and Television Alliance (www.ifta-online.org) and the Association of Film Commissions International (www.afci.org) are there to help.

Do you have a local film school? Are there any famous directors or stars from your area? Ask them why they are or are not producing there. Do you think you already have the best programs in place? Ask yourself what you could do to attract the productions that got away. Have you had some bad experiences with production in your community? Maybe the process will allow you to make those better in the future.

How do you convince your local government to provide the necessary resources? Clearly, the easiest way would be to show them the financial benefits productions can bring. Economic impact is difficult to measure and there is no single standard.

"Some (communities) multiply the base amount (of production spending) and multiply that by a predetermined number, some include the entire budget of the project, some include how much money the crew spent at area

restaurants and hotels during their stay and some don't practice any of those techniques." (*The Hollywood Reporter*, April 16, 2006)

That mysterious predetermined number is called an "economic multiplier" and is a commonly used technique to demonstrate the economic impact on the community of spending. It is based on the idea that the money paid for a service or good will circulate within the community in the form of salaries, profits, taxes, purchases and improvements, resulting in an overall increase in community wealth that is many times the amount spent by the production.

"If film commissions are to make a case for legislation designed to attract filmmakers, or for the very funding required to keep their offices operational, it is the numbers that will convince lawmakers of the economic benefits to the state." (*The Hollywood Reporter*, April 16, 2006)

For other communities, the goals may be cultural or job development. If so, it will be important to identify advocates from within the job training, education, and arts or culture fields who will document the roles that film and production-related skills play in meeting these goals.

How can you find out about films being produced in the future that might choose your community? The industry trade magazines including *Variety*, *The Hollywood Reporter*, and *Screen International* publish news of upcoming productions as well as production charts listing upcoming film and TV shoots. Forming relationships with producers, studios, talent agencies and even sales agents can result in early information that can put your community in the running.

Finally, we want you to provide producers with the best possible experience in your community. We hope that this document will assist you in doing so.

APPENDIX – RESOURCES

TRADE ASSOCIATIONS AND RELATED NON-PROFITS

Independent Film & Television Alliance (IFTA) and American Film Market (AFM)

www.ifta-online.org

Canadian Film & Television Producers Association (CFTPA)

www.museum.tv/archives/etv/C/htmlC/canadianfilm/canadianfilm.htm

Motion Picture Association of America (M.P.A.A.)

www.mpa.org

Association of Film Commissions International (A.F.C.I.) and Locations Trade Show

www.afci.org

Film Independent (FIND)

www.filmindependent.org

Independent Feature Project (IFP)

www.ifp.org

International Federation of Producers Associations (FIAPF)

www.fiapf.org

FILM COMMISSIONS AND GOVERNMENTAL ORGANIZATIONS

Australian Film Commission

www.afc.gov.au

California Film Commission

www.film.ca.gov

FilmLA, Inc. (formerly the EIDC)

www.filmla.com

Korean Film Council (KOFIC)

www.koreanfilm.or.kr

New Zealand Film Commission

www.nzfilm.co.nz

The Producers Alliance for Cinema & Television (PACT)

www.pact.co.uk

UK Film Council

www.ukfilmcouncil.org.uk

European Media Programme

http://europa.eu.int/comm/avpolicy/media/index_en.html

PUBLICATIONS – PERIODICAL

Le Film Francais

<http://www.lefilmfrancais.com>

The Hollywood Reporter

www.hollywoodreporter.com

Locations Magazine (published by AFCI)

<http://www.afci.org/publications/index.htm>

Screen International

www.screendaily.com

Variety

www.variety.com

PUBLICATIONS – BOOKS

Farber, Donald C., Baumgarten, Paul A., and Fleischer, Mark (2004). *Producing, Financing, and Distributing Film: A comprehensive legal and business guide (2nd edition)*. U.S.A.: Amadeus Press/Limelight Editions.

Patz, Deborah (2002). *Film Production Management 101: The ultimate guide for film and television production management and coordination*. U.S.A.: Michael Wiese Productions.

Squire, Jason (2004). *The Movie Business Book (3rd edition)*. U.S.A.: Simon & Schuster.

Vogel, Harold (2004). *Entertainment Industry Economics: A guide for financial analysis (6th edition)*. U.K.: Cambridge University Press.

ON-LINE SOURCES

The Internet Movie Database – www.IMDb.com and www.IMDbpro.com (subscription) – The most popular site for information regarding film credits and production information.

Studio Systems, Inc. – www.studiosystem.com – A subscription service that provides additional information regarding upcoming productions.

Shooting on Location – www.shootingonlocation.com – A comprehensive overview of potential locations and production contacts worldwide (free registration required).

Los Angeles Times, “Down-Home Directing” and interactive “Runaway Production Map” (Oct. 9, 2005) – www.latimes.com/runaway – Story about US productions choosing to leave California for other locations and related data on state and local incentives.

Production Weekly – www.productionweekly.com – A subscription service providing weekly reports on current production and locations.

FILM FESTIVALS AND MARKETS

American Film Market (AFM), Santa Monica, CA – annually in November

AFI FEST, Hollywood, CA – annually in November

Berlin Film Festival and European Film Market, Berlin, Germany – annually in February

Cannes Film Festival and Market, Cannes, France – annually in May

Hong Kong Film Market, Hong Kong – annually in March

LA Film Festival, Westwood, CA – annually in June

Locations Trade Show, Santa Monica, CA – annually in April

MIPTV/MIPCOM, Cannes, France – Television markets held annually in October and March-April, respectively

NATPE, Las Vegas, NV – Television market – annually in January

Sundance Film Festival, Park City, Utah – annually in January

Toronto Film Festival, Toronto, Canada – annually in September

Venice Film Festival, Venice, Italy – annually in August

Additional information regarding film festivals may be found at www.filmfestivals.com and at www.fiapf.org and in the comprehensive listings of industry events published each year by Screen International (see www.screendaily.com).



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