

**A Comparison of the Production Costs of Feature Films
Shot in Ten Locations Around the World**

A Report for the Office of the British Film Commissioner

September 2008

© UK Film Council. All rights reserved

Olsberg | SPI

4 Junction Mews
London W2 1PN
T: 020 7402 1300
F: 020 7402 6111
info@o-spi.com
www.o-spi.com

Table of Contents

Key Points	3
1. Executive Summary	6
2. Nature of the Assignment	13
2.1 The Brief.....	13
2.2 History of the Assignment.....	13
2.3 Methodology.....	13
2.4 Calculation of the Incentives.....	17
2.5 The Process.....	17
3. Department by Department Analysis	19
3.1 General Comments.....	19
3.2 Department Analyses.....	20
4. Fiscal Incentives	37
4.1 Connecticut.....	37
4.2 Canada.....	38
4.3 Australia.....	40
4.4 South Africa.....	42
4.5 Germany.....	43
4.6 Hungary.....	44
4.7 Ireland.....	45
4.8 UK.....	46
4.9 Fiscal Incentive Comparison Chart	47
5. Territory by Territory Analysis	49
5.1 Los Angeles.....	49
5.2 Connecticut.....	49
5.3 Canada.....	49
5.4 Australia.....	50
5.5 South Africa.....	50
5.6 Germany	51
5.7 Hungary	52
5.8 Czech Republic	52
5.9 Ireland.....	53
5.10 UK.....	53
Appendix – Guide	54
Appendix 1 – Comparative Top Sheets	55
Appendix 2 – Notes on Section 2	62
Appendix 3 – Notes on Section 3	72
Appendix 4 – Incentives Key Features Summary	75
Appendix 5 – The Consultants	88
Appendix 6 – Consultation List	89

Key Points

About this Study:

- The Study described in this report demonstrates that, despite perceptions to the contrary, the UK is in an extremely **competitive position** for attracting international film production.
- In this Study the cost of filming two hypothetical US major-originated feature films (budgeted at **approximately \$100m** and **\$20m**) has been compared in ten territories, ranging from established centres of production such as Los Angeles, London, Vancouver and Sydney to low cost countries such as the Czech Republic and South Africa.
- The hypothetical high budget film is a futuristic thriller. The hypothetical mid budget film is a contemporary thriller that could be shot equally well in each of the territories.
- This Study is based on **the comparison of twenty full-scale budgets** which have been established with the collaboration of, and verified by, a number of line producers local to the territories considered. It therefore takes into account local skills levels (and the varying needs in each territory to import crew) and 'hidden' costs in each of the territories (such as particular work practices and local service charges).
- This Study assumes that shooting takes place in a single territory. This is a simplifying assumption which allows us to compare 'like for like' in each territory. It is more probable that, in the 'real' world, films of this scale would involve multi-territory shooting.
- The Study, naturally, is based on a number of assumptions, which are detailed in this document. The costs obtained are also the result of the budgeting approach taken. For example, our budgeting philosophy has been to maximise local physical and crew resources. Results might differ slightly if a different set of assumptions were made or if a different approach had been taken.
- The principal period of research for the Study was the last quarter of 2007 and the first quarter of 2008. The exchange rates used are the average for the first quarter of 2008. Different rates would give a different answer. In fact, since this time, the pound has weakened against the dollar, making the UK more financially attractive.

Key Findings:

- **Before** the application of incentives, the UK offers some savings both in the high and the mid budget case.
- In the high budget, on a purely cash cost basis, the most expensive territories, Los Angeles and Connecticut, are 13% and 16% more costly than the UK. The least expensive territories, Hungary and Czech Republic, are 17% and 16% less expensive.
- In the mid budget, on a purely cash cost basis, Los Angeles, Connecticut and Canada are 3%, 15% and 5% more costly than the UK. Hungary and Czech Republic are 20% and 19% less expensive.
- **After** the application of fiscal incentives in the eight territories that offer them, the competitiveness of the UK is dramatically increased. **The UK Tax Credit is one of the most generous incentives in the world.**
- In the high budget, after the application of the incentives, Los Angeles is 33% more expensive than the UK. Only Hungary and Czech Republic are less expensive than the UK, by 8% and 1% respectively.
- In the mid budget, after the application of the incentives, Los Angeles is 29% more expensive than the UK. Only Hungary is less expensive – this time by 9%.
- These findings dispel a commonly held perception, both in the US and the UK itself, that the UK is an expensive country in which to film.
- There are some areas in which the UK is comparatively expensive, such as set construction and studio rental. Nevertheless, the overall costs of filming in the UK, when fiscal incentives are taken into account, are competitive with both established production centres and low cost countries.
- Not only is the UK extremely competitive in financial terms, the **overall quality** of the UK's offer is extremely strong.
- The UK offers:
 - International-level acting and creative talent;
 - First class technical and crew talent with flexible work practices;
 - Substantial infrastructure;
 - Unique locations;
 - Logistical support and services from public bodies such as UK Film Council and the network of National and Regional Screen Agencies throughout the UK.
- Taken together, the **qualitative advantages** of the UK, along with its **financial competitiveness**, including its generous **fiscal incentives**, means that the UK is an **extremely attractive proposition for international film production**

Please Note

This report has been prepared for the Office of the British Film Commissioner. The report is the result of several months work from September 07 to August 08. The results of this report have been verified, and the Office of the British Film Commissioner is confident in the overall key findings.

This report has been written primarily for the Office of the British Film Commissioner's own intelligence.

A prior draft of this report was circulated to selected US majors in June 2008.

1. Executive Summary

The Challenge

- 1.1 The UK is a popular and established location for international film production. It has top level writers and directors. It has first class acting talent, many of whom are Hollywood stars. It has technical and crew talent that are second to none. It has great stories and fascinating places in which to capture them. It is unique in being an accepted non-US setting for a range of Hollywood films.
- 1.2 However, “the UK is expensive”. This is almost universally stated as truth. Many in the UK film sector take it for granted. It is also a 'given' among those who decide where to locate film production – the Heads of Production of the Hollywood studios and their staff. The UK is expensive in itself and this expense has been aggravated by a disadvantageous exchange rate.
- 1.3 This report, commissioned by the Office of the British Film Commissioner, questions this widely held assumption, on the basis of a detailed comparison of the costs of production in the UK with the costs of production in nine other popular locations. This work is an update of work conducted four years ago, and not published at that time, for a smaller number of locations. The locations examined here are Los Angeles (US), Connecticut (US), Vancouver (Canada), Sydney (Australia), Cape Town (South Africa), Berlin (Germany), Budapest (Hungary), Prague (Czech Republic), Dublin (Ireland) and London (UK). This comparison is shown for two scales of film – budgeted in the range of approximately \$100m and \$20m – on a cash basis and as adjusted for the fiscal incentives obtainable in eight of the ten locations. The report concludes that, for the hypothetical films budgeted for this purpose, and as adjusted for fiscal incentives, the UK is one of the cheapest locations.

Our Results

- 1.4 The table below shows the cash budgets (\$m) of our hypothetical mid budget film in the 10 locations, and the percent difference from the UK budget. These budgets are, of course, based on numerous assumptions, which are detailed in Section 2

Mid Budget Cash

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$22.2	\$24.7	\$22.6	\$21.7	\$18.9	\$22.1	\$17.2	\$17.4	\$20.7	\$21.5
% cf UK	3%	15%	5%	1%	-12%	3%	-20%	-19%	-4%	0%

- 1.5 The two Eastern European locations are substantially cheaper than the UK, by approximately 20%. South Africa is also cheaper, though by much less than Eastern

Europe. Connecticut is 15% more expensive. Other than that, the budgets are in a fairly close band.

- 1.6 The table below shows the same budgets (\$m) once the impact of the various fiscal incentives are factored in. Note that these incentives exist in all locations except Los Angeles and the Czech Republic.

Mid Budget with Incentives Applied

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$22.2	\$19.2	\$19.9	\$18.8	\$17.6	\$18.6	\$15.6	\$17.4	\$18.3	\$17.2
% cf UK	29%	12%	16%	9%	2%	8%	-9%	1%	7%	0%

- 1.7 Note that after the impact of fiscal incentives is taken into account, only Hungary is substantially cheaper than the UK. All other countries are either approximately the same cost as the UK or more expensive – in the case of Los Angeles, substantially more expensive.

- 1.8 Here is the same analysis for the high budget case. Below are the cash budgets (\$m):

High Budget Cash

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$117	\$121	\$105	\$99	\$90	\$108	\$87	\$87	\$104	\$104
% cf UK	13%	16%	1%	-4%	-14%	4%	-17%	-16%	0%	0%

- 1.9 Again, the Eastern European countries are substantially cheaper, with South Africa rather less so. Again, the US is more expensive, with the other countries in a fairly narrow band around the UK.

- 1.10 These are the budgets adjusted for the impact of the incentives (\$m)

High Budget with Incentives Applied

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$117	\$95	\$93	\$89	\$89	\$94	\$82	\$87	\$94	\$88
% cf UK	33%	8%	5%	0%	0%	6%	-8%	-1%	7%	0%

- 1.11 As with our mid budget example, only Hungary is materially cheaper than the UK once the effect of incentives is taken into account. Again, Los Angeles is substantially more expensive.

- 1.12 This report contains a detailed analysis of the reasons for these cost disparities. The remainder of this Executive Summary reviews the factors that determine location decisions and suggests reasons why the UK's cost structure differs from the commonly held assumption.

How the Location Decision is Made

- 1.13 In most cases, the script of a film dictates the first choice of its production location, generally its setting, and the obvious substitute locations. The other principal factors are the cost, the preferences of any talent with sufficient power to influence location, and the comfort of studio executives in allowing the production to travel a distance from Los Angeles.
- 1.14 Where there is not a compelling preferred choice, and the other factors listed above permit it, the decision becomes one of cost, as adjusted for the benefit received from any fiscal incentives offered by national and regional government bodies.
- 1.15 Over the last decade, the use of fiscal incentives to attract film production has increased dramatically. Governments have accepted the economic benefits of paying \$.20 to attract production spend of \$.80, for example. In particular, over the last three years, many US states have introduced attractive financial incentives. Incentives have grown ever more important to the location decision. Incentives directly reduce the costs of going to a particular location, but they also have the 'psychological' effect of welcoming production and therefore putting a location 'on the map'. Many financiers would not consider moving a production out of Los Angeles to a location without an incentive.
- 1.16 US majors compare the costs of production in different locations in a variety of ways. Sometimes, complete budgets are conducted. However, often only summary budgets are prepared. Sometimes, "baskets" of (presumed) representative crew rates are compared. Sometimes a budget is prepared by a local line producer, with a broad range of relationships and an understanding of how to extract the best value from the territory. Sometimes the line producer does not have this expertise and the analysis is conducted on the basis of information the studio possesses about previous productions. Sometimes, one person compares two territories; sometimes two different people prepare different budgets, with the (again presumed) expectation that they both have the same kind of film "in their heads".
- 1.17 We believe that it is likely that often this kind of analysis understates the competitive advantage of the UK compared to other locations. The reason for this is related to the key determinants of cost and the impressions of cost.

What Determines Overall Production Costs

- 1.18 Production costs are determined by the cost of items needed for production in the location – this is obvious – plus the cost of those items not available in required quantity/ quality, and therefore brought in from elsewhere – far less obvious. Then account must be taken of the different work practices and labour fringes which exist in different countries. Then all this is adjusted for the impact of incentives.
- 1.19 There are very few places in the world that are generally recognised to have all the skills, equipment and technologies required to produce major Hollywood films.

There are Los Angeles, New York, London and, arguably, Sydney in Australia and Toronto and Vancouver in Canada. In all other places, a certain amount of crew and technical expertise will need to be imported.

- 1.20 The costs of bringing in imported elements are substantial. They include the higher salaries of the imported elements, transportation costs, and accommodation and per diems. These costs can quickly diminish the cost advantage of a low-cost destination. Moreover, there are potential difficulties of understanding and work practices associated with imported crew working alongside local crew. Language difficulties can add another level of 'hidden costs'.

Why the UK is regarded as expensive

- 1.21 In general, the UK has a higher cost of living than the US. This is readily apparent to anyone travelling between the two countries who has bought a cup of coffee on Main Street and the High Street. Moreover, there are luxuries available in the UK that are extraordinarily expensive, and are not available in many other countries. Hotel costs are often quoted. There are hotels in London that cost not much more than the Hilton in Budapest. But there is also the Dorchester in London, which does not exist in Budapest. Top level talent who will accept the Hilton in Budapest will demand the Dorchester in London. Thus London becomes more expensive.
- 1.22 Prior to its recent strengthening, the dollar had weakened against most currencies, but the impact was felt particularly keenly with regard to the UK. In many ways, this is psychological, related to the perceptions about the cost of living, and also because sterling is denominated at a higher value¹.
- 1.23 Some elements of the production budget are more expensive in the UK, as is discussed in detail in Section 3. For example, construction and studio rentals are both comparatively expensive in the UK, and have become more expensive over the last four years. However, these individual cost disparities are counter-balanced by cost savings as discussed below.

Why the UK is not as expensive as it seems

- 1.24 Despite the issues above, in general, crew rates are not more expensive in the UK than the US. Moreover, UK shooting crews' work practices are among the most flexible in the world – certainly the most among the major countries – for example, the financial consequences of overtime are less onerous in the UK than in many other territories.

¹There is sometimes a 'subconscious' expectation on the part of production staff that items will cost the same 'units of currency' in the four key English speaking territories. So an item that costs \$1,000 in the US is expected to cost A \$1,000 in Australia, C\$1,000 in Canada and £1,000 in the UK. Thus, even before actual costs are checked, there is an immediate assumption that things cost twice as much in the UK, whereas there are, in fact, many items that cost \$1,000 in the US, and not much more than £500 in the UK.

- 1.25 The US has substantially higher fringes for crew than any other country examined in our study. A US crew member whose rate looks the same as a UK crew will end up costing a great deal more in the US.
- 1.26 The UK is second only to the US in having available everything and everyone one needs to make a film of the highest production value. Imports will be on the basis of director/ creative decisions rather than a lack of UK capability. Thus, the expense of bringing people and items into the UK can be avoided.
- 1.27 For those films which qualify under the cultural test, or as official UK co-productions, the UK's tax incentives are among the most generous in the world. They are the most generous of any location which possesses the required skills and facilities for major filmmaking, as described above. There are US states with more generous incentives, but the cost of bringing to the state the crew and equipment required substantially reduces the net benefit.

Potential concerns for the future

- 1.28 The importance of incentives in the location decision grows constantly. Over the last four years, incentives have been introduced in many new places and improved almost everywhere else. Like currency fluctuations, the introduction of new incentives by other countries is an element over which the UK has no control. If the Czech Republic, for example, were to introduce a fiscal incentive, it would substantially increase its competitiveness to the UK.
- 1.29 In particular, the blossoming of fiscal incentives from the US states has had a considerable impact. Though hard statistics are difficult to gather, production professionals state that the number and variety of states offering healthy incentives has reduced the number of films leaving the US and the number shooting in Los Angeles. It is an open question how many of these state governments will continue to believe that the economic benefits of production compensate for the incentives' cost. But of those states that continue with their incentive programmes, a small number will start to build up an infrastructure of skills and facilities. This will reduce the import penalty mentioned above.
- 1.30 The cultural test is still somewhat new in the UK, and the international production community is still learning its 'ins and outs' and how flexible it can be. The cultural test's ability to accommodate a variety of films is perhaps still not understood in some sectors.
- 1.31 As stated, the UK is more expensive in the area of construction and studio rentals. Furthermore, the UK is considered to have limited studio capacity in terms of available stages. This, combined with cultural test misperceptions may reduce the attraction of the UK for the classic 'fantasy/ science fiction' film with substantial build requirements, and without evident British content.
- 1.32 Although it is in the early stages, there is evidence of an interest in certain territories in a more 'green approach' to film production. British Columbia is, in particular,

beginning to seriously consider the environmental impact of filmmaking (e.g. non-recycled sets). Although the UK Film Council and Film London have recently been examining this issue², the UK seems to be (along with a number of other territories) rather behind in this regard. It may well be that, in the future, this becomes a more high profile issue in the selection of destinations, and it would be prudent for the UK to solidify its efforts in this direction.

Structure of This Document

1.33 Section 2 describes the Team's approach to the Assignment. Section 3 provides a department by department analysis of production costs across all ten territories. Section 4 provides an analysis of national and other incentives. Section 5 provides an analysis of the key elements of each territory's offer. Finally, the Appendix contains a number of relevant documents including the comparative top sheets and a list of the Team's collaborators.

Summary of Results

1.34 The following charts provide a summary of overall results for each of the territories. The tables compare overall:

- Cash budgets (before the application of incentives)
- Cash budgets (when it is presumed that all post takes place in Los Angeles)³
- Value of fiscal incentives where available
- Final budgets (with all post taking place in Los Angeles) and after the application of incentives

Mid Budget Summary

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
1 Cash Budget	\$22.2	\$24.7	\$22.6	\$21.7	\$18.9	\$22.1	\$17.2	\$17.4	\$20.7	\$21.5
% cf UK	3%	15%	5%	1%	-12%	3%	-20%	-19%	-4%	0%
2 Cash Budget/US Post	\$22.2	\$24.7	\$22.6	\$21.4	\$18.9	\$22.1	\$17.2	\$17.4	\$20.7	\$21.4
% cf UK	4%	16%	6%	0%	-12%	3%	-20%	-19%	-3%	0%
3 Value of Fiscal Incentive	0	\$5.5	\$2.7	\$2.6	\$1.3	\$3.5	\$1.6	\$0.0	\$2.4	\$4.2
% of Budget (Line 2)	0%	22.2%	11.9%	12.0%	6.9%	15.7%	9.1%	0%	11.6%	19.5%
4 Budget net of Incentive	\$22.2	\$19.2	\$19.9	\$18.8	\$17.6	\$18.6	\$15.6	\$17.4	\$18.3	\$17.2
% cf UK	29%	12%	16%	9%	2%	8%	-9%	1%	7%	0%

²See for example the recent report in September 2007 for UK Film Council on Developing an Environmental Strategy for UK Film. UK Film Council is also a partner of Film London in the Green Screen London initiative, which is working towards a package of practical support measures for film-makers for greener film-making.

³ With the cash budget we presume all production done in the designated place, and post in LA, except in the case of Canada, Australia and UK, where post is local. For the calculation of the incentives we presume that post for all countries (including Canada, Australia and the UK) done in the US. Please see Section 2.3.3 for more detail.

High Budget Summary

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
1 Cash Budget	\$117	\$121	\$105	\$99	\$90	\$108	\$87	\$87	\$104	\$104
% cf UK	13%	16%	1%	-4%	-14%	4%	-17%	-16%	0%	0%
2 Cash Budget/US Post	\$117	\$121	\$106	\$100	\$90	\$108	\$87	\$87	\$104	\$105
% cf UK	12%	15%	1%	-4%	-14%	4%	-17%	-17%	-1%	0%
3 Value of Fiscal Incentive	\$0	\$25	\$13	\$11	\$1	\$15	\$5	\$0	\$10	\$16
% of Budget (Line 2)	0%	20.9%	12.2%	11.3%	1.4%	13.5%	5.8%	0%	9.2%	15.5%
4 Budget net of Incentive	\$117	\$95	\$93	\$89	\$89	\$94	\$82	\$87	\$94	\$88
% cf UK	33%	8%	5%	0%	0%	6%	-8%	-1%	7%	0%

Notes

1. Cash Budget represents the total budget before fiscal incentives, with all production done in the designated place, and post in LA, except in the case of Canada, Australia and UK, where post is also local.
2. Cash Budget/US Post is as above, but with post for all countries (including Canada, Australia and the UK) done in the US. (VFX is done in Canada in case of Canada)
3. Fiscal incentives are calculated at the maximum possible value for visiting productions given the location of activity and are based on US post in all cases. They are also shown as a percentage of the cash budget with US post (as shown in line 2).
4. Incentives are subtracted from the budget shown in line 2 to give a net cost. Percentages are shown by comparison with the UK.

2. Nature of the Assignment

2.1 The Brief

Olsberg|SPI (“SPI”) was retained in August 2007 by the Office of the British Film Commissioner (“OBFC”) to analyse the production costs of two hypothetical feature films (one with a budget of approximately \$100m and the other with a budget of approximately \$20m) in ten different territories (the “Assignment”). The overall aim of the work is to determine the cost differential a Los Angeles originated film would expect when producing in each of the selected territories.

SPI's team of Richard Miller and Libbie McQuillan worked in collaboration with line producer Steve Clark-Hall, (SPI and Steve Clark-Hall are herein referred to as the “Team”), who budgeted these films in the ten selected territories. Steve Clark-Hall travelled to each of the territories and worked with high-calibre local line producers in order to establish the local costs for each of the films in each of the territories. A list of Steve's credits is contained in Appendix 5.

There are two distinct outputs from this work:

- Firstly, this current report analysing and contextualising overall results;
- Secondly, two interactive comparative models ('the Models') in Excel format, one for the high budget and one for the mid budget. These Models consist of the exact budgets for each of the territories as well as a number of worksheets comparing data from across the territories. These Models allow key assumptions to be changed which automatically flow through to the overall results.

2.2 History of the Assignment

This work is an update of work previously conducted by SPI for the UK Film Council International (now the Office of the British Film Commissioner). SPI conducted this work in 2003-4 in conjunction with line producer Nigel Goldsack. SPI's work in 2003-4 resulted in the production of a Model which compared the costs of the same hypothetical films in seven different territories and a report on the findings. In 2006, Nigel Goldsack worked directly with UK Film Council to update the Model, again in seven territories. This current version of the Assignment extends the work to include ten territories and includes a revised version of the Model and this current analytical report on the Team's findings.

2.3 Methodology

2.3.1 Budgets

For each of the two budget levels, the philosophy was to consider the cost differential for a Los Angeles originated production of moving to each of the other nine territories for production.

The High Budget Film

The hypothetical high budget film is a futuristic thriller with above the line costs of approximately \$35m. No script was selected, nor were breakdowns of schedules created, though construction plans were drawn.

The Mid Budget Film

The hypothetical mid budget film is assumed to be a contemporary urban thriller that could be shot equally well in each of the selected territories with above the line costs of approximately \$5m. Again, this was not budgeted on the basis of a script or schedule breakdown, but construction plans were created.

2.3.2 Production Locations

This current version of the Assignment has costed the two films in the following ten territories:

1. Los Angeles (US)
2. Connecticut (US)
3. Vancouver (Canada)
4. Sydney (Australia)
5. Cape Town (South Africa)
6. Berlin (Germany)
7. Budapest (Hungary)
8. Prague (Czech Republic)
9. Dublin (Ireland)
10. London (UK)

The decision to consider ten territories, including territories previously not examined is, of course, driven by the changing landscape for international production – especially with regard to fiscal incentives.⁴ In particular, recent changes have seen the introduction of a number of state incentives across the US and a number of new and revised schemes elsewhere. The UK itself has changed the nature of its own incentive since the last version of the work with the introduction of the new UK tax credit in April 2007. The new territories of South Africa, Connecticut, Germany and Hungary were chosen to reflect these recent changes. Since the decision about destinations was made – in mid 2007 – the fiscal incentive landscape has continued to change with other US states introducing or improving their incentives. All locations except Los Angeles and Czech Republic have an incentive which was incorporated into the calculations.

Whereas, in actuality, many films are the result of multi-territory shoots – especially at the scale of our high budget film – in order to be able to consistently compare total costs, it has been assumed that all principal photography takes place only in the territory under consideration. This is a simplifying assumption which has been made as a necessity in order to compare 'like for like' in each country.

Certain of our destinations do not have professional shooting stages. However, we have maintained the simplification that all production takes place in the location under examination, even when, in practice, the production might move to a different location with studios. Thus, where production studios do not exist in a particular destination, we have calculated the cost of making available a 'warehouse-type' space.

⁴Previous versions of the Assignment costed the two hypothetical films in seven territories: Los Angeles (US), Toronto (Canada), Sydney (Australia), Prague (Czech Republic) Bucharest (Romania), Dublin (Ireland) and London (UK)

2.3.3 Post-Production Location

The primary emphasis of the Assignment was on principal photography and these costs were the focus of the work. However, in order to obtain total costs, post-production was also considered.

Calculating the costs of and selecting a location for post-production are complex areas which we have approached in two different ways:

- Firstly, in order to calculate overall cash costs, we identified three territories in addition to the US (UK, Australia and Canada) capable of the post-production work required by the hypothetical films. We have presumed, for the calculation of overall cash costs, that post for these three countries takes place in the relevant country. For all other territories, post is assumed to take place in Los Angeles. The cash costs shown in this report are therefore calculated on this basis.
- Secondly, in order to calculate the value of the incentives, and again to ensure that we are comparing like with like, we have made the simplifying assumption that *all* post, across all territories, takes place in Los Angeles. There is only one exception which is concerning visual effects (VFX) in Vancouver. Because of Vancouver's proximity to Los Angeles, and the availability of its DAVE VFX incentive, it would be very unrealistic to assume Vancouver was not used for VFX.

Though this two-fold approach is somewhat complex, it enabled the Team to capture the 'real world' costs of post in the territories capable of post-work of this scale, while comparing the costs net of incentives on a 'like for like' basis. In actual fact, the costs of post production, according to our calculations, do not vary a great deal between the territories. The principal impact of the location of post-production was not its cash cost but whether or not a fiscal incentive was applied. Most US majors do prefer that post-production takes place in Los Angeles, thus the assumption that post-production takes place in Los Angeles for all countries is consistent, and prevents the numbers for any one territory being distorted by a post-production incentive which, in all probability, would not be claimed. It is not a comment on the UK or any other territory's 'real life' capabilities or costs in post-production.

2.3.4 Production Variables

A number of items are constant across each of the mid and high budgets, reflecting budget items either incurred in Los Angeles or not differing very much, if at all, between the territories. These elements include:

- Above the line costs (excluding a small allowance for travel outside Los Angeles);
- Technical advisory rates;
- Music composition (all associated costs);
- CGI allowance;
- Executive entertainment;
- Picture deal for legal fees;
- Producing company overheads;
- Exchange rate gain/loss;
- Bank standing charges;
- Production audit;
- Wrap party costs

In the case of the high budget, the total cost of these elements are \$44,750,000, and in the case of the mid budget, they are \$5,565,000 (approximately 45% and 28% of the total budgets respectively).

In addition, given the hypothetical nature of the films, in the absence of specific scripts and script breakdowns, a number of line items, which would in reality vary between budgets, have been held constant in all territories. This is because these elements could not be effectively and meaningfully costed due to a lack of a script. These include:

- Art department supplies and scenic artist materials;
- Set dressing items (outside rentals, purchases and fixtures);
- Prop department items (outside rentals, purchases and fixtures);
- Costume purchases and manufacture

The total cost of such elements are \$1,910,147 for the high budget and \$602,750 for the mid budget. (approximately 2% and 3% of the total budgets respectively. It is felt that this approximation does not materially affect the results of the Study. A breakdown of the details of the costs of all fixed elements are provided in Appendix 2.

All budgets are based on an eleven hour shooting day plus one hour lunch break. i.e. 07.30 – 19.30. Crew sizes are based on an average sized shooting crew employed on films of this nature (280 crew members for the high budget and 135 crew members for the mid budget). Full details of our critical assumptions regarding pre-production, the length of principal photography, wrap weeks, cast, extras and daily numbers are given in Appendix 2 of this report.

2.3.5 Exchange Rates

A key determinant of comparative cost is, of course, exchange rates. In particular, the US dollar was significantly weaker over the period of the analysis than in prior periods, or since then. The rates used in the Assignment have been sourced from the Bank of England and are the average spot exchange rate for the period January-March 2008.⁵ The rates used in this report are:

UK Sterling GBP £1	US \$1.9778
Australia Dollar AUS\$ 1	US \$0.9048
Canada Dollar CAN\$ 1	US \$0.9958
South Africa Rand SA RN 1	US \$0.1329
Euro €1	US \$1.4968
Czech Crowns CZK 1	US \$0.0586
Hungary Forint HUF 1	US \$0.0058

Appendix A2.6 contains an analysis of how the top level results of this work would change with current exchange rates. This shows that sterling has weakened, in relationship to the dollar, by a greater degree than the currencies of other countries reviewed in this analysis. Accordingly, assuming no other changes since the period of the analysis, the competitiveness of the UK has improved over the last six months.

⁵Work was published by the Office of the British Film Commissioner in May 2007 into the UK competitiveness and exchange rate movements. This work is publicly available on UK Film Council's website. This current report takes notes of those findings in the calculation of the effective exchange rates used in this report.

2.4 Calculation of the Incentives

Our methodology is to apply all incentives that can be relied upon – i.e. are automatic rather than selective – and do not demand recoupment, since US majors tend not to take advantage of recoupable incentives. In Australia, South Africa, Ireland, Germany, Hungary and the UK we have applied the national incentives. However, in none of these countries have we applied any discretionary regional incentives which may be available in certain territories such as Australia and Germany. These are often recoupable in any event. In the case of Connecticut we have applied the state incentive. In the case of Vancouver, Canada, we have applied the federal and British Columbia provincial incentives (the BC provincial incentives are assured and non-recoupable) and the DAVE post-production incentive. We have not applied the US federal incentive, the Section 181 benefit, since we have no evidence that it is being accessed reliably by US majors.

For the reasons explained in Section 2.3.3, for the purposes of calculating the incentives, we assume that all post work is done in Los Angeles with the exception of VFX in Vancouver for the Vancouver shoot. Any other post-specific incentives have not been applied to the budgets. The main features and elements of all available incentives have been summarised and analysed in Appendix 4 of this report.

A summary of the incentives used in calculating costs is contained in the chart in Section 4.9. The calculations themselves are shown in Appendices A2.4 and A2.5. These calculations were performed with a number of simplifying assumptions as shown in those appendices.

2.5 The Process

2.5.1 Collation of Information

In advance of Steve's trips to the destinations, he sent the local line producers both a description of the films and a quote sheet, so that he could start to compile information for his budgets. Then when Steve visited each country, he worked with the local line producers in person to obtain further information and clarify issues concerning each budget. He also met with local art directors and location managers, where appropriate, and visited local facilities. He then completed the budgets for each country. In the case of the UK, Steve was himself the local line producer.

These draft budgets were subsequently analysed and checked by Steve and SPI. They were also cross-checked against each other to attempt to ensure consistency of assumptions. Finally, when the Team were happy with the budgets, the budgets were then examined by external third parties, local or familiar with the territory in question and independent from the original line producer, in order to verify their accuracy.

In parallel with Steve's work, SPI embarked on an intensive period of desk research to update its understanding of the current environment for international film. In addition, SPI conducted a number of consultations with relevant individuals. In particular, Richard Miller of SPI travelled to Los Angeles in order to conduct a number of face-to-face consultations with US major executives, as well as accompanying Steve to Connecticut and Hungary. A complete list of the Team's collaborators (local line producers and consultees) can be found in the Consultation List in Appendix 6.

Once the budgets for each territory had been 'locked', the Team conducted a detailed department-by-department check of assumptions and calculations. The output from this process is the analysis contained in Section 3. This process also helped ensure data accuracy and consistency.

When all results were finalised, SPI performed the analysis of the financial impact of fiscal incentives. Finally, a synthesis was made of all results of the work to date, the results of which are contained in this report.

3. Department by Department Analysis

3.1 General Comments

3.1.1 Our Budgeting Approach

The Team's philosophy in approaching the budgets has been to maximise local resources. Where it was felt that the territory in question would be regarded as unable to provide crew of sufficiently high calibre in certain departments, and that common practice would be to bring in foreign crew, that was shown in the budgets. Naturally, the greater demands of the higher budget film would be expected to require more imported crew than the mid budget film, which would seek to make most use of local technical talent. In general we have assumed that in Europe (Germany, Ireland, Czech and Hungary) foreign crew would be imported from the UK and that in other territories (Canada, Australia and South Africa) foreign crew would be imported from Los Angeles. In the case of Connecticut, where, until recently, there has been no crew base, we have assumed that the entire crew is 'imported' from New York.

Appendix 3 provides a detailed summary of the exact grade, position and origin of crew imports that we have assumed on a territory by territory basis. Some productions may bring in more crew than we have shown as being required given the state of local skills. However, this would be due to the 'appetite' of the production – i.e. for creative or other discretionary reasons – rather than out of need. Maximising local resources has been our consistent approach and we feel that it accurately reflects the current level of resources and skill capabilities in each of the territories.

In examining the costs differences between the countries in this section we seek to draw out differences amongst the various countries' work methodologies. However, it must be remembered that budgeting is as much art as science. The preference and practices of different line producers and their financiers also naturally impact the cost differentials shown below. Since, in this case, one line producer created all the budgets using information gathered from territory experts, we believe that these subjective elements are, at least, applied consistently to each territory.

3.1.2 About the Results

The results in this Section are taken from the comparative results in the Model. The Model contains a worksheet providing a full comparative breakdown of costs on a department by department basis. It should be remembered that the results in this section are based on pure cash costs before the application of incentives to the overall final costs.

All figures in this section have been rounded to the nearest thousand dollars for ease of understanding. So, an actual cost of \$629,585 will appear here as \$630. Results are given by department, as per the budget top sheets shown in Appendix 1.

3.2 Department Analyses

B01 – Above-the-Line

The high budget is assumed to have above the line costs of \$35,000,000 in the US and \$35,200,000 away from the US. Similarly, the mid budget is assumed to have above the line costs of \$5,000,000 in the US and \$5,200,000 away from the US.

C01 – Supporting Cast

High Budget

CO1 - SUPPORTING CAST	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Residual Buyout for Local Cast	NA	NA	YES	YES	YES	YES	YES	YES	YES	YES
Total Cost	\$630	\$630	\$313	\$597	\$472	\$570	\$455	\$428	\$533	\$499
Total with Fringes	\$844	\$800	\$375	\$749	\$511	\$690	\$491	\$459	\$623	\$561
cf. UK Costs	\$283	\$239	-\$186	\$188	-\$50	\$129	-\$70	-\$102	\$62	\$0
% cf. UK Costs	50%	43%	-33%	34%	-9%	23%	-13%	-18%	11%	0%

Mid Budget

CO1 - SUPPORTING CAST	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Residual Buyout for Local Cast	NA	NA	YES	YES	YES	YES	YES	YES	YES	YES
Total Cost	\$363	\$381	\$278	\$437	\$241	\$314	\$236	\$202	\$362	\$311
Total with Fringes	\$472	\$495	\$333	\$548	\$245	\$376	\$241	\$202	\$401	\$369
cf. UK Costs	\$103	\$126	-\$36	\$179	-\$124	\$7	-\$128	-\$199	\$31	\$0
% cf. UK Costs	28%	34%	-10%	49%	-33%	2%	-35%	-54%	9%	0%

The supporting cast department is dominated by local labour costs and by residual buy-outs where applicable. Supporting cast world-wide buy-outs are the premiums, paid at the time of production, such that no additional payments are due when a film is exploited in ancillary media. These buy-outs have been calculated as a percentage of the basic fees. Buy-outs are available in eight of the ten territories – that is to say in every non-US territory considered.

Supporting cast is a somewhat discretionary area. In order to cost this department, the Team has made the following assumptions:

- All daily players are local;
- All weekly players are local for English-language countries (US, Canada, Australia, South Africa, Ireland, UK)
- In the case of non-English-language speaking countries (Czech Republic, Germany and Hungary) three English language players are imported in the case of the high budget and two English language players are imported in the case of the mid. In these countries imported cast is assumed to come from the UK.

In terms of cash costs, in the case of the high budget, Los Angeles, Connecticut and Australia are the most expensive territories and Canada and Czech Republic are the cheapest. In terms of cash costs, in the case of the mid budget, Los Angeles, Connecticut and Australia are the most expensive territories and Czech and Hungary are the cheapest.

Both the US and Australia have high fringes. The remaining countries have less onerous fringes. However, of the European countries, Germany is the most expensive, with fringes almost double that of the UK. This department is one example of the general case that, unlike other territories, there are very few ‘add-ons’ in the UK. For example, there are no fringes for heads of department and for actors’ fees (apart from national insurance). Many countries have ‘hidden’ costs that increase quoted ‘rates’.

The US is more expensive than the UK in this department even before the release of the film. It should be remembered that substantial future residual payments will also need to be paid in this department on release. In this sense, the UK represents a substantial saving in this department both in production and after release.

D01 – Production Dept

High Budget

DO1 - PRODUCTION	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$2,930	\$2,867	\$3,197	\$2,801	\$2,565	\$2,727	\$1,794	\$2,741	\$3,101	\$2,790
Total with Fringes	\$3,936	\$3,818	\$3,960	\$3,298	\$2,942	\$3,176	\$2,075	\$3,002	\$3,605	\$3,365
cf. UK Costs	\$571	\$453	\$595	-\$67	-\$423	-\$189	-\$1,290	-\$363	\$240	\$0
% cf. UK Costs	17%	13%	18%	-2%	-13%	-6%	-38%	-11%	7%	0%

Mid Budget

DO1 - PRODUCTION	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,184	\$1,291	\$859	\$1,170	\$755	\$1,167	\$758	\$758	\$1,103	\$1,041
Total with Fringes	\$1,561	\$1,672	\$1,096	\$1,425	\$895	\$1,358	\$826	\$823	\$1,268	\$1,252
cf. UK Costs	\$309	\$420	-\$156	\$173	-\$357	\$106	-\$426	-\$445	\$16	\$0
% cf. UK Costs	25%	34%	-12%	14%	-29%	8%	-34%	-36%	1%	0%

Again this is a department dominated by labour costs. In this respect, it is perhaps unsurprising that Los Angeles, Connecticut and Canada are the most expensive and Hungary, Czech and South Africa are the cheapest in the case of the high budget. In the mid budget case, Los Angeles, Connecticut and Australia are the most expensive with Czech, Hungary and South Africa again being the cheapest.

The total cost before the application of fringes in the US is roughly comparable to the UK. However, it is when fringes are added that this department becomes appreciably more expensive than the UK. Likewise fringes in Germany are noticeably higher than in other territories.

Canada's higher result for the production department in the high budget case is explained by the fact that Canada tends to hire more people with more unit assistants than elsewhere. This is in part, tradition and in part driven by the labour aspect of the incentive.

South Africa has a particularly strong tradition of commercials but less experience of long format shooting. In this respect South Africa enjoys a strong technical base but there exists gaps in the availability of higher calibre production management and HoDs.

In comparison with previous versions of this Assignment, it has been felt that the Czech Republic has evolved in terms of its depth of crew. Less imported staff are required than in prior years. With less need to 'double up' on staff than in the past, both Czech and Hungary offer appreciable savings in this department. However, 'hidden costs' still remain in these territories such as contracting with a local service production company.

It is also worth noting that in smaller countries or in countries with less developed infrastructure, such as South Africa, Hungary and Ireland the availability of high calibre crew can be an issue at busy periods for the territory. This would potentially raise the costs of this department in those territories.

E01 – Extras

High Budget

EO1 - EXTRAS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,184	\$1,341	\$1,799	\$1,089	\$467	\$1,018	\$310	\$281	\$948	\$1,131
Total with Fringes	\$1,597	\$1,766	\$2,140	\$1,177	\$486	\$1,257	\$316	\$281	\$1,126	\$1,387
cf. UK Costs	\$210	\$379	\$753	-\$210	-\$901	-\$340	-\$1,070	-\$1,106	-\$261	\$0
% cf. UK Costs	15%	27%	54%	-15%	-65%	-25%	-77%	-80%	-19%	0%

Mid Budget

EO1 - EXTRAS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$218	\$244	\$292	\$211	\$79	\$140	\$62	\$58	\$174	\$204
Total with Fringes	\$317	\$343	\$348	\$226	\$80	\$174	\$63	\$58	\$207	\$250
cf. UK Costs	\$67	\$93	\$98	-\$23	-\$169	-\$76	-\$187	-\$192	-\$43	\$0
% cf. UK Costs	27%	37%	39%	-9%	-68%	-30%	-75%	-77%	-17%	0%

Local labour costs are the only factor in this department. Again North America is the most expensive in both the high and mid budget cases. In particular, extra rates in Canada are high even with respect to the US. Czech Republic, Hungary and South Africa all offer significant savings both in the high and mid budgets in comparison with the UK. It is also interesting to note that Ireland represents a noticeable saving in respect to the UK.

Broadly speaking, 15 extras per day are assumed in the mid budgets, and 60 in the high budgets – all, naturally, local hires. A 9 hour day is assumed for extras with overtime due in many territories after 9 hours. If assumptions were changed to increase the use of extras, the lower cost countries would offer even more savings in this department.

F01 - Set Design**High Budget**

FO1 - SET DESIGN	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$2,054	\$1,980	\$1,558	\$1,632	\$1,430	\$1,601	\$1,124	\$1,276	\$2,079	\$1,652
Total with Fringes	\$2,687	\$2,606	\$2,037	\$2,014	\$1,531	\$1,838	\$1,294	\$1,438	\$2,402	\$2,005
cf. UK Costs	\$682	\$601	\$32	\$10	-\$474	-\$166	-\$711	-\$567	\$397	\$0
% cf. UK Costs	34%	30%	2%	0%	-24%	-8%	-35%	-28%	20%	0%

Mid Budget

FO1 - SET DESIGN	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$399	\$403	\$378	\$388	\$349	\$413	\$347	\$370	\$478	\$438
Total with Fringes	\$523	\$474	\$493	\$479	\$425	\$505	\$410	\$431	\$585	\$534
cf. UK Costs	-\$11	-\$60	-\$41	-\$55	-\$109	-\$29	-\$124	-\$103	\$51	\$0
% cf. UK Costs	-2%	-11%	-8%	-10%	-20%	-5%	-23%	-19%	10%	0%

Los Angeles and Connecticut are the most expensive in the high budget and Hungary, Czech Republic, South Africa and Germany are 35%, 28%, 24% and 8% less expensive than the UK respectively. In the mid budget all territories with the exception of Ireland are less expensive than the UK with Hungary, Czech and South Africa offering savings of 23%, 19% and 20% respectively.

Set design, props and set operations are three inter-related departments, the demarcations of which vary from territory to territory according to work practices. Therefore a saving in this department may represent a higher cost in another department.

G01 – Set Construction**High Budget**

GO1 - SET CNSTRCTN	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$8,811	\$9,322	\$5,222	\$6,234	\$5,306	\$7,934	\$3,228	\$2,843	\$5,503	\$8,259
Total with Fringes	\$10,719	\$11,498	\$6,345	\$7,282	\$5,625	\$8,417	\$3,500	\$3,070	\$6,369	\$9,621
cf. UK Costs	\$1,098	\$1,877	-\$3,276	-\$2,339	-\$3,996	-\$1,204	-\$6,121	-\$6,551	-\$3,252	\$0
% cf. UK Costs	11%	20%	-34%	-24%	-42%	-13%	-64%	-68%	-34%	0%

Mid Budget

GO1 - SET CNSTRCTN	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$562	\$562	\$597	\$620	\$693	\$651	\$363	\$268	\$364	\$697

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total with Fringes	\$656	\$711	\$740	\$620	\$700	\$651	\$370	\$268	\$405	\$757
cf. UK Costs	-\$101	-\$46	-\$17	-\$137	-\$57	-\$106	-\$387	-\$489	-\$352	\$0
% cf. UK Costs	-13%	-6%	-2%	-18%	-7%	-14%	-51%	-65%	-46%	0%

Set construction is an area of concern for the UK's competitiveness. It is one department for which the UK is widely thought to be expensive. This has been confirmed in these budgets. In terms of the high budget, only Los Angeles and Connecticut are more expensive than the UK, being 11% and 20% more expensive respectively. All other countries offer significant savings over the UK in the high budget with Czech and Hungary offering saving of 68% and 64% respectively. In terms of the mid budget, all territories are appreciably less expensive than the UK with again Hungary and Czech offering the most significant savings. It is interesting to note that in terms of competition from near neighbours, Ireland offers a saving of 34% and 46% in the high and the mid budgets respectively.

This result is very different from that obtained on prior versions of the Assignment. This has two causes. First, costs here have been calculated on the basis of draft plans provided to line producers and construction managers, whereas in previous versions of the Assignment, estimates were provided on the basis of standard labour charges and construction materials as a percentage of labour. Secondly, UK labour practices and labour agreements have changed in the last four years, and many feel that, as a result, the length of time required for construction has increased considerably, with resultant cost increases.

In addition, certain territories present natural advantages over the UK in this area. In countries such as Czech and South Africa there is an availability of timber which keeps down prices. It is well known that the lower cost European countries offer significant labour cost savings in this area and this is one of the key selling points of these territories⁶. Indeed set construction is such a point of these territories' offers that if a film requires heavy set construction, it will likely migrate to the lower cost countries for this specific reason.

H01 – Special Effects

High Budget

H01 - SPECIAL EFFECTS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,507	\$1,557	\$1,574	\$1,228	\$1,447	\$1,401	\$1,393	\$1,389	\$1,476	\$1,401
Total with Fringes	\$2,009	\$2,080	\$2,048	\$1,521	\$1,923	\$1,685	\$1,678	\$1,673	\$1,766	\$1,686
cf. UK Costs	\$322	\$393	\$361	-\$166	\$237	-\$1	-\$9	-\$13	\$80	\$0
% cf. UK Costs	19%	23%	21%	-10%	14%	0%	-1%	-0.8%	5%	0%

⁶ The Czech Republic also offers the idiosyncrasy that when wood is required for set construction, purchases of trees are made rather than wood planks.

Mid Budget

HO1 - SPECIAL EFFECTS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$22	\$23	\$20	\$22	\$14	\$25	\$14	\$15	\$25	\$23
Total with Fringes	\$24	\$27	\$22	\$22	\$14	\$25	\$14	\$15	\$26	\$25
cf. UK Costs	-\$1	\$1	-\$3	-\$3	-\$12	-\$1	-\$11	-\$11	\$1	\$0
% cf. UK Costs	-5%	4%	-13%	-13%	-45%	-2%	-45%	-42%	3%	0%

The high budget film is assumed to require substantial special effects. Not all countries possess the same level of ability in this area. We have suggested that imports will be required into South Africa, Germany, Hungary, Czech Republic and Ireland (see Sections A3.1 and A3.2 for further details).

In the high budget, Los Angeles, Connecticut, Canada and South Africa are the most expensive territories (19%, 23%, 21% and 14% respectively more expensive than the UK). Only Australia offers an appreciable saving over the UK at 10%. The mid budget film is assumed to have markedly less special effects requirements. Therefore, there is assumed to be no need to import special effects personnel. Differences are not really material.

J01 – Set Operations**High Budget**

J01 - SET OPERATIONS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,825	\$1,913	\$1,305	\$1,201	\$667	\$797	\$655	\$676	\$1,086	\$856
Total with Fringes	\$2,230	\$2,344	\$1,674	\$1,385	\$730	\$886	\$701	\$713	\$1,191	\$944
cf. UK Costs	\$1,286	\$1,400	\$730	\$441	-\$214	-\$58	-\$243	-\$231	\$247	\$0
% cf. UK Costs	136%	148%	77%	47%	-23%	-6%	-26%	-24%	26%	0%

Mid Budget

J01 - SET OPERATIONS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$514	\$632	\$435	\$428	\$175	\$332	\$211	\$201	\$433	\$323
Total with Fringes	\$643	\$796	\$558	\$511	\$178	\$365	\$214	\$201	\$462	\$388
cf. UK Costs	\$255	\$409	\$171	\$124	-\$210	-\$23	-\$174	-\$187	\$74	\$0
% cf. UK Costs	66%	105%	44%	32%	-54%	-6%	-45%	-48%	19%	0%

Set Operations is one department where the various work practices of different countries are noticeable. For example, the greater costs of craft services in the US are included in this department. In general Canada adopts the US system and the European countries adopt a UK style system, where such craft services as are provided are included in the catering budget. The inclusion of craft services in this department for Los Angeles, Connecticut and Canada partly explains the significant price differentials of 136%, 148% and 77% for the high budget and 66%, 105% and 44% respectively in the mid budget. Australia is part way between the US and the UK

approaches and this too is reflected in Australia's price differential to the UK of +47% and +32% respectively in the high and mid budget.

However craft services are not the only different work practices driving up prices in North America. The grip system is different between the US and UK with greater demarcation in the US between the work of electricians and grips. In the UK this process is more fluid. Labour costs in this department in the US and Canada are almost twice that of the UK and the cheaper labour in the lower cost countries makes for additional savings.

K01 – Set Dressing

High Budget

KO1 - SET DRESSING	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$970	\$997	\$847	\$702	\$598	\$843	\$638	\$638	\$924	\$931
Total with Fringes	\$1,273	\$1,307	\$1,084	\$849	\$688	\$1,012	\$715	\$708	\$1,044	\$1,063
cf. UK Costs	\$209	\$243	\$20	-\$214	-\$375	-\$52	-\$348	-\$355	-\$19	\$0
% cf. UK Costs	20%	23%	2%	-20%	-35%	-5%	-33%	-33%	-2%	0%

Mid Budget

KO1 - SET DRESSING	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$350	\$431	\$318	\$301	\$211	\$305	\$174	\$177	\$320	\$300
Total with Fringes	\$446	\$552	\$405	\$364	\$229	\$377	\$189	\$191	\$354	\$358
cf. UK Costs	\$88	\$194	\$47	\$6	-\$129	\$19	-\$169	-\$167	-\$4	\$0
% cf. UK Costs	25%	54%	13%	2%	-36%	5%	-47%	-47%	-1%	0%

Again in the absence of a specific script, a number of assumptions have been made in order to cost this department. In practice, set dressing can be both rented and bought. In the US and the UK there is more availability to hire rather than buy. All other territories are more likely to buy set dressing. However, as mentioned, drape materials, outside rentals, purchases and fixtures have been locked across all territories.

Nevertheless, price differentials remain marked in this department with both Los Angeles and Connecticut again leading in terms of price both in the high and mid budget with price differentials of more than 20% and 23% in comparison to the UK in the high budget and 25% and 54% in the mid budget. This is due to the higher labour charges in those countries. Again both Hungary and Czech are the cheapest in both budgets. In previous versions of the Assignment, the Czech Republic enjoyed a competitive edge over other Eastern European countries in this department as a result of the resources of its studios. However, it is interesting to note that this is no longer the case.

It is worth noting, in passing, that many items in this department and in the props department are increasingly free to productions as a result of the increased practise of product placement.

L01 – Property Dept**High Budget**

LO1 - PROPERTY DEPT	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,498	\$1,365	\$1,488	\$1,279	\$1,069	\$1,390	\$1,301	\$1,358	\$1,419	\$1,426
Total with Fringes	\$1,783	\$1,597	\$1,793	\$1,428	\$1,221	\$1,563	\$1,419	\$1,460	\$1,555	\$1,575
cf. UK Costs	\$209	\$22	\$218	-\$146	-\$353	-\$12	-\$156	-\$114	-\$19	\$0
% cf. UK Costs	13%	1%	14%	-9%	-22%	-1%	-10%	-7%	-1%	0%

Mid Budget

LO1 - PROPERTY DEPT	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$405	\$423	\$404	\$429	\$349	\$411	\$371	\$381	\$436	\$416
Total with Fringes	\$449	\$473	\$443	\$467	\$363	\$446	\$387	\$391	\$459	\$450
cf. UK Costs	-\$1	\$23	-\$8	\$17	-\$87	-\$5	-\$63	-\$59	\$9	\$0
% cf. UK Costs	0%	5%	-2%	4%	-19%	-1%	-14%	-13%	2%	0%

As with set dressing, because a precise prop breakdown was not available, prop costs were standardised between countries with prop rentals and consumables locked across the territories. Partly as a result of this assumption, costs in this department are more even across the territories than in other areas. Canada is the most expensive territory in the high budget and Connecticut in the mid budget. South Africa is the cheapest in both budgets even though South Africa requires the highest number of imported crew in the high budget. It is to be noted again that some US prop budget items would be found in UK set dressing items.

M01 – Action Vehicles & Animals**High Budget**

MO1 - ACTION VEHICLES & ANIMALS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$632	\$646	\$635	\$513	\$455	\$533	\$424	\$409	\$497	\$585
Total with Fringes	\$742	\$769	\$729	\$566	\$497	\$597	\$453	\$433	\$533	\$631
cf. UK Costs	\$111	\$137	\$97	-\$65	-\$134	-\$35	-\$179	-\$198	-\$98	\$0
% cf. UK Costs	18%	22%	15%	-10%	-21%	-5%	-28%	-31%	-16%	0%

Mid Budget

MO1 - ACTION VEHICLES & ANIMALS	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35	\$35
Total with Fringes	\$35	\$35	\$35	\$35	\$35	\$35	\$36	\$35	\$35	\$35
cf. UK Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$0	\$0	\$0

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
% cf. UK Costs	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%

In the mid budget there is no difference between territories. This is because of the assumed standard cost of purchased vehicles; also, there is no labour costs in this department at the mid budget as this is handled by props at this budget level. In the high budget, Los Angeles, Connecticut and Canada are most expensive (+18%, +22% and +15% respectively) mostly as a result of higher labour costs. There is no appreciable difference in work practices in this department.

N01 – Camera

High Budget

NO1 - CAMERA	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,804	\$1,855	\$1,711	\$1,722	\$1,192	\$1,439	\$1,461	\$1,451	\$1,840	\$1,716
Total with Fringes	\$2,133	\$2,193	\$1,989	\$1,926	\$1,273	\$1,715	\$1,637	\$1,626	\$2,083	\$1,970
cf. UK Costs	\$163	\$222	\$19	-\$44	-\$697	-\$256	-\$333	-\$344	\$112	\$0
% cf. UK Costs	8%	11%	1%	-2%	-35%	-13%	-17%	-17%	6%	0%

Mid Budget

NO1 - CAMERA	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$754	\$877	\$812	\$786	\$458	\$808	\$531	\$666	\$727	\$797
Total with Fringes	\$913	\$1,089	\$978	\$909	\$511	\$885	\$553	\$682	\$799	\$887
cf. UK Costs	\$27	\$202	\$91	\$22	-\$376	-\$2	-\$334	-\$205	-\$87	\$0
% cf. UK Costs	3%	23%	10%	3%	-42%	0%	-38%	-23%	-10%	0%

In the high budget, Los Angeles, Connecticut and Ireland are 8%, 11% and 6% more expensive than the UK respectively. In the mid budget all the North American territories are more expensive. The rental costs are based on quotes obtained within each country from the Panavision supplier based on the same list of Panavision equipment. The equipment is Panavision, rented locally. The price differentials are less in the high budget than the mid budget. In the high budget case, labour costs are more even as well as the actual camera package.

P01 – Sound

High Budget

PO1 - SOUND	LA	CT	Cda	Aus	SA	Ger	Hung	Cz	Ire	UK
Total Cost	\$329	\$335	\$327	\$318	\$279	\$334	\$255	\$258	\$323	\$322
Total with Fringes	\$412	\$422	\$404	\$372	\$341	\$398	\$290	\$291	\$377	\$380
cf. UK Costs	\$32	\$41	\$23	-\$9	-\$40	\$17	-\$90	-\$89	-\$4	\$0
% cf. UK Costs	8%	11%	6%	-2%	-10%	5%	-24%	-23%	-1%	0%

Mid Budget

PO1 - SOUND	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$147	\$170	\$152	\$139	\$78	\$166	\$97	\$91	\$129	\$153
Total with Fringes	\$184	\$210	\$184	\$165	\$83	\$186	\$99	\$94	\$139	\$180
cf. UK Costs	\$4	\$30	\$4	-\$15	-\$98	\$5	-\$81	-\$86	-\$42	\$0
% cf. UK Costs	2%	17%	2%	-8%	-54%	3%	-45%	-48%	-23%	0%

Prices are fairly even in this department amongst North America and the UK and Germany. Nevertheless, Hungary and Czech offer notable savings in the high budget and Hungary, Czech, Ireland and South Africa in the mid budget. Any substantial differences in this department are in the labour costs. However, the smaller countries would have a smaller number of high calibre Sound Recordists.

Most Sound Recordists bring their own equipment, and also charge for kit hire. For local tax reasons, the balance between salary and sound package rental may be different in different territories. In practise, a Sound Recordist's package rental costs might be increased to reduce salary, if heavily taxed.

Q01 – Electrical**High Budget**

QO1 - ELECTRIC	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,646	\$1,717	\$1,603	\$1,396	\$1,231	\$1,843	\$1,259	\$1,502	\$1,644	\$1,348
Total with Fringes	\$1,995	\$2,080	\$1,900	\$1,604	\$1,313	\$2,159	\$1,325	\$1,546	\$1,788	\$1,512
cf. UK Costs	\$483	\$568	\$387	\$92	-\$199	\$647	-\$188	\$34	\$276	\$0
% cf. UK Costs	32%	38%	26%	6%	-13%	43%	-12%	2%	18%	0%

Mid Budget

QO1 - ELECTRIC	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$503	\$744	\$563	\$680	\$885	\$913	\$560	\$650	\$698	\$616
Total with Fringes	\$597	\$865	\$665	\$738	\$894	\$1,032	\$571	\$650	\$705	\$681
cf. UK Costs	-\$83	\$185	-\$15	\$57	\$213	\$351	-\$110	-\$31	\$24	\$0
% cf. UK Costs	-12%	27%	-2%	8%	31%	52%	-16%	-5%	4%	0%

Germany is the most expensive country in both budgets and in fact the costs are markedly higher even in comparison with the US. Germany quoted very high on basic road package rental and required various grades of electricians to be on set for a greater number of weeks in many cases. These high quotes for Germany have been double checked and validated.

The UK costs include 'electric grip equipment' (e.g. stands and flags) which, in the US and countries that adopt its approach, is treated as grip equipment and included in the Set Operations department. Work practices in the Eastern European countries are in line with the UK approach to this department, though with considerably cheaper local labour. However there

can still be 'hidden costs' in the low cost countries. For example, the Czech gaffer system is highly idiosyncratic – gaffers come with their own equipment truck and electrical team. Even with an imported gaffer, a production will still be required to hire a local gaffer in order to access his team and their equipment.

R01 – Wardrobe

High Budget

RO1 - WARDROBE	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,684	\$1,679	\$1,356	\$1,185	\$1,093	\$1,604	\$1,337	\$1,225	\$1,495	\$1,482
Total with Fringes	\$1,892	\$2,091	\$1,638	\$1,360	\$1,160	\$1,806	\$1,415	\$1,288	\$1,655	\$1,619
cf. UK Costs	\$273	\$472	\$19	-\$259	-\$460	\$187	-\$204	-\$332	\$36	\$0
% cf. UK Costs	17%	29%	1%	-16%	-28%	12%	-13%	-20%	2%	0%

Mid Budget

RO1 - WARDROBE	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$449	\$450	\$468	\$372	\$406	\$471	\$356	\$369	\$417	\$442
Total with Fringes	\$540	\$547	\$569	\$427	\$453	\$554	\$388	\$395	\$473	\$510
cf. UK Costs	\$30	\$37	\$59	-\$83	-\$56	\$45	-\$122	-\$114	-\$37	\$0
% cf. UK Costs	6%	7%	12%	-16%	-11%	9%	-24%	-22%	-7%	0%

Wardrobe is another department containing assumed locked-in costs in absence of a detailed breakdown of this department's needs. Costume rentals, purchases and manufacture are locked across all territories. As a result, this department shows less variation in the price differentials across the territories, particularly in the mid budget. In the high budget (a futuristic film) costumes are more likely to be made made. In the mid budget (a contemporary film) costumes are more likely to be purchased. Therefore greater price disparities appear in the high budget with Connecticut being the most expensive territory.

S01 – Make-up & Hair

High Budget

S01 - MAKE UP & HAIR	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$633	\$640	\$599	\$462	\$465	\$532	\$441	\$429	\$553	\$490
Total with Fringes	\$813	\$832	\$774	\$560	\$595	\$621	\$517	\$503	\$662	\$595
cf. UK Costs	\$218	\$237	\$179	-\$35	\$1	\$26	-\$77	-\$92	\$68	\$0
% cf. UK Costs	37%	40%	30%	-6%	0%	4%	-13%	-15%	11%	0%

Mid Budget

SO1 - MAKE UP & HAIR	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$283	\$329	\$302	\$248	\$215	\$287	\$193	\$197	\$290	\$298
Total with Fringes	\$371	\$431	\$389	\$307	\$258	\$353	\$217	\$219	\$333	\$362
cf. UK Costs	\$8	\$68	\$27	-\$56	-\$104	-\$10	-\$145	-\$143	-\$29	\$0
% cf. UK Costs	2%	19%	7%	-15%	-29%	-3%	-40%	-40%	-8%	0%

Cost differentials are much as we would expect with the Northern American territories again proving to be the most expensive and the low cost countries (Czech, Hungary and South Africa) providing the greatest savings. However, South Africa offers no cost saving with respect to the UK in the high budget. By way of example of the added costs of the US, in the case of the LA high budget there are a greater number of non-labour costs (a higher number of box rentals for each of the make up grades/areas) as well as higher labour costs.

T01 – Locations, Accommodation & Per Diem**High Budget**

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$3,576	\$3,184	\$3,671	\$3,729	\$4,523	\$7,653	\$4,603	\$3,412	\$6,108	\$3,053
Total with Fringes	\$3,576	\$3,184	\$3,816	\$3,729	\$4,523	\$7,653	\$4,695	\$3,412	\$6,108	\$3,053
cf. UK Costs	\$523	\$130	\$763	\$676	\$1,470	\$4,600	\$1,642	\$359	\$3,054	\$0
% cf. UK Costs	17%	4%	25%	22%	48%	151%	54%	12%	100%	0%

Mid Budget

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,719	\$2,123	\$2,264	\$1,889	\$2,221	\$2,511	\$1,609	\$1,624	\$2,481	\$1,935
Total with Fringes	\$1,751	\$2,157	\$2,314	\$1,889	\$2,228	\$2,511	\$1,626	\$1,624	\$2,481	\$1,935
cf. UK Costs	-\$184	\$222	\$378	-\$46	\$293	\$576	-\$309	-\$311	\$545	\$0
% cf. UK Costs	-9%	11%	20%	-2%	15%	30%	-16%	-16%	28%	0%

This department of course covers a number of distinct cost elements, namely location rentals, hotels, per diems and catering.

Location Rentals**High Budget**

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Location Site Rentals	\$443	\$702	\$179	\$270	\$275	\$337	\$240	\$169	\$382	\$386

Mid Budget

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Location Site Rentals	\$368	\$786	\$418	\$266	\$144	\$584	\$268	\$190	\$382	\$504

In the high budget, Los Angeles and Connecticut are all noticeably high in terms of location rentals. In the mid budget, Connecticut, Germany and the UK are expensive in terms of location rental. There is more location work and less use of stages in the mid budget.

Hotels and Per Diems**High Budget**

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Hotel Costs	\$997	\$1,085	\$1,382	\$1,103	\$2,147	\$2,757	\$1,714	\$1,806	\$2,621	\$920
Total Per Diem	\$498	\$362	\$475	\$379	\$487	\$656	\$616	\$842	\$915	\$329

Mid Budget

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Hotel Costs	\$245	\$591	\$854	\$527	\$728	\$861	\$458	\$741	\$747	\$631
Total Per Diem	\$119	\$209	\$310	\$517	\$196	\$343	\$194	\$289	\$363	\$236

In the high budget South Africa (because of increased imported crew) and Ireland and Germany (more so on a pure rate basis) are expensive in terms of hotels. Although near New York, Connecticut is too far to commute and per diems and hotel nights are incurred for the entire length of the shoot. However, the rates for these are less than per diems and hotels in the Los Angeles vicinity, thus the differential between Connecticut and Los Angeles is not as great as might be expected. Czech and Ireland are both relatively high in terms of per diems. Dublin's hotel costs make Ireland particularly expensive in this department.

In the mid budget in terms of hotels, Canada, Ireland, Germany (and South Africa, Czech and Hungary due to imported staff) are high. Per diems are highest in Australia. In Czech, Ireland and Hungary, as countries are smaller, it is extremely unusual to have long periods on location as crew are more likely to return home.

Catering**High Budget**

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total for Catering	\$745	\$736	\$700	\$1,036	\$811	\$1,217	\$851	\$759	\$887	\$1,084

Mid Budget

TO1 - LOCNS, ACCOM & PD	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total for Catering	\$230	\$286	\$313	\$388	\$289	\$532	\$191	\$212	\$527	\$454

In both the high and the mid budget cases, the catering costs appear to be comparatively high in Europe. However, the cost of this (craft services) in the North American territories and Australia is largely included in Set Operations. There are of course differences in catering practices throughout the European territories. Irish catering costs include 13.5% VAT which cannot be recouped. However, production should pay for tea trolley morning and afternoon. Anecdotally, it has been reported that in the case of Barrandov, location catering is required as result of quality of food. Ultimately the degree to which US style practices apply to catering, and its quality, will be a matter for each production.

U01 – Transportation**High Budget**

U01 - TRANSPORTN	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$3,937	\$4,873	\$3,191	\$1,965	\$1,052	\$2,860	\$1,681	\$1,756	\$2,123	\$2,368
Total with Fringes	\$4,931	\$6,873	\$3,828	\$1,965	\$1,052	\$3,188	\$1,715	\$1,756	\$2,310	\$2,805
cf. UK Costs	\$2,126	\$4,068	\$1,023	-\$840	-\$1,753	\$383	-\$1,090	-\$1,049	-\$495	\$0
% cf. UK Costs	76%	145%	36%	-30%	-63%	14%	-39%	-37%	-18%	0%

Mid Budget

U01 - TRANSPORTN	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,371	\$1,884	\$1,271	\$1,061	\$673	\$1,106	\$805	\$770	\$1,043	\$1,156
Total with Fringes	\$1,708	\$2,413	\$1,512	\$1,195	\$682	\$1,223	\$821	\$770	\$1,163	\$1,337
cf. UK Costs	\$371	\$1,076	\$175	-\$141	-\$655	-\$113	-\$516	-\$393	-\$174	\$0
% cf. UK Costs	28%	80%	13%	-11%	-49%	-8%	-39%	-29%	-13%	0%

In the case of both the high and mid budget, Connecticut and Los Angeles are by far the most expensive and South Africa the least expensive. The number of crew in this department varies widely from territory to territory with many of the low cost countries typically employing more crew than the higher cost countries. However, cheaper labour in the low cost countries means that higher crew numbers do not result in additional expense in this department.

The key difference between the US and the other territories is the necessity of hiring Teamsters in the US. Teamsters exist in Canada also, though their effect on the budget is significant but less dramatic than in the US.

In the US, cars and drivers are hired separately. However, in the UK, a car is hired with its driver and one invoice is submitted for them both. In Ireland electricians do not drive and so additional drivers should be reflected in the transport budget.

V01 – Film & Lab

High Budget

VO1 - FILM & LAB	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$1,082	\$1,082	\$813	\$1,066	\$969	\$1,311	\$1,231	\$1,251	\$1,220	\$1,092
Total with Fringes	\$1,082	\$1,082	\$870	\$1,066	\$969	\$1,311	\$1,256	\$1,251	\$1,220	\$1,092
cf. UK Costs	-\$10	-\$10	-\$222	-\$26	-\$123	\$219	\$164	\$159	\$129	\$0
% cf. UK Costs	-1%	-1%	-20%	-2%	-11%	20%	15%	15%	12%	0%

Mid Budget

VO1 - FILM & LAB	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$410	\$410	\$386	\$505	\$350	\$416	\$332	\$369	\$469	\$406
Total with Fringes	\$410	\$410	\$412	\$505	\$350	\$416	\$339	\$369	\$469	\$406
cf. UK Costs	\$3	\$3	\$6	\$99	-\$57	\$9	-\$67	-\$101	\$63	\$0
% cf. UK Costs	1%	1%	1%	24%	-14%	2%	-17%	-25%	16%	0%

In this department we assume that all film stock is bought and processed locally in all cases. The costs of this department are the cost of raw stock and developing. In this version of the Assignment we have not costed printing as this is no longer common practise for most productions.

The cost of the raw stock itself varies from territory to territory but is to some extent comparable in price with the exceptions of Germany, Hungary and Czech in the high budget which prove to be noticeably more expensive than in other territories. This is as a result of the availability of stock in these countries. Germany also proves to be more expensive than the UK in the high budget with a price difference of + 20%. In the mid budget Australia is 24% more expensive than the UK.

W01 – Production Editing

High Budget

WO1 - PRODUCTION EDITING	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$384	\$345	\$348	\$380	\$346	\$428	\$282	\$298	\$377	\$349
Total with Fringes	\$484	\$438	\$446	\$451	\$431	\$443	\$288	\$348	\$432	\$411

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
cf. UK Costs	\$73	\$27	\$35	\$40	\$20	\$32	-\$123	-\$62	\$22	\$0
% cf. UK Costs	18%	7%	9%	10%	5%	8%	-30%	-15%	5%	0%

Mid Budget

WO1 - PRODUCTION EDITING	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$111	\$111	\$117	\$151	\$107	\$126	\$114	\$108	\$128	\$118
Total with Fringes	\$137	\$138	\$143	\$176	\$125	\$128	\$116	\$108	\$141	\$136
cf. UK Costs	\$1	\$2	\$7	\$40	-\$11	-\$8	-\$20	-\$32	\$5	\$0
% cf. UK Costs	1%	2%	5%	29%	-8%	-6%	-14%	-24%	3%	0%

Production Editing is defined as that editing that takes place during principal photography. Accordingly, this takes place in the host country using host country facilities. Costs are incurred from equipment rental and screening charges levied by the facilities in each of the territories. In the mid budget Germany, Hungary and Czech are cheaper than the UK. In the high budget only Hungary and Czech offer savings over the UK. Costs of non-labour editing equipment are, on most occasions, comparable amongst countries.

X01 – Studio

High Budget

XO1 - STUDIO	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Total Cost	\$2,056	\$1,831	\$1,037	\$1,055	\$531	\$793	\$498	\$865	\$1,019	\$1,500
Total with Fringes	\$2,056	\$1,831	\$1,109	\$1,055	\$531	\$793	\$508	\$865	\$1,019	\$1,500
cf. UK Costs	\$555	\$330	-\$391	-\$445	-\$969	-\$707	-\$992	-\$635	-\$481	\$0
% cf. UK Costs	37%	22%	-26%	-30%	-65%	-47%	-66%	-42%	-32%	0%

Mid Budget

XO1 - STUDIO	LA	CT	Cda	Aus	SA	Ger	Hung	Cz	Ire	UK
Total Cost	\$884	\$894	\$882	\$647	\$647	\$608	\$381	\$525	\$582	\$879
Total with Fringes	\$884	\$894	\$943	\$647	\$647	\$608	\$384	\$525	\$582	\$879
cf. UK Costs	\$6	\$15	\$65	-\$232	-\$232	-\$271	-\$495	-\$57	-\$297	\$0
% cf. UK Costs	1%	2%	7%	-26%	-26%	-31%	-56%	-6%	-34%	0%

Along with set construction, studio rental is another area of concern for the UK's competitiveness. The results, particularly in the high budget, demonstrate that stage costs and stage rates are comparatively high in the UK. Nevertheless the UK still offers a saving of 37% (cf LA) and 22% (cf CT) over the US in the high budget. In the mid budget where there is less studio work required for the film, the UK is more competitive with respect to the non-North American territories than in the high budget.

Connecticut, Ireland and South Africa do not actually have studio space capabilities required by the high budget and a space would need to be improvised, through the use of warehouses or other temporary premises. This would result in more inconvenience for the production, but, for the purposes of our budgets, results in lower costs. The make-shift facilities explain the apparent inexpensiveness of South Africa and Ireland.

Y01 – Second Unit

High Budget

YO1 - SEC UNIT	LA	CT	Cda	Aus	SA	Ger	Hung	Cz	Ire	UK
Total Cost	\$2,944	\$2,989	\$1,959	\$1,904	\$1,213	\$2,274	\$413	\$1,370	\$2,268	\$1,746
Total with Fringes	\$3,718	\$3,963	\$2,528	\$2,294	\$1,420	\$2,733	\$417	\$1,370	\$2,557	\$2,069
cf. UK Costs	\$1,649	\$1,894	\$459	\$225	-\$649	\$663	-\$1,653	-\$699	\$488	\$0
% cf. UK Costs	80%	92%	22%	11%	-31%	32%	-80%	-34%	24%	0%

No second unit is budgeted in the mid budget case. One would expect the costs of the second unit on the high budget to be a microcosm of the overall production costs of the high budget. Although the order of magnitude of the results in the second unit department are more extreme, and indeed throw into relief the higher costs associated with certain territories, the second unit costs more or less rank the countries in the same order of cost. That is to say the overall production costs of the high budget (without the application of the incentives), from the most expensive to the least, were as follows: Connecticut, Los Angeles, Germany, Canada, UK/Ireland, Australia, South Africa, Czech and Hungary. In the second unit the most expensive to the least expensive territories were as follows: Connecticut, Los Angeles, Germany, Ireland, Canada, Australia, UK, South Africa, Czech and Hungary. Thus the countries follow more or less the same pattern.

Z01 – FX & Models Unit

High Budget

ZO1 - FX & MODELS	LA	CT	Cda	Aus	SA	Ger	Hung	Cz	Ire	UK
Total Cost	\$3,532	\$3,532	\$2,681	\$2,785	\$1,303	\$3,138	\$1,378	\$1,218	\$2,349	\$3,373
Total with Fringes	\$4,768	\$4,723	\$3,536	\$3,427	\$1,471	\$3,858	\$1,403	\$1,218	\$2,756	\$4,092
cf. UK Costs	\$676	\$631	-\$556	-\$666	-\$2,621	-\$234	-\$2,689	-\$2,874	-\$1,336	\$0
% cf. UK Costs	17%	15%	-14%	-16%	-64%	-6%	-66%	-70%	-33%	0%

Although any complex specialist model work would likely be done in Los Angeles or UK, here we have assumed that the subject matter can be handled by local talent. Therefore the results of this department are dominated by local labour costs with the results again that the low cost countries (Czech, Hungary and South Africa) offer substantial savings and Los Angeles and Connecticut are again the most expensive territories. There is no FX and Models Unit in the mid budget case.

4. Fiscal Incentives

This section is a summary of all the incentives available in the territories examined in the Study. However, we have only included in our calculations those non-discretionary non-recoupable incentives available to visiting productions. Section 4.9 summarises these incentives used in the Model.

4.1 Connecticut

4.1.1 *The 'Race' for Incentives*

In July 2006, Connecticut joined an increasing number of state and municipal governments in the US aiming to attract film productions. The state's Digital Media and Motion Picture Tax Credit is a transferable tax credit worth 30% of qualifying production expenditure in the state. Equipment and supplies purchased or rented out-of-state also qualify for the tax credit, as long as they are demonstrably used in Connecticut. There are no minimum filming days required and salaries for both resident and non-resident cast and crew working in Connecticut are counted towards eligible spend.

To qualify, a production need only spend \$50,000 in the state. The production company must also be registered with the Secretary of the State of Connecticut. There is no statewide annual cap or per production cap on the credit claimed. To convert these tax credits into production cash, producers can sell or trade the credits, typically via a broker, to a Connecticut based corporation. The fees associated with these transfers decrease some of the scheme's value. We have used a value of 87% of the face value of the incentives.

Since the period of this analysis, other states have continued to increase their attraction to production, including Connecticut's neighbour, New York, which has substantially raised the value of its incentive.

4.1.2 *Beyond Film and TV production*

Connecticut's film incentive is unusual in the breadth of its applicability to a wide number of formats. The Connecticut tax credit not only applies to feature film, documentary and television production, but also for shooting music videos and commercials, as well as the production of video games. This is a wider spectrum than any other incentive under consideration in this report.

4.1.3 *A Broader Definition of the Production Process*

Additionally, qualifying Connecticut spend includes expenses associated with development, pre-production, principal photography and post-production, as long as they were incurred in the state. Production costs relating to the creation of trailers, marketing material, the duplication of CDs, DVDs or videos also are eligible expenditures. This also makes the incentive unique, though it is debatable how many productions could realistically take advantage of this wide definition of production, given the requirement for such costs to be spent in the state.

Payments to a single individual of over \$15 million, media buys, promotional or marketing expenses; deferred, leveraged or profit participations; or costs related to the transfer of the production tax credits cannot be counted towards eligible production spend.

4.1.4 *Sunset Provisions*

The legislation contains a number of sunset provisions which will eventually reduce the attractiveness of the current offer. Commencing January 1, 2009, only 50% of eligible costs actually incurred outside Connecticut will qualify. Commencing January 1, 2012, no expense actually incurred outside Connecticut will qualify. The generous headline figure of “30% of qualifying production expenditure in the state” initially drew much attention to the state when first announced. Both these sunset provisions imply that the state hopes that after an initial high degree of interest a certain level of critical mass will have been achieved by these dates. The sunset provisions may also indicate that the current level of the offer cannot be sustained in the longer term.

4.2 *Canada*

4.2.1 *The Current Canadian System*

The Canadian tax incentive system, unlike the others considered in this report, is based not on overall production spend but on labour expenditure. This is true at the federal (national) and at the provincial level. The two main tax incentive programmes at the federal level are the Film or Video Production Services Tax Credit (PSTC), worth 16% of qualifying labour spend and the Canadian Film or Video Production Tax Credit (CPTC), worth 25% of qualifying labour spend. The former is aimed at international productions and the latter at Canadian projects.

Most provinces have their own incentives that mirror, and work in association with, the federal incentive. In British Columbia, there are several competitive and innovative tax credit systems in place designed to attract inward investment. Provincial support systems are offset against the federal credit, in a calculation referred to locally as 'the grind'. So, for example, C\$1 million in British Columbian labour will earn a provincial credit of C\$250,000, and the federal credit would then be applied to C\$750,000.

4.2.2 *Film or Video Production Services Tax Credit (PSTC)*

Established in 1997, the PSTC is the federal tax credit aimed at incoming productions. The applicant must be Canadian or have a permanent base in Canada with at least 50% of its work being in film or television production. The project must have a minimum production budget of C\$1 million and must be accredited by the Canadian Audiovisual Certification Office (CAVCO). There are no minimum percentage Canadian spend tests or requirements to qualify in any way as Canadian. The credit is tied entirely to the production's labour expenditure on Canadian residents providing services in Canada. The tax credit is worth 16% of this eligible Canadian labour expenditure

4.2.3 Canadian Film or Video Production Tax Credit (CPTC)

To qualify for CPTC, the other federal tax credit, the production must be Canadian or an official co-production. This means that there must be a Canadian production company involved with Canadian distribution assured. There is also a points system for productions to ensure Canadian talent is used. Also, 75% of all production expenditure must go to Canadians (excluding fees paid to a Canadian producer or co-producer, insurance and financing fees and post-production expenditure) and 75% of all post-production spend must be incurred in Canada. If these conditions are met, the applicable tax credit is worth 25% of the amount spent on qualifying Canadian labour, up to 15% of the total production budget (minus any other grants, subsidies or tax credits provided by a government body in Canada).

4.2.4 British Columbian Tax Credits

Basic and Regional Production Services Tax Credit (PSTC)

The film tax credits on offer in British Columbia (BC) are similar to the federal Production Services Tax Credit system in that there is a tax rebate based on eligible labour expenditure. The BC Basic PSTC allows for a 25% rebate on eligible labour costs incurred in BC during production. The company accessing the tax credits must have a permanent establishment in the province and apply to British Columbia Film for accreditation. Unlike at the national level, where a producer must submit a preliminary application prior to shooting and then a final certification, BC Film only require a single certificate, which may be obtained during post-production. This credit can be combined with the Regional PSTC, which allows for a tax credit worth 6% of qualified BC labour expenditure, pro-rated by the number of days of principal photography in the province outside of the designated Vancouver area to the total days of principal photography in BC. There is a second 6% for shooting in locations more distant to Vancouver.

Digital Animation or Visual Effects Production Services Tax Credit (DAVE PSTC)

One of the most innovative incentives available in Canada is BC's DAVE PSTC. The DAVE PSTC is worth 15% of qualified BC labour expenditures directly attributable to digital animation or visual effects activities and it must be used in combination with the Basic BC PSTC. Eligible labour expenditure under the DAVE PSTC includes any photography necessary for the digital post-production, as well as digital post-production and digital effects processes. Audio effects are excluded, though voice-overs are not.

BC Film Incentive tax credit

There is also a tax credit scheme in BC for local productions, which offers a basic tax credit of 35% of qualified BC labour, as well as a regional credit of 12.5% for productions filmed outside the designated Vancouver area, a film training tax credit for approved training programs and access to the DAVE tax credit. To access these credits, the production company must be BC owned and controlled. Additionally the production must meet minimum Canadian content requirements and 75% of principal photography must be shot and 75% of the total production spend must be incurred in the province.

4.3 Australia

4.3.1 A Number of New Incentives

Australia has recently changed its incentive programme for film, extending and augmenting the tax offset system first established in 1997. From July 2007, the revamped Australian Screen Production Incentive scheme has three distinct funding streams: for visiting productions, for Australian/co-productions and for digital effects and post-production. The previous system allowed for visiting productions to receive a 12.5% tax offset on their qualifying Australian production spend. Under the new regime, visiting productions can qualify for a 15% offset, the Location Offset. In addition, post-production and digital effects spending also qualify for a 15% offset. The new incentive for local productions, the Producer Offset, permits a greater flexibility than the Location Offset in its definition of local spend, as well as allowing a 40% offset. Previously there was no offset programme for local productions. The Division 10BA and 10B tax schemes, which provide tax breaks for investors in film, will be abolished after the 2008/2009 financial year. Productions may qualify for only one of the offset programmes; the offsets may not be combined.

4.3.2 The Location Offset

The Location Offset has replaced the former refundable film tax offset programme. Under the new regime, productions which spend a minimum of A\$15 million in qualifying Australian production expenditure are eligible for a 15% tax rebate. Productions with A\$15-50 million in qualifying Australian spend must also spend 70% of their total production spend in Australia, and the applicant company must be the company responsible for the world-wide making of the film. For projects with a qualifying Australian spend over A\$50 million, there is no proportional requirement for Australian spend and the applicant must only be responsible for the filmmaking in Australia. These provisions are aimed at attracting big-budget US studio productions.

Qualifying Australian spend is defined in a similar way to the UK 'used or consumed' test, including the costs associated with goods or services provided in Australia, even when those goods originate from outside the country, the use of land in Australia and the use of goods located in Australia at the time of the film. This may include Australian development costs, the costs of acquiring copyright if owned by an Australian resident, an appropriate share of Australian business overheads and the freighting of items to Australia to be used in a production, as well as the shooting of additional footage for later DVD release.

4.3.3 The Post, Digital and Visual Offset

The new Post, Digital and Visual (PDV) Offset is intended specifically to support the local visual effects and post-production industry in Australia. Productions must spend at least A\$5 million on PDV production in Australia to qualify for the 15% rebate. These productions do not have to be shot in Australia. PDV production is broadly defined and includes animation, digital compositing, digital, visual and audio effects, green-screen photography, film lab services, restoration work, graphics, titles and credits and other post-production and/or digital services.

The specific incentive available to post (the PDV Offset) is mutually exclusive with both the Location and the Producers Offset. In this sense this particular incentive is designed to help

Australia capture more of the post market with some productions bringing only the post element to Australia in order to capture the benefit of this incentive. However, given that post-production is normally done in close proximity to the project financiers (with post-production for Hollywood films most likely taking place in Los Angeles, so financiers can supervise the important editing process and also easily do audience test screenings), it remains to be seen whether the financial value of the incentive will be enough to drive post-production traffic to Australia. The exception to this would be a powerful Australian director preferring to carry out post work in his/her home country

4.3.4 The Producer Offset

The Producer Offset is aimed at domestic productions. The scheme offers a tax rebate worth up to 40% of the qualifying Australian spend. Australian productions with a minimum qualifying Australian spend of A\$1 million qualify for this 40% rebate. Documentaries and television productions that meet varying minimum spend requirements qualify for a 20% rebate of qualifying Australian spend. To qualify as an Australian production, projects must be deemed to have Significant Australian Content (SAC). The factors considered are similar to the previous conditions for determining Division 10BA eligibility, except financing sources and ownership of copyright are not considered. Screen Australia (prior to mid 2008, the Film Financing Corporation) assesses the following criteria when determining Australian content::

- the subject matter of the film;
- location;
- nationalities/places of residence of key talent (producers, director, screenwriters, composer, actors, director of photograph, production designers, etc.); and
- production spend.

Official co-productions automatically qualify as Australian. Qualifying Australian spend includes expenditure on goods and services provided in Australia, as well as expenditure incurred overseas for goods or services provided by Australian residents (during principal photography only). Travel and freight costs to Australia may also meet the definition of qualifying local spend, as do pre- and post-production costs incurred in Australia or paid to Australian residents. Australian above-the-line costs are calculated as part of qualifying Australian spend only up to 20% of the film's total production budget.

4.3.5 Potential Appeal of New Schemes to US productions

Like the previous incentive system, the new tax system in Australia is understandable to US studio executives. By allowing big-budget productions over the A\$50 million Australian spend threshold to have access to incentives without meeting a minimum percentage spend, the Location Offset system is probably most attractive to US majors. The Producer Offset, though generous, may be too difficult to access, due to the requirement for Significant Australian Content. It may enable some top-flight Australian directors to film studio projects in Australia with Australian crew, as long as the new Significant Australian Content requirements are met. Although the primary criteria for SAC are fairly clear, it is unclear how stringently these criteria will be interpreted.

4.4 South Africa

4.4.1 Commitment to Industry Growth

In recent years, the South African government has recognised the film and audiovisual industry as a priority sector under its Accelerated and Shared Growth Initiative (ASGI-SA). Government support to the sector, as revealed in new measures introduced in January 2008, is two-pronged. Firstly, the South African Department of Trade and Industry (dti) seeks to make South Africa a competitive filming location. Secondly, the dti wants to increase the generation of local audiovisual content by South Africans via support for domestic production and co-productions. Two separate filming incentives, the Location Film and Television Production Incentive and the South African Film and Television Production and Co-production Incentive, have been designed to meet these goals.

Although requirements and restrictions on each incentive are different, both share a minimum shooting/spend requirement. For incoming productions with budgets under R100 million (approximately \$13 million) 50% of principal photography must be done in South Africa, for a minimum period of four weeks. Incoming productions with budgets over R100 million may have this requirement waived at discretion of the dti Adjudication Committee. For domestic and official co-productions, there is also a 50% photography minimum, for at least two weeks.

For the 2007/2008 financial year, the dti has budgeted R176 million for these two incentives. In 2006/2007, the first year of the programme, the dti awarded R7.9 million in rebates to 12 South African productions, three international co-productions and 17 incoming productions.

4.4.2 Attracting Foreign Productions

South Africa's Location Film and Television Production Incentive is aimed at features, television movies and series, as well as animated projects. The incentive is a straightforward rebate, worth 15% of qualifying South African production spend, to a maximum of R10 million (approximately \$1.3 million). Eligible projects must be foreign-owned and have a qualifying South African spend of R12 million (\$1.6 million). South African qualifying spend includes salary of South Africans as well as fees paid for South African goods and services, or intellectual property owned by a South African, but not spend on imported elements. Above-the-line costs for South Africans are included in this calculation, up to either 10% of the total budget or R1 million (\$.13 m), whatever figure is lower.

4.4.3 Supporting South African Productions and Co-Productions

A similar rebate on South African qualifying expenditure is available for domestic productions and official co-productions, but the rate is higher, at 35%. To qualify for this rebate, the production budget must exceed R2.5 million and the project must qualify as South African: at least 75% of the budget must be spent in South Africa, the majority of intellectual rights must be owned by a South African, the producer, writers, directors as well as the film's five highest-paid performers and the majority of the film's heads of department and key personnel must be citizens or permanent residents of South Africa (though some non-South African participation may be granted). Official co-productions approved by the National Film and Video Fund (NFVF) also qualify as South African.

4.5 Germany

4.5.1 A New Automatic Rebate

The current incentive regime, which has an annual budget of €60 million over the 2007-2009 period, awards a 20% rebate on eligible production expenditure in Germany. In the scheme's first year, the new German film incentive awarded over €59.4 million to 99 productions. Over a third of funding recipients were international co-productions. Feature films must have a budget of €1 million (or €3 million for animated works and €200,000 for documentaries). Projects must have a secured theatrical release in Germany and must spend 25% of the film's total production expenditure in Germany, though this may be reduced to 20% for films with budgets over €20 million. There is no proportional spend requirements if German production costs exceed €15 million. Qualifying German production spend is capped at 80% of the budget. Films also must pass a 'cultural test.'

There is a cap on awards at €4 million, though a producer can apply to the Filmförderungsanstalt (FFA) for funding up to €10 million. This upper limit will only be available if there are sufficient funds and if at least 35% of the production expenditure occurs in Germany or the film scores very highly on the cultural test (more than two thirds of available points). This higher threshold is only available with FFA committee approval. Because there are limited funds available for the scheme, all funding decisions are on a first come, first served basis. In the first year of operations, a number of US originated productions received above the €4 million cap. The largest award of €9 million was made to *Speed Racer*. For the purpose of the Model, a largest award of €10 million was assumed.

Eligible German spend is defined as all costs that are attributable to film-related goods and services provided in Germany by companies or their employees, as well as by freelancers and self-employed persons. This includes elements imported into Germany, as long as the items/services were used in the country. The D-FFF has the ability to allow a portion of spend incurred outside Germany on German elements (up to 30% of the total number of shooting days), which has proved popular.

Funding is typically awarded to the producer or production company after the completion of the project, though there are provisions for earlier awards. Payment may be made in three equal instalments (to be paid at the start of principal photography, at the completion of a rough cut and after final examination of finances). In this case, the producer will have to take out a completion guarantee or to provide a bank security for any payment exceeding €2 million.

4.5.2 Passing the Cultural Test

As with the UK system, there is a cultural test for projects to access the German film rebate. The test is broken into two 'blocks' representing cultural content/creative talent and more industrial criteria. The first block includes points for subject matter, location and the nationality of key creative personnel. The second includes shooting time, use of laboratories, effects, sound and production facilities in Germany. Features must fulfil four criteria in the first block and score a minimum of 48 out of 94 possible points across both blocks. Documentaries must score 27 out of a possible 52 points and animated features 41 out of 78. Both documentaries and animations must fulfil at least two cultural content/creative talent criteria. Co-productions under the European Convention do not need to pass the cultural test to access this funding.

4.5.3 Combining Funding with Lände Initiatives

If a local producer or production company is involved and significant production will occur in Germany, than it is possible that the national German film incentive could be combined with regional funding made available by the various Lände governments. In Berlin-Brandenburg, Medienboard offers development, production and distribution support. Medienboard production funding takes the form of a conditionally repaid loan and is tied to a “regional effect,” that is the projected spend in the region. The accumulated support of German national and Lände incentives, in the case of big-budget commercial films, cannot exceed 50% of the total production budget. This restriction originates in European competition law, so in actual fact, applies to all European state funding. As stated, our analysis does not include any regional funds because they are not assured (they are awarded on a discretionary basis), and because they have recoupment provisions, which are, in general, not contemplated by US majors.

4.6 Hungary

4.6.1 An Emerging European Production Centre

Hungary has been one of the first of the new EU countries to offer incentives to the film industry, introducing its film law in 2003. This film law incentivises both investment in production of audiovisual content, and also investment in production infrastructure like sound stages and studio space. The production incentive was amended in 2004 to make it more amenable to producers. The revised scheme requires the involvement of specialised film trusts or individual companies with sufficiently large corporate tax liability, which may contribute up to 20% of the Hungarian production expenditure in return for tax benefits: a deduction from their corporate tax bill, plus the ability to claim the investment as a tax-deductible cost. In order to take advantage of the tax incentives, a certificate must be issued by the Hungarian Film Office regarding the film’s total production expenditure in Hungary. There are no minimum Hungarian spend requirements, although a Hungarian co-producer needs to be involved with the project to access the incentive. The definition of qualifying Hungarian spend is also narrower than those used in the UK or Germany, as it applied only to items on which Hungarian VAT is paid, or salaries to individuals who pay Hungarian income tax.

The scheme has proved fairly popular. In 2006, 433 tax certificates were issued, totalling HUF3.3 billion (\$17.9 million) in production investment. Contributing to this success is the fact that the scheme has proved amenable to international co-productions, in particular with the UK, Germany and Canada’s incentive systems. Recent co-productions to take advantage of the Hungarian incentive include the film *Eichmann* and the BBC series *Robin Hood*. 2007 saw a 150% growth in the total value of tax certificates issued by the Hungarian Film Office. This growth was driven in part by the US production *Hellboy 2* shooting at the film studio in Etyek.

4.6.2 A Climate of Uncertainty

The analysis contained in this report has assumed an incentive structured as it existed in 2007. The current tax regime ended in December 2007. In July 2008 the European Commission finally publicly announced that it had cleared a modified version of the regime. To date the official details of the new modified scheme have not been made public. There has been some trade reporting on the likely structure of the new scheme but details have not been officially verified.

The European Commission issued a press release on the 16th July 2008 in which it confirmed that the tax incentive would definitely include a cultural test element.⁷ The press release also indicated that the estimated budget for the incentive would be €12.75m in 2008.

It has been reported in trade publications that productions will be required to achieve 16 of the 32 points available, with productions needing to score on two out of the eight possible cultural section criteria in order to qualify. It has also been reported that elements of non-Hungarian spend will qualify in certain circumstances for Hungarian spend. A production can receive a rebate of 25% of the Hungarian spend on non-Hungarian expenses, provided the non-Hungarian invoice is paid by a Hungarian producer or service provide.⁸

4.7 Ireland

4.7.1 An Established Incentive – Section 481

Section 481 was first introduced over ten years ago and is a familiar incentive to foreign and domestic producers. Under this system, private investors make tax-advantaged investments in individual audiovisual productions. Investors can invest up to €31,750 in a film being produced in Ireland and write off 80 per cent of their investment against tax. Films that benefit from Section 481 investment must first be certified by the Revenue Commissioners and the Department of Arts, Sport and Tourism. Projects are evaluated on a mix of cultural and industrial factors

To access Section 481 investment, an Irish producer must be involved with the project. A maximum of up to 20% of the total budget can be raised via the tax system, up to €50 million per project. In reality, after Irish producer fees and other administrative costs, approximately 19% of the total budget can be raised. Unlike other tax-based film incentive systems, under Section 481, financing is closed at the commencement of principal photography, so funds are available from day one of shooting. Section 481 was one of the primary factors behind an 11% increase in the annual number of productions completed in Ireland from 1989-2004. In 2006, 20 film and television projects used the scheme, spending a total of €82.6 million in Ireland.

4.7.2 Challenges for the Irish System

Though Section 481 has certainly benefited Ireland's production industry, changes in the UK incentive system have affected the impact of the Irish incentive.. From 2000-2004, 93% of Irish feature productions with a budget over €1 million were co-produced with the UK and other EU countries.⁹ From 2004-2005, when the future and form of the UK tax incentive was uncertain, Irish production levels experienced a severe downturn in response. Budget levels of indigenous Irish productions have also fallen in the past two years from approximately €2.3 to €1.5 million.

Since the introduction of the new UK tax incentive for film, Irish-UK co-productions have suffered, as has the wider Irish production community. The UK and Irish systems, instead of

⁷<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1152&format=HTML&aged=0&language=en&guiLanguage=en>

⁸See Screen International 17th July 2008

⁹Aileen O'Malley, Adapting to the changing competitive dynamics of the international film industry: A Report to the Irish Department of Arts, Sport and Tourism (November 2005)

lending themselves to collaboration, are seen as competitive with one another. This has resulted in a drop in the number of foreign feature productions being shot in Ireland, though foreign television production (such as the US cable series *The Tudors*) is still coming to the country. The threat to the Irish film industry has not escaped the Government who are now investigating ways to improve the 481 system, particularly with regards to the new UK film tax incentive regime.

4.8 UK

4.8.1 *The New System*

The UK's new tax incentive for film was approved by the European Commission's Competition Directorate in late 2006 and came into full effect in 2007. The new regime, in essence, awards a tax credit. The amount of this credit varies: for films with budgets less than £20 million there is a payable credit of 25% of qualifying British spend up to a maximum of 80% of the budget, thus a maximum credit of 20%. For films with budgets in excess of £20 million there will be a payable credit of 20% of qualifying British spend, again up to a maximum of 80% of the budget, giving a maximum possible credit for larger films of 16%. Notably, the tax credit is now a percentage of the UK spend rather than the entire budget. Productions must also spend a minimum of 25% of the production budget in the UK.

4.8.2 *Used or Consumed*

Qualifying spend is services 'used or consumed' within the UK. This includes expenditure on items imported into the UK, but excludes expenditure on British crew or equipment 'used or consumed' outside the UK.

4.8.3 *Passing the British Cultural Test*

In order to qualify for tax relief, a production must obtain a certificate issued by the Department for Culture, Media and Sport via UK Film Council. Official treaty co-productions or co-productions that meet the terms of the European Convention on Co-production automatically qualify as British. All other films must obtain a minimum pass mark of 16 out of 31 points on the Cultural Test to qualify as a British film. Points are awarded not only for subject matter and nationality of key creative personnel, but also for the use of British production facilities. As is detailed elsewhere in this document, international financiers are still learning how they can make their projects work with the cultural test.

4.9 Fiscal Incentive Comparison Chart

Though additional incentives are described in this section, the incentives below are the only ones used in our analysis.

<i>Incentive</i>	<i>Form</i>	<i>Value</i>	<i>Good Spend</i>	<i>Min Spend</i>	<i>Max Spend</i>	<i>Incentive Cap</i>	<i>Excluded Elements</i>	<i>Post</i>
Connecticut	Transferable tax credit	30% of qualifying spend (but generally approx 87% of this realised after the transfer)	On the ground spend including imported	\$50,000	None	None	Amount > \$15 million paid to any individual or entity representing an individual for services provided for a qualified production; media buys, promotional events or gifts associated with the promotion or marketing; deferred, leveraged or profit participations; or costs related to the transfer of the production tax credits.	Yes including the purchase of post-production software and equipment, as well as labour costs associated with post-production.
Canada Federal PSTC	Labour credit	16% of qualifying Canadian labour expenditure	Canadian labour	None	None	None	Calculations of Canadian labour expenditure cannot include legal, financial, accounting or other such service costs	Yes
British Columbia Basic PSTC	Labour credit	25% of qualifying BC labour expenditure	BC labour	None	None	None	Advertising, promotion and marketing expenses.	No
British Columbia DAVE	Labour credit	15% of qualifying BC labour expenditures associated with visual effects	BC labour	None	None	None	Audio work	Yes
Australia Location Offset	Tax rebate	15% of qualifying spend	Provided & used, including imported	A\$15m and 70% of shoot in country if spend < A \$50m	None	None	Financing and distribution costs, deferrals, and general business overheads	Yes but does not combine with PDV Offset

<i>Incentive</i>	<i>Form</i>	<i>Value</i>	<i>Good Spend</i>	<i>Min Spend</i>	<i>Max Spend</i>	<i>Incentive Cap</i>	<i>Excluded Elements</i>	<i>Post</i>
South Africa Location Film & TV Prodn Incentive	Rebate	15% of qualifying local spend	Local vendors and imported elements provided 50% of principal photography takes place in SA	R12m	None	R10 million	Financing expenditure, land and buildings, business overheads, deferrals, advances, depreciation and costs of services embodied in goods. South African producer and other ATL party fees are excluded > R1 million or 10% of total production expenditure (whichever is less)	No
Germany DFFF	Rebate	20% of qualifying production spend	Services provided in country including imported	25% budget; 20% if budget > €20m; no min if Ger spend > €15m	80% budget	€4m; €10m with Committee approval	Preproduction, underlying rights acquisition, legal advice, insurance, financial costs, travelling and transport costs, administrative costs or actors' fees > 15% of the budget	No
Hungary National (as of Dec 2007)	Transferable tax credit	Effectively 19%	Incurred & paid in country (Hungarian income tax or VAT)	None	None	None	Marketing, legal and promotional costs are excluded.	No
Ireland Section 481	Tax Shelter	20% of qualifying expenditure (usually closer to 19%)	Purchased in country including EU labour	None	80% budget	€50m - subject to confirmation from EC		No
UK	Tax rebate	20% film budget > £20m 25% film budget < £20m	Used or consumed including imported	25% of budget	80% of budget	None	Qualifying British spend does not include finance costs, development costs, completion bond, entertainment, publicity (except for the unit publicist) and audit fees.	Yes

5. Territory by Territory Analysis

5.1 Los Angeles

Los Angeles, of course, offers the most mature infrastructure and all the advantages of being the 'home territory' for a US-originated production. However, it is well known that US fringes are high, unions are strong and there are some rigid work practices. Los Angeles does not offer any fiscal incentives. Simply put, it is expensive to make a film in Los Angeles. In the high budget case, Los Angeles is more expensive than all territories before (except Connecticut) and after the application of incentives. In the mid budget, before the application of incentives, Los Angeles is on a par with Germany and Canada. However, with the application of incentives, all other territories become cheaper.

Particular departments where Los Angeles is appreciably more expensive than the UK include labour-intensive departments (eg Supporting Cast, Production Department, Extras) and departments which reflect very different work practices (eg Set Operations and Transport).

5.2 Connecticut

Connecticut suffers from the same high US fringes, and transportation costs, as Los Angeles. Although on the surface the nominal value of incentive at 30% on all 'on-the-ground' expenditure is attractive, the requirement to trade the tax credit in order to use it reduces its value. There have also been concerns that, in the past, there has been a shortage of corporations able and willing to buy the credits. Moreover, it has to be remembered that, at current levels of 'maturity' of the Connecticut production sector, almost everything has to be brought into the state (both in terms of labour and equipment). The costs of doing this, including accommodation and per diems for crew, is substantial. Most departmental costs are higher than shooting in LA, and without the presence of the incentive, Connecticut would be a very high cost option for both budgets.

As with Los Angeles, the following departments are appreciably more expensive than the UK including labour-intensive departments (eg Supporting Cast, Production Department, Extras) and departments which reflect different work practices (eg Set Operations and Transport).

5.3 Canada

Canada offer a mature and deep infrastructure in a variety of production centres including British Columbia, Ontario and Quebec, modern purpose built studios in British Columbia, and script to screen services, with post production facilities (other than VFX) at a competitive level to London. In addition to federal incentives, each of the provinces offer incentives. Incentives are typically based on the use of local labour. Basing the incentive on labour has allowed Canada to develop a depth of crew base that can sustain substantial levels of production.

British Columbia is most typically associated with television production – there are many long running US series. Toronto is more associated with feature films. However, Vancouver is also

used for features. Anecdotally, it has been known for US majors to block book stages in Vancouver as a precaution against not having facilities available when needed.

Like the US, crew are heavily unionised. However, Canada is also service-orientated. For example, when the Canadian dollar rose above the US dollar, there were steps taken by the sector to accept the US dollar on par with the Canadian dollar. This suggested measure is indicative of the Canadian industry's ability to market itself in a unified manner to the US.

Canada is also leading the way in 'greening' the industry with issues such as recycling of sets. In the future, in the light of rising political pressure and Hollywood stars' advocacy for such issues, the green credentials of a territory may become a decisive factor in determining a location.

In general, Canada is high cost in areas in which US territories are high cost as a result of similar work practices. However, although Canada is more expensive in such areas in comparison to the UK, Canada still, in general, offers savings over the US. Canada is therefore high in departments such as Extras, Action Vehicles, Transport and Set Operations. Canada is also high in terms of Locations, Accommodation and Per Diems being 25% more expensive than the UK in the high budget scenario. Canada however offers savings on Set Construction with respect to the UK.

5.4 Australia

Sydney is an established production centre, and Australia offers a variety of locations. In order to enhance the competitiveness of its offer, a range of new Australian incentives have been introduced covering production through to post. The reliability and overall attractiveness to incoming productions of these incentives is difficult to determine at the moment. Australia has announced that the 40% incentive will not be available for US originated productions, though it is likely that certain productions will still attempt to qualify.

The Australia time zone means that Australia suffers from a disadvantage in doing business with Los Angeles. Another potential issue is that, in general, crew are less flexible than in the UK. Beyond a 12 hour day, crew are paid triple time. Crew are also used to being warned a fortnight ahead about the working time on the schedule.

Australia offers noticeable savings in Set Construction and Special Effects. Departments where Australia is more expensive include Set Operations (work practices are more akin to North America), Electrical and Locations, Accommodation and Per Diems in the high budget.

5.5 South Africa

South Africa's film industry is less mature and infrastructure is less developed than most of the territories considered in our analysis. Indeed South Africa has no studio space and productions are obliged to improvise four walled warehouses in this respect. South Africa naturally offers stunning locations and good weather conditions. It is worth noting that South Africa has a more servicing attitude, than most of the territories considered, and has a more flexible work week and attitude to issues like night shooting.

The relative youth of the industry presents issues in terms of depth of crew in management and HoD positions. This means that shooting in South Africa will require higher levels of imported crew. South Africa's lack of maturity is also, however, a strength. South Africa has a very service-oriented attitude with a six day week/ 12 hour day (45 minutes for lunch) being the norm. South Africa has a small indigenous features tradition but its mainstay has been commercials creating a strong technical base but with less experience of long format.

The attractiveness of South Africa's incentive is limited in that it is capped at approximately \$1.3m at current exchange rates. This means that the incentive is not enough to attract large productions, which do not have compelling reasons to already consider South Africa, such as story setting.

Even more than Australia, South Africa appears to be a very long way from Los Angeles. Moreover, its location in Africa and its history often make it appear a more 'frontier' and risky proposition to US majors than other destinations discussed in this report.

As one of the low cost countries, South Africa offers substantially lower costs across a number of departments which are labour-intensive (such as Supporting Cast, Extras, Production Department and Set Construction). The need to bring in experienced imported crew is obviously felt in Locations, Accommodation and Per Diems with South Africa being 48% more expensive than the UK in this respect.

5.6 Germany

Key to Berlin's offer is its substantial infrastructure. It is estimated that three large scale productions could shoot in Berlin at any one time. In particular, Berlin has been enjoying a boom in production volume as result of the impact of the D-FFF incentive. Although the D-FFF combines with regional incentives, the impact of the D-FFF has been felt less in other production areas such as Hamburg. The D-FFF incentive is a capped fund (€60m per annum) offered on a first come first served basis.¹⁰

Germany can have higher labour fringes than other European countries, in certain areas, increasing overall costs. Overtime is due over 60 hours in a week or over 12 hours in a day, but it is only due to certain staff and at a rate of 1.25. If a production breaks an 11 hour turnaround there is a penalty of 200% per hour. Therefore it is more likely that a production will push calls than break turnaround.

Germany is noticeably more expensive than the UK in areas such as Sound, Electrical and Wardrobe as a result of fringes. Germany is also markedly more expensive than the UK in terms of Locations, Accommodation and Per Diems being 151% more expensive than the UK in the high budget. German rates for locations are in particular extremely high in comparison with all other non-US territories. However, German studio rates are an area in which Germany has a strong competitive advantage over the UK.

¹⁰ Its maximum award is normally capped at €4m although a discretionary award (dependent on certain spend criteria) of up to €10m is possible.

5.7 Hungary

Hungary has a less established infrastructure base and less of a history of servicing large incoming productions than the Czech Republic. Nevertheless, on the basis of its incentive, it has been attracting business. From 2004-2007 there was a ten-fold rise in production volume. Hungary has recently been increasing its studio space capabilities with the establishment of Korda in 2007 (6 sound proofed stages) and Stern (2 sound proofed stages) in 2005.

Like the Czech Republic, Hungary offers low labour rates and cheap construction as the principal elements of its offer. Therefore, as with Czech Republic and South Africa, Hungary offers savings in areas such as Extras, Supporting Cast, Production Department, Set Design and Set Construction. As with the other low cost countries, the need to import higher calibre crew is felt in the Locations, Accommodations and Per Diems which is 54% more expensive than the UK.

Four to five years ago, Hungary appeared to be clearly behind Czech Republic in the development of its infrastructure and skills base. However, the gap has narrowed substantially with the volume of production that has been attracted by the incentive.

5.8 Czech Republic

The Czech Republic is an established production centre with established crew structure and a long history of servicing productions. The Czech Republic's most direct competition is with Hungary. Hungary and Czech Republic offer similar benefits in terms of low labour rates. However, whereas Czech Republic is the older and more established centre, Hungary has been successfully attracting productions as a result of its tax incentive. Film industry stakeholders in the Czech Republic have been lobbying for the introduction of an incentive to redress this problem; however, it may be some time before this lobbying comes to fruition, if it ever does.

There are no official unions for technicians or actors. A 12 hour day is normal but overtime is paid beyond that. There is no premium for night shooting. Normal practise for an incoming production is to contract with a local service production company (typically \$150k-\$300k) which pays and reclaims VAT, handles local pay-roll and provides line management advice. The Czech Republic's maturity continues to grow and as a result the need to import key production staff becomes less and less. Post tends not to be done in the Czech Republic although there exist credible facilities in this respect.

In addition to low labour rates, cheap set construction rates and the Czech Republic's depth of capability in the crafts area are major selling points of the offer. However, it is interesting to note that, in this version of the Assignment, Czech Republic seems to have less of an advantage, compared to its Eastern European neighbours, in areas such as wardrobe. The Czech Republic remains less expensive than Hungary in terms of locations and per diems (+12% for Czech and +54% for Hungary in the high budget with respect to the UK) partly as a result of the lesser need to import crew.

5.9 Ireland

Ireland has much weaker infrastructure than the UK especially in terms of studio space. The main facility of Ardmore is limited in its capacity (having 5 sound proofed stages, the largest of which is 1,290 sq m; there is also no back lot). Depth of quality crew can be an issue in peak periods. Anecdotally, some productions report less easy industrial relations than in the UK. Industrial relations are based on relatively old agreements but new agreements are currently being negotiated.

Departments where Ireland offers appreciable savings include set construction and studio rental (although infrastructure is limited) in comparison to the UK. Departments where Ireland is noticeably more expensive than the UK include Set Design, Set Operations and Make Up. In particular Locations, Accommodations and Per Diems are 100% more expensive than the UK in the high budget.

5.10 UK

Overall the offer of the UK (talent, locations, infrastructure) is extremely strong and perhaps second only to the US. UK crew rates and fringes are less than the US, and work practices are amongst the most flexible in the world. For example the financial consequences for a production running into overtime are less onerous in the UK than in many of the other countries.¹¹

However, on a department by department basis, the UK is expensive in some key areas including set construction and studio rental. As a result, it is the value of the Tax Credit, which is one of the most generous in the world, which ensures the UK's current competitiveness.

As noted the principal areas of cost concern for the UK are Studio rental and Set Construction. Nevertheless, as demonstrated throughout this Assignment, the overall costs of filming in the UK are competitive both in respect to established production centres and low cost countries – even in periods when the US dollar is weak. Taken together, the qualitative advantages of the UK's offer with its current financial competitiveness means that the UK is an extremely attractive proposition for inward investment. Overall therefore, the UK is arguably 'second to none' in terms of attractiveness to mobile Hollywood productions. The depth of talent, infrastructure and a film friendly government mean that the UK is a viable, reliable and most importantly competitive territory for both mid and high budget mobile productions originating from the US.

¹¹ Although our critical assumptions for the two films did not assume over time shooting, had we done so this would have highlighted this particular financial benefit.

Appendix – Guide

This Appendix is structured as follows:

- In Appendix 1 there are two charts which are comparative summaries of all the top sheets for both the high and mid budget;
- In Appendix 2 there is a summary of all fixed costs across all the budgets, our critical assumptions for both budgets and two charts providing the detail of our fiscal incentives assumptions and calculations across all the territories for both budgets and an update of exchange rates for September 2008 as well as a brief analysis of how exchange rate movement impacts on the overall results;
- In Appendix 3 there are two charts which provide a summary of our assumptions with regards to imported crew across all the territories for both budgets;
- In Appendix 4 we have provided a summary of the key features of all the relevant fiscal incentives available in the countries considered – these include a summary of the key features of many incentives which were not applied to the budgets but which remain of interest in order to better understand the offer of the various territories;
- In Appendix 5 we provide information on the Team who carried out the work;
- In Appendix 6 we provide a list of everybody we spoke to in the course of the work.

Appendix 1 – Comparative Top Sheets

Please see below

A1.1 Comparative Top Sheet High Budget

			LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
B01	Above -the-Line		35,000,000	35,000,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000
	Total - ATL		35,000,000	35,000,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000	35,200,000
C01	Supporting Cast		629,685	629,685	312,507	597,021	471,645	569,956	455,346	428,255	532,686	499,395
D01	Production Dept		2,930,225	2,866,586	3,196,761	2,801,112	2,565,015	2,726,925	1,794,117	2,741,142	3,101,203	2,790,326
E01	Extras		1,183,982	1,341,045	1,798,656	1,089,354	467,392	1,017,704	310,239	280,987	948,193	1,130,673
F01	Set Design		2,054,251	1,979,819	1,557,844	1,632,312	1,429,552	1,600,915	1,123,897	1,276,407	2,078,976	1,651,965
G01	Set Construction		8,811,295	9,322,188	5,222,260	6,233,569	5,305,996	7,933,988	3,228,471	2,842,867	5,503,482	8,258,751
H01	Special Effects		1,506,876	1,557,446	1,574,346	1,228,072	1,447,497	1,400,530	1,393,087	1,388,900	1,476,313	1,401,383
J01	Set Operations		1,824,564	1,912,983	1,305,148	1,200,675	667,369	796,988	655,160	676,366	1,085,728	855,549
K01	Set Dressing		970,404	996,997	846,872	701,902	598,293	842,755	637,795	637,769	924,463	931,356
L01	Property Dept		1,497,985	1,364,581	1,488,260	1,279,159	1,068,521	1,390,437	1,301,185	1,357,576	1,418,507	1,426,408
M01	Action Vehicles & Animals		631,979	646,454	635,308	513,300	454,647	533,165	423,936	408,966	496,991	585,419
N01	Camera Dept		1,804,116	1,498,312	1,711,355	1,722,112	1,191,926	1,438,976	1,460,685	1,451,257	1,840,098	1,716,058

				LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
P01	Sound			329,106	335,149	327,090	317,707	278,644	333,531	255,271	258,227	323,058	321,749
Q01	Electrical Dept			1,646,225	1,716,842	1,602,992	1,395,966	1,231,273	1,842,912	1,258,845	1,501,796	1,643,656	1,348,431
R01	Wardrobe			1,683,730	1,678,884	1,355,728	1,185,234	1,093,392	1,603,585	1,337,258	1,225,096	1,494,619	1,481,508
S01	Make up & Hair			633,461	640,258	599,257	461,763	464,547	531,540	440,960	428,785	552,933	489,731
T01	Accommodation & Per Diem			3,243,979	3,183,732	3,671,072	3,428,266	4,523,491	7,653,028	4,603,288	3,412,453	6,107,672	3,053,373
U01	Transportation			3,936,518	4,873,035	3,191,247	1,964,982	1,051,822	2,859,877	1,681,290	1,756,447	2,123,184	2,367,614
V01	Film & Laboratory			1,081,981	1,081,981	813,118	1,066,183	969,072	1,310,885	1,231,208	1,250,886	1,220,326	1,091,693
W01	Production Editing			384,470	345,470	347,540	380,471	345,897	427,681	282,319	298,183	377,182	348,706
X01	Studio			2,055,800	1,830,800	1,036,648	1,055,498	531,467	793,341	498,106	865,082	1,019,321	1,500,352
Y01	Second Unit			2,944,051	2,989,381	1,959,372	1,904,451	1,213,468	2,274,170	412,635	1,370,471	2,268,242	1,746,102
Z01	FX Unit			3,532,140	3,532,140	2,681,186	2,785,005	1,303,330	3,138,429	1,378,360	1,218,490	2,348,626	3,373,063
	Production Level Fringes			10,030,604	11,612,490	7,787,945	4,835,744	2,560,969	4,776,311	1,945,166	1,637,642	4,296,877	5,567,945
Total	Production Level C to Z			55,347,427	57,936,257	45,022,509	39,779,858	31,235,226	47,797,631	28,108,624	28,714,048	43,182,334	43,937,547

		LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
AA01	Post Production Editing	951,200	932,400	797,457	768,403	1,151,400	932,400	932,400	932,400	932,400	751,465
BB01	Digital Post & Lab	294,923	294,923	287,495	297,621	294,923	294,923	294,923	294,923	294,923	290,737
CC01	Post Production Sound	2,184,600	2,184,600	1,646,199	1,871,775	2,184,600	2,184,600	2,184,600	2,184,600	2,184,600	2,197,261
DD01	Visual Effects	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
EE01	Titles & Opticals	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
FF01	Delivery Requirements	250,104	250,104	233,031	319,630	250,104	250,104	250,104	250,104	250,104	234,599
	Post Level Fringes	421,715	415,135	440,869	178,095	207,763	415,135	415,135	415,135	415,135	178,275
Total	Post Production AA to FF	12,177,542	12,152,162	11,480,051	11,510,524	12,163,790	12,152,162	12,152,162	12,152,162	12,152,162	11,727,337
GG01	General Expenses	539,500	539,500	489,500	539,500	539,500	539,500	539,500	539,500	539,500	539,500
	Total - Other GG	539,500	539,500	489,500	539,500	539,500	539,500	539,500	539,500	539,500	539,500
	Total - Below-the-Line	68,396,719	70,627,919	56,992,060	51,829,882	43,938,516	60,489,293	40,800,286	41,405,710	55,873,996	56,204,384
Total	Above & Below The Line	103,064,469	105,627,919	92,192,060	87,029,882	79,138,516	95,689,293	76,000,286	76,605,710	91,073,996	91,404,384
HH01	Insurance 2.15%	1,959,875	2,008,580	1,754,935	1,655,061	1,503,851	1,216,306	1,444,015	1,455,605	1,732,876	1,769,614
	Completion Bond 2.0%	2,061,289	2,112,558	1,843,841	1,740,598	1,582,770	1,913,786	1,520,006	1,532,114	1,821,480	1,828,088
	Contingency 10%	10,306,447	10,562,792	9,219,206	8,702,988	7,913,852	9,568,929	7,600,029	7,660,571	9,107,400	9,140,438
	Grand Total Production US\$	117,392,080	120,311,850	105,010,043	99,128,528	90,138,989	108,388,313	86,564,335	87,254,000	103,735,751	104,142,524

A1.2 Comparative Top Sheet Mid Budget

					LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
B01	Above -the-Line				5,000,000	5,000,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000
	Total - ATL				5,000,000	5,000,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000	5,200,000
C01	Supporting Cast				363,450	380,724	277,914	437,018	240,682	313,729	235,944	201,818	361,657	310,910
D01	Production Dept				1,184,044	1,290,678	858,584	1,170,163	755,130	1,167,032	758,220	757,510	1,102,740	1,041,372
E01	Extras				217,808	243,945	292,441	211,400	78,610	140,418	61,747	57,642	173,928	203,516
F01	Set Design				399,428	403,160	378,494	387,647	349,393	413,013	347,074	370,257	477,906	437,620
G01	Set Construction				561,762	561,764	596,947	619,644	693,071	650,809	362,794	267,982	363,797	696,977
H01	Special Effects				21,580	23,260	19,854	22,258	13,861	24,847	14,024	14,791	25,296	23,101
J01	Set Operations				513,927	631,966	435,030	427,847	174,800	331,629	210,563	200,697	432,558	323,232
K01	Set Dressing				350,121	431,451	317,764	301,298	214,815	305,497	173,866	176,562	319,899	299,628
L01	Property Dept				404,859	423,114	404,415	428,505	349,084	410,961	370,622	380,954	435,689	415,969
M01	Action Vehicles & Animals				35,000	35,000	34,707	35,000	35,000	35,000	35,000	35,000	35,000	35,000
N01	Camera Dept				753,588	877,313	811,642	786,091	458,071	808,251	531,314	665,827	727,085	797,352

					LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
P01	Sound				146,740	170,490	151,999	138,724	78,005	165,997	97,467	91,182	129,040	152,993
Q01	Electrical Dept				502,881	744,319	563,259	680,078	885,038	913,448	559,880	649,756	698,332	615,514
R01	Wardrobe				448,881	449,826	467,591	371,840	405,915	471,117	356,377	368,644	416,955	442,105
S01	Make up & Hair				282,695	329,070	301,986	247,969	215,476	287,021	192,515	197,178	289,901	297,588
T01	Accommodation & Per Diem				1,719,106	2,122,575	2,264,213	1,888,929	2,221,087	2,510,623	1,608,813	1,624,460	2,480,567	1,935,113
U01	Transportation				1,371,178	1,884,430	1,270,660	1,060,697	673,467	1,105,782	804,933	770,364	1,042,936	1,156,132
V01	Film & Laboratory				409,613	409,613	386,017	504,956	349,810	415,507	332,477	368,753	469,357	406,317
W01	Production Editing				111,298	111,298	116,509	150,758	106,961	125,591	113,653	108,328	127,815	118,193
X01	Studio				884,485	893,935	881,580	647,208	646,758	608,060	380,965	524,886	581,926	878,722
	Production Level Fringes				1,940,059	2,314,331	1,885,568	1,138,653	454,614	1,002,636	315,836	218,233	842,841	1,085,024
Total	Production Level C to Z				12,622,503	14,732,261	12,717,174	11,656,685	9,399,648	12,206,967	7,864,083	8,050,823	11,535,226	11,672,376

				LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
AA01	Post Production Editing			342,550	402,550	376,990	301,841	352,642	352,642	352,642	352,642	352,642	352,642
BB01	Digital Post & Lab			204,049	204,049	284,798	193,291	210,559	210,559	210,559	210,559	210,559	210,559
CC01	Post Production Sound			623,400	623,400	512,895	1,085,573	756,157	756,157	756,157	756,157	756,157	756,157
DD01	Visual Effects			200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
EE01	Titles & Opticals			35,540	35,540	35,391	32,157	30,735	30,735	30,735	30,735	30,735	30,735
FF01	Delivery Requirements			167,245	167,245	166,543	151,323	182,433	182,433	182,433	182,433	182,433	182,433
	Post Level Fringes			117,760	145,520	171,657	55,906	78,060	78,060	78,060	78,060	78,060	78,060
Total	Post Production AA to FF			1,690,544	1,778,304	1,748,273	2,020,090	1,810,586	1,810,586	1,810,586	1,810,586	1,810,586	1,810,586
GG01	General Expenses			183,144	183,144	182,512	185,634	185,634	188,567	188,567	188,567	188,567	185,634
	Total - Other GG			183,144	183,144	182,512	185,634	185,634	188,567	188,567	188,567	188,567	185,634
	Total - Below-the-Line			14,496,192	16,693,709	14,647,959	13,862,409	11,395,868	14,206,121	9,863,237	10,049,977	13,534,379	13,668,596
	Total Above & Below The Line			19,496,192	21,693,709	19,847,959	19,062,409	16,595,868	19,406,121	#####	15,249,977	18,734,379	18,868,596
HH01	Insurance 2.15%			373,728	413,830	380,397	365,172	315,541	373,656	286,211	289,943	358,423	361,767
	Completion Bond 2.0%			389,924	433,874	396,959	381,248	331,917	388,122	301,265	305,000	374,688	377,372
	Contingency 10%			1,949,619	2,169,371	1,984,796	1,906,241	1,659,587	1,940,612	1,506,324	1,524,998	1,251,629	1,886,860
	Grand Total - Production US\$			22,209,462	24,710,785	22,610,112	21,715,070	18,902,913	22,108,511	17,157,036	17,369,917	20,719,119	21,494,594

Appendix 2 – Notes on Section 2

A2.1 Summary of Fixed Costs Across All Budgets

FIXED COSTS	HIGH	MID
<i>Budget items that would likely not differ significantly between territories</i>		
ATL	\$35,200,000	\$5,000,000
Music	\$1,000,000	\$200,000
Visual Effects	\$8,000,000	\$200,000
Main Titles	\$75,000	\$15,000
Executive Entertainment	\$10,000	\$7,500
Legal	\$75,000	\$50,000
Prod co overhead	\$300,000	\$50,000
Exchange Rate Gain Loss	\$50,000	\$20,000
Bank Charges	\$20,000	\$15,000
Wrap	\$15,000	\$7,500
Total	\$44,745,000	\$5,565,000
<i>Budget items that could not be priced individually in territories</i>		
Art Dept Supplies	\$63,000	\$10,000
FX EQ	\$10,000	
Consumables	\$5,000	
Pyro	\$12,000	
Greens	\$25,000	
Drapes	\$30,000	\$2,000
Outside Rentals	\$35,000	\$20,000
Purchases	\$10,000	\$3,000
Fixtures	\$7,500	\$750
Prop Rentals	\$320,000	\$200,000
Purchases	\$320,000	\$12,000
Box	\$4,000	\$50,000
Purchase Vehicles	\$240,000	\$30,000
Animals	\$5,000	\$5,000
DOP	\$440,000	\$150,000
Costume Rentals	\$245,647	\$10,000
Purchases	\$128,000	\$100,000
Costume Manufacturer	\$10,000	\$10,000
Total	\$1,910,147	\$602,750

A2.2 Summary of Critical Assumptions High budget

Preparation Period (weeks)	26
Director's Rehearsals (weeks)	4
Principal Photography Shoot weeks	16
Studio Shoot Weeks (5 day weeks)	10
Local Locations Shoot Weeks (5 day weeks)	3
Resident Location Shoot Weeks (6 day weeks)	3
Wrap Weeks	4
Principal Photography Main Unit	83
Shooting Days	
2nd unit weeks	10
2nd unit days	50
fx unit weeks	10
fx unit days	50
No. of Cast x shoot days - Day Players	5
No. of Cast x shoot weeks - Weekly Players	3
Number of Extras per day average	60
Cast Overtime -Weekly Allowance	10
Insurance (above & below-the-line)	2.15%
Completion Bond (above & below-the-line)	2.00%
Contingency (above & below-the-line)	10.00%
Estimated Above-The-Line	\$35,200,000
Post Production (weeks)	30
Running Time (minutes)	120
Delivery Footage (feet)	10,800

A2.3 Summary of Critical Assumptions Mid budget

Preparation Period (weeks)	10
Director's Rehearsals (weeks)	2
Principal Photography Shoot weeks	10
Studio Shoot Weeks (5 day weeks)	3
Local Locations Shoot Weeks (5 day weeks)	3
Resident Location Shoot Weeks (6 day weeks)	4
Wrap Weeks	4
Principal Photography Main Unit	54
Shooting Days	
2nd unit weeks	0
2nd unit days	0
fx unit weeks	0
fx unit days	0
No. of Cast x shoot days - Day Players	5
No. of Cast x shoot weeks - Weekly Players	3
Number of Extras per day average	60
Cast Overtime -Weekly Allowance	10
Insurance (above & below-the-line)	2.15%
Completion Bond (above & below-the-line)	2.00%

Contingency (above & below-the-line)	10.00%
Post Production (weeks)	20
Running Time (minutes)	90
Delivery Footage (feet)	9,900

A2.4 Incentive Calculations High Budget

	LA	CT	CAN	AUS	SA	GER	HUN	CZ	IRE	UK
Qualifying Spend	-	\$96,866,534	see below	\$76,973,528	NM	\$85,501,180	\$25,806,321	-	\$51,456,820	\$82,634,782
Nominal Incentive	-	30%		15%	\$1,329,000	20%	20%	-	19%	20%
Realisable Value	-	87%		98%	98%	98%	98%	-	98%	98%
Value of Incentive	-	\$25,282,165		\$11,315,109	\$1,302,420	\$16,758,231	\$5,058,039	-	\$9,581,260	\$16,196,417
Value, if capped					\$1,302,420	\$14,668,640				

Notes**Calculation of Qualifying Spend**

Total budget (US post)	\$120,718,644	see below	\$100,137,952		\$108,388,313	\$86,564,335		\$103,735,751	\$104,592,729
LESS:									
LA post	\$12,177,542		\$12,177,542		\$12,177,542	\$12,177,542		\$12,177,542	\$12,177,542
All ATL						\$35,200,000		\$35,200,000	
Development (@10%)	\$3,500,000		\$3,520,000		\$3,520,000				\$3,520,000
Other non-prodn ATL (@10%)	\$3,500,000		\$3,520,000		\$3,520,000				\$3,520,000
Non local labour and equip						\$9,876,952		\$807,534	
General expenses	\$539,500		\$539,500		\$539,500	\$539,500		\$539,500	\$539,500
Insurance	\$2,015,366		\$1,660,772		\$1,216,306	\$1,444,015		\$1,732,876	\$372,818
Bond	\$2,119,701		\$1,746,610		\$1,913,786	\$1,520,006		\$1,821,480	\$1,828,088
Total Deductions	\$23,852,110		\$23,164,424		\$22,887,133	\$60,758,014		\$52,278,931	\$21,957,947
Local spend	\$96,866,534		\$76,973,528		\$85,501,180	\$25,806,321		\$51,456,820	\$82,634,782
Cap on qualifying spend					\$86,710,651			\$74,840,000	\$83,674,183
Qualifying local spend	\$96,866,534		\$76,973,528		\$85,501,180	\$25,806,321		\$51,456,820	\$82,634,782

Canada

Based on federal credit of 16% and provincial of 25%. No regional credits assumed.

Total Labour spend	\$24,493,532	
plus: Production Fringes	\$7,328,080	(PST of C\$461,805 deducted)
plus: Per Diems	\$363,940	
less: Imported Labour (w/frng)	<u>\$537,431</u>	
Total	\$31,284,182	

BC Prodn Services credit @ 25%	\$7,821,045
DAVE	
Share of second unit labour @ 50%	\$841,955
Share of model unit @ 75%	\$2,010,889
VFX Budget	<u>\$8,000,000</u>
Total	\$10,852,844
DAVE credit @ 15%	\$1,627,927
Net amount for fed credit	\$21,835,210
Federal credit @ 16%	\$3,493,634
Total credits	\$12,942,605

South Africa

Maximum incentive is R10m or \$1,329,000

Germany

The German incentive is capped at EUR4m, or EUR10m if approved by a Committee. We have assumed maximum, which in dollars is \$14,968,000

Hungary

Deductions are above the line and the total payments, including fringes, to imported labour

Ireland

In this case, non-local labour means non-EU labour

UK

Only a pro-rata share of insurance is deducted. This amount is 21.07% (post/(prodn+post))

A2.5 Incentive Calculations Mid Budget

	LA	CT	CAN	AUS	SA	GER	HUN	CZ	IRE	UK
Qualifying Spend	-	\$20,989,392	see below	\$17,722,926	\$9,592,784	\$17,686,809	\$8,003,403	-	\$12,906,897	\$17,099,642
Nominal Incentive	-	30%		15%	15%	20%	20%	-	19%	25%
Realisable Value	-	87%		98%	98%	98%	98%	-	98%	98%
Value of Incentive Value, if capped	-	\$5,478,231		\$2,605,270	\$1,410,139	\$3,466,614	\$1,568,667	-	\$2,403,264	\$4,189,412
Notes										
Calculation of Qualifying Spend										
Total budget (US post)		\$24,710,785	see below	\$21,385,523	\$18,902,913	\$22,108,511	\$17,157,036		\$20,719,119	\$21,374,552
LESS:										
LA post		\$1,690,544		\$1,690,544	\$1,690,544	\$1,690,544	\$1,690,544		\$1,690,544	\$1,690,544
All ATL					\$5,200,000		\$5,200,000		\$5,200,000	
Development (@10%)		\$500,000		\$520,000		\$520,000				\$520,000
Other non-prodn ATL (@10%)		\$500,000		\$520,000		\$520,000				\$520,000
Non local labour and equip					\$1,582,020		\$1,487,046			
General expenses		\$183,144		\$185,634	\$185,634	\$188,567	\$188,567		\$188,567	\$185,634
Insurance		\$413,830		\$365,172	\$315,464	\$373,656	\$286,211		\$358,423	\$48,581
Bond		\$433,874		\$381,248	\$331,836	\$388,122	\$301,265		\$374,688	\$377,372
Total Deductions		\$3,721,393		\$3,662,597	\$9,305,497	\$3,680,889	\$9,153,633		\$7,812,222	\$3,342,130
Local spend		\$20,989,392		\$17,722,926	\$9,592,784	\$18,427,622	\$8,003,403		\$12,906,897	\$18,032,422
Cap on qualifying spend						\$17,686,809			\$74,840,000	\$17,099,642
Qualifying local spend		\$20,989,392		\$17,722,926	\$9,592,784	\$17,686,809	\$8,003,403		\$12,906,897	\$17,099,642

Canada

Based on federal credit of 16% and provincial of 25%. No regional credits assumed.

Total Labour spend		\$5,489,866	
plus: Production Fringes		\$1,728,425	(PST of C\$157,806 deducted)
less: Imp Prodn Lab (w/frng)		<u>\$0</u>	
Total		\$7,218,291	

BC Prodn Services credit @	25%	\$1,804,573
DAVE		
VFX Budget		\$200,000
DAVE credit @	15%	\$30,000
Net amount for fed credit		\$5,383,718
Federal credit @	16%	\$861,395
Total credits		\$2,695,968

South Africa

The maximum incentive is R10m or \$1,329,000

Germany

The German incentive is capped, but this is well below the cap.

Hungary

Deductions are above the line and the total payments, including fringes, to imported labour

Ireland

In this case, non-local labour means non-EU labour

UK

Only a pro-rata share of insurance is deducted. This amount is 13.43% (post/(prodn+post))

A2.6 Exchange Rates Update

The rates used in this report are the average spot exchange rates for the three month period January - March 2008, the period when the financial analysis was being done, as issued by the Bank of England, as follows:

UK Sterling GBP £1	US \$1.9778
Australia Dollar AUS\$ 1	US \$0.9048
Canada Dollar CAN\$ 1	US \$0.9958
South Africa Rand SA RN 1	US \$0.1329
Euro €1	US \$1.4968
Czech Crowns CZK 1	US \$0.0586
Hungary Forint HUF 1	US \$0.0058

The dollar has substantially strengthened since the first quarter of 2008, thus we have taken more recent exchange rates and run them through the Model.

The rates below are the spot exchange rate issued by the Bank of England for September 1st 2008. Also included is the percentage change between these two sets of rates:

		Change
UK Sterling GBP £1	US \$1.7989	-9.0%
Australia Dollar AUS\$ 1	US \$0.8487	-6.2%
Canada Dollar CAN\$ 1	US \$0.9355	-6.1%
South Africa Rand SA RN 1	US \$0.1292	-2.8%
Euro €1	US \$1.4592	-2.5%
Czech Crowns CZK 1	US \$0.0587	+0.2%
Hungary Forint HUF 1	US \$0.0061	+5.6%

It is apparent that the pound has weakened by a greater degree than any of the other currencies – indeed the Eastern European currencies have strengthened (very slightly, in the case of Czech Republic). Thus all these changes are to the advantage of the UK, making the UK comparatively cheaper to all other destinations in comparison to the results contained in the body of the report. This is shown below.

Mid Budget Cash – 1Q Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$22.2	\$24.7	\$22.6	\$21.7	\$18.9	\$22.1	\$17.2	\$17.4	\$20.7	\$21.5
% cf UK	3%	15%	5%	1%	-12%	3%	-20%	-19%	-4%	0%

Mid Budget Cash – Current Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$22.2	\$24.7	\$21.6	\$20.8	\$18.5	\$21.6	\$17.3	\$17.2	\$20.3	\$20.2
% cf UK	10%	22%	7%	3%	-8%	7%	-15%	-15%	0%	0%

In the mid cash budget with the updated exchange rates, the cost differential with the UK changes for all destinations such that they all become comparatively more expensive. Cost differentials increase by the following percentages: Los Angeles (+7%), Connecticut (+7%), Canada (+2%), Australia (+2%), South Africa (+4%), Germany (+4%), Hungary (+5%), Czech (+4%), Ireland (+4%).

Mid Budget with Incentives Applied – 1Q Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$22.2	\$19.2	\$19.9	\$18.8	\$17.6	\$18.6	\$15.6	\$17.4	\$18.3	\$17.2
% cf UK	29%	12%	16%	9%	2%	8%	-9%	1%	7%	0%

Mid Budget with Incentives Applied – Current Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$22.2	\$19.2	\$19.1	\$18.1	\$17.3	\$18.2	\$15.7	\$17.2	\$18.0	\$16.3
% cf UK	37%	18%	18%	11%	6%	12%	-4%	6%	11%	0%

In the mid budget with incentives applied and with the updated exchange rates, other destinations become more expensive as follows: LA (+8%), Connecticut (+6%), Canada (+2%), Australia (+2%), South Africa (+4%), Germany (+4%), Hungary (+5%), Czech Republic (+5%), Ireland (+4%) are all more expensive. Overall, after the application of the incentives, only Hungary remains less expensive than the UK and by only 4%.

High Budget Cash – 1Q Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$117	\$121	\$105	\$99	\$90	\$108	\$87	\$87	\$104	\$104
% cf UK	13%	16%	1%	-4%	-14%	4%	-17%	-16%	0%	0%

High Budget Cash – Current Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$118	\$121	\$102	\$97	\$89	\$106	\$87	\$87	\$102	\$100
% cf UK	18%	21%	2%	-3%	-10%	7%	-13%	-13%	2%	0%

In the high cash budget, other destinations become more expensive as follows: Los Angeles (+5%), Connecticut (+5%), Canada (+1%), Australia (+1%), South Africa (+4%), Germany (+3%), Hungary (+4%), Czech (+3%), Ireland (+2%).

High Budget with Incentives Applied – 1Q Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$117	\$95	\$93	\$89	\$89	\$93	\$82	\$87	\$94	\$88
% cf UK	33%	8%	5%	0%	0%	6%	-8%	-1%	7%	0%

High Budget with Incentives Applied – Current Exchange Rates

	LA	CT	Cda	Aus	SA	Ger	Hun	Cz	Ire	UK
Cost	\$117	\$95	\$90	\$87	\$88	\$92	\$81	\$87	\$93	\$85
% cf UK	38%	12%	6%	2%	4%	8%	-4%	2%	9%	0%

In the high budget with incentives applied and with the updated exchange rates, other destinations become more expensive as follows: Los Angeles (+6%), Connecticut (+4%), Canada (+1%), Australia (+2%), South Africa (+4%), Germany (+2%), Hungary (+4%), Czech (+3%), Ireland (+2%). Overall, after the application of the incentives, only Hungary is less expensive than the UK and again by only 4%.

Appendix 3 – Notes on Section 3

A3.1 Imported Crew Numbers Summary- High Budget

The table below summarises the number, origin and grade of imported crew required in each territory in the high-budget¹²:

Non local crew in each territory high budget										
Imported from US (LA)	1									
Imported from UK	1									
	LA	CT*	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
Weekly Cast						3	3	3		
Director			1	1	1	1	1	1	1	1
Producer			1	1	1	1	1	1	1	1
Line Producer			1		1	1	1	1	1	
Production Manager					1	1	1	1	1	
1 st AD					1	1	1	1	1	
2 nd AD					1	1	1	1	1	
Financial Controller			1		1	1	1	1	1	
Production Accountant					1	1	1	1	1	
Script Supervisor					1	1	1	1	1	
Designer					1	1	1	1	1	
Supervising Art Director					1	1	1	1		
S/B ART DIR						1	1			
Senior Draughtsman					1	1	1	1	1	
Construction Co-ord					1	1	1	1	1	
Ast Con Manager					1	1	1	1	1	
Sup Carp					1	1	1	1	1	
Sup Painter					1	1	1	1	1	
Sup Plasterer					1	1	1	1	1	
Chg Plasterer					1	1	1	1	1	
Plasterers					1	1	1	1	1	
Sup Rigger					1	1	1	1	1	
Scenic Artist					1	1	1	1	1	
SP FX Supervisor					1	1	1	1	1	
SP FX Coordinator					1	1	1	1	1	
SP FX Senior Tech S					1	1	1	1	1	
SP FX WS Sup Sup					1	1	1	1	1	
SP FX WS Tech					1	1	1	1	1	
SNR FX Tech					3	3	3	3	3	
SP FX Engineer					3	3	3	3	3	
SP FX Modeler					2	2	2	2	2	
Wire Man					1	1	1	1	1	
Wire Rigger					1	1	1	1	1	
Grip					1	1	1	1	1	

¹²*All physical production crew in Connecticut are presumed to be 'imported' from New York

Non local crew in each territory high budget										
Imported from US (LA)	1									
Imported from UK	1									
	LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
Crane 2 nd Cam Grip					1	1	1	1	1	
Set Decorator					1	1	1	1	1	
Ast Set Dec					1	1	1	1	1	
Production Buyer					1	1	1		1	
Prop Master					1	1	1	1	1	
Prop Storeman					1	1	1	1	1	
CH Hand S/B Prop					1	1	1	1	1	
Prop Maker Sup					1	1	1	1	1	
Prop Maker Snr Mod					3	3	3	3	3	
Modelers					4	4	4	4	4	
Action Vehicle Co-ord					1	1	1	1	1	
DOP		1	1	1	1	1	1	1	1	1
Operator					1	1	1	1	1	
Focus Puller /1 st AD					1	1	1	1	1	
Steadicam Operator									1	
Stills					1	1	1	1	1	
Sound Recordist						1	1	1	1	
Boom Op						1	1	1	1	
Gaffer					1	1	1	1	1	
Best Boy					1	1	1	1	1	
Rigging Gaffer					1	1	1	1	1	
Costume Designer					1	1	1	1	1	
Ast Cost Designer					1	1	1	1	1	
Costume Supervisor					1	1	1	1	1	
Make up Chief				1	1	1	1	1	1	1
Lead MU				1	1	1	1	1	1	1
Hair Chief					1	1	1	1	1	
Lead Hair				1	1	1	1	1	1	1
Editor				1	1	1	1	1	1	1
FX Editor					1	1	1	1	1	
1 st Ast Editor					1	1	1	1	1	
2 nd Unit Director		1	1		1	1	1	1	1	
2 nd Unit DOP		1	1		1	1	1	1	1	
2 nd Unit 1 st AD										
2 nd Unit Script Supervisor										
Model Unit Director					1	1	1	1	1	
Model Unit DOP					1	1	1	1	1	
Total	0	3	3	5	37	39	39	38	40	5
	LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK

Please note, as noted in Section 3.1, the Team's philosophy has been to maximise local crew resources. We believe that the above levels of imported crew accurately reflect local skills levels. However, there may be an 'appetite' within certain Studios' practices to import more staff. The result of this would be, of course, to increase overall prices (particularly in the lower cost countries).

A3.2 Imported Crew Numbers Summary - Mid Budget

The table below summarises the number, origin and grade of imported crew required in each territory in the mid-budget¹³:

Non Local Crew in each territory in mid range film

Imported from US (LA)

1

Imported from UK

1

	LA	CT*	CAN	AUS	S A	GER	HUN	CZ	IRE	UK
Weekly Cast						2	2	2		
Director			1	1	1	1	1	1	1	1
Producer			1	1	1	1	1	1	1	1
Line Producer					1	1	1	1		
1 st AD					1	1	1	1		
2 nd AD										
Financial Controllor					1					
Production Accountant						1	1	1	1	
Script Supervisor					1	1	1	1		
Designer					1	1	1	1	1	
Supervising Art Director					1	1	1	1		
SP FX Supervisor										
SP FX Coordinator										
Set Decorator					1	1	1	1		
Prop Master					1	1	1	1		
DOP					1	1	1	1	1	
Operator										
Focus Puller / 1 st AD										
Steadicam Operator									1	
Sound Recordist										
Boom Op										
Gaffer										
Costume Designer					1	1	1	1		
Costume Supervisor					1	1	1	1		
Make up chief					1	1	1	1		
Hair Chief					1		1	1		
Editor					1	1	1	1	1	
Total	0	0	2	2	16	17	18	18	7	2
	LA	CT	CAN	AUS	S A	GER	HUN	CZ	IRE	UK

Please note, as noted in Section 3.1, the Team's philosophy has been to maximise local crew resources. We believe that the above levels of imported crew accurately reflect local skills levels. However, there may be an 'appetite' within certain Studios' practices to import even more staff. The result of this would be, of course, to increase overall prices (particularly in the lower cost countries).

¹³ *All physical production crew in Connecticut are presumed to be 'imported' from New York

Appendix 4 – Incentives Key Features Summary

A4.1 Connecticut

Connecticut Digital Media & Motion Picture Tax Credit

Incentive	30% transferable tax credit on all qualifying expenditure
Maximum incentive value	30% of qualifying spend, with no annual cap and no per-production cap
Qualifying productions	Must spend in excess of \$50,000 in Connecticut on goods, services and labour associated with the production
Definition of local spend	Expenses or costs clearly and demonstrably incurred in Connecticut in the development, preproduction, production or postproduction costs of a qualified production. In some cases, the cost of optioning or purchase of intellectual property may also be included in calculating the tax credits. Also, certain expenditures for distribution, including preproduction, production or postproduction costs may be included. Above the line talent expenditure is an eligible cost, regardless of state residency. In the case where not all shooting takes place in Connecticut, the production accountant must indicate the pro-rata basis of the salary for the time spent in Connecticut.
Exclusions and restrictions	Cannot be applied to costs in excess of \$15 million paid to any individual or entity representing an individual for services provided for a qualified production; media buys, promotional events or gifts associated with the promotion or marketing the production; deferred, leveraged or profit participations; or costs related to the transfer of the production tax credits.
Application process	The production company must apply to the Commission for an eligibility certificate, no later than 90 days after the first qualified production expense or cost is incurred in Connecticut on a qualified production. After receiving an eligibility certificate the applicant must then apply for the tax credit certificate no later than 90 days after the last qualified production expense is incurred in Connecticut. A non-refundable transferable tax credit certificate is issued to the state-certified qualified production. The tax credit may be sold and applied against corporation business tax. It may be carried forward for 3 years.
Applicant requirements	An eligible production company is a corporation, partnership, limited liability company or other business entity producing a qualifying production in Connecticut and is registered with the Secretary of the State of Connecticut. To receive the credit, the production company must first apply to the Commission for a tax credit voucher on annual basis.
Post-production element	Variety of post-production costs may be included in qualifying Connecticut spend, including the purchase of post-production software and equipment, as well as labour costs associated with post-production.
Sunset provisions	Commencing January 1, 2009, only 50% of eligible costs actually incurred outside Connecticut will qualify. Commencing January 1, 2012, no expense actually incurred outside Connecticut will qualify regardless of where the goods or services are used.

A4.2 Canada**Federal Film or Video Production Services Tax Credit (PSTC)**

Incentive	Tax rebate worth 16% of qualifying Canadian labour expenditure
Maximum incentive value	16% of qualifying Canadian labour expenditure
Qualifying productions	Must have a production budget in excess of C\$1 million
Definition of local spend	Canadian labour expenditure includes: salary or wages paid to employees of the eligible production company from the final script stage to the end of the post-production stage paid to persons who were resident in Canada at the time the payments were made; and expenditure paid for services provided in Canada. Qualifying Canadian labour expenditure is the total of all Canadian labour expenditure minus any assistance received (including grants, subsidies, provincial tax credits, forgivable loans, contributions, services or certain advances).
Exclusions & restrictions	Productions can access either the PSTC programme or the Canadian Film or Video Production Tax Credit Programme (CPTC), not both. Calculations of Canadian labour expenditure cannot include legal, financial, accounting or other such service costs.
Application process	The applicant company must be the copyright owner and may apply to the Canadian Audio-Visual Certification Office (CAVCO) for a preliminary Accreditation certificate prior to production, any time after the budget for the production or series is locked. There is an administration fee of C\$5,000. The final certificate is obtained after production and submission of final budget figures. The accreditation certificate must be attached to the company's corporate tax return at the end of each taxation year and the Canada Revenue Agency's policy is to issue a cheque within 60 days following receipt of a complete claim, provided there is no audit.
Applicant requirements	The applicant company must be a corporation (a taxable Canadian corporation or a foreign-owned corporation), the activities of which in the year are primarily (50% or more) the carrying on through a permanent establishment (as defined by regulation) in Canada of a film or video production business or a film or video production services business.
Post-production element	Post-production costs are eligible for the calculation of the tax rebate, for salary and wage costs for those who 'perform a function' during post-production, that is directly attributable to the production of a property.

Federal Canadian Film or Video Production Tax Credit (CPTC)

Incentive	Tax credit worth 25% of qualifying Canadian labour expenditure
Maximum incentive value	Tax credit cannot exceed 15% of the cost of production net of assistance
Qualifying productions	Must be a Canadian production (official co-production or meet various cultural/industrial criteria). 75% of production expenditure must qualify as Canadian spend, as well as 75% of all post-production spend.
Definition of local spend	Canadian labour expenditure includes: salary or wages paid to production company from the final script stage to the end of the post-production stage (paid to persons who were resident in Canada at the time the payments were made); and expenditure paid for services provided in Canada. There are special rules for fees paid during the post-production stage. Qualifying Canadian labour expenditure is the total of all Canadian labour expenditure minus any assistance received (including grants, subsidies, provincial tax credits, forgivable loans, contributions, services or certain advances).
Exclusions & restrictions	Qualifying Canadian spend excludes payments to a Canadian producer or co-producer, insurance, legal and financing fees and post-production expenditure. Productions can access either the CPTC programme or the PSTC programme, not both.
Application process	A production must first be certified by CAVCO as a Canadian film or video production, at which time all financing must be in place. The production must be completed two years after the end of the taxation year in which the principal photography began and a Certificate of Completion must be issued by the Minister of Canadian Heritage within 30 months after the end of the corporation's taxation year in which the production's principal photography began certifying this. Both forms are submitted with the company's tax return and any refund will be made by the Canada Revenue Agency. There is a fee for the administration of the tax credit, proportional to the qualifying production expenditure.
Applicant requirements	Must be a Canadian-controlled company, that is, a permanently established, prescribed taxable Canadian corporation whose primary activities relate to the production of Canadian films or videos.
Post-production element	Minimum post-production spend of 75% of total post-production budget.

BC Production Services Tax Credit (PSTC) – Basic, Regional and Digital Animation or Visual Effects (DAVE)

Incentive	<p>Basic PSTC: Tax credit worth 25% of qualified BC labour expenditure</p> <p>Regional PSTC: Tax credit worth 6% of qualified BC labour expenditure, prorated by the number of days of principal photography in British Columbia outside of the designated Vancouver area to the total days of principal photography in British Columbia.</p> <p>DAVE PSTC: Tax credit worth 15% of qualified BC labour expenditures directly attributable to digital animation or visual effects activities.</p>
Maximum incentive value	25% of qualifying BC labour expenditure under the Basic PSTC, no upper cap.
Qualifying productions	Feature productions must spend C\$1 million in qualifying labour expenditure in BC; episodic TV productions less than ½ hour must spend C\$100,000 per episode (if the TV series is digitally animated there is no minimum spend) and episodes longer than ½ hour must spend C\$200,000 per episode
Definition of local spend	Accredited BC labour spend includes all costs incurred from services rendered in BC by BC-based individuals, from the final script stage to the end of post-production. DAVE labour spend must be directly attributable to a digital technology activity.
Exclusions and restrictions	Excludes advertising, promotion and marketing expenses. DAVE expenditure does not include audio work (voice overs are acceptable).
Application process	Production companies must apply for an accreditation certificate from British Columbia Film, during production or at the film's completion. BC Film issues an Accreditation certificate, which the producer provides to Canada Revenue with the company's tax form at the end of the tax year. This must be done prior to six months after the end of the fiscal year. It generally takes 3-4 months to get the funds and all credits must be claimed no later than 36 months after the end of the tax year.
Applicant requirements	Applicants must be film, television or animation production companies. The corporation claiming the tax credit must have a permanent establishment in BC and must own the copyright in the production. If the copyright owner does not qualify as an accredited production corporation the corporation that is contracted directly with the owner of the copyright in the production to provide production services may qualify as an applicant.
Post-production	Enables production companies to claim shooting costs incurred as part of digital post-production towards their qualifying production expenditure.

A4.3 Australia

Location Offset

Incentive	15% tax rebate of qualifying Australian production expenditure
Maximum incentive value	None
Qualifying productions	Minimum of A\$15 million in Australian qualifying spend. Productions with a qualifying spend between A\$15-\$50 million must also spend 70% of their total production spend in Australia, and the applicant company must be the company responsible for the world-wide making of the film. These requirements are waived for projects with a qualifying Australian spend over A\$50 million, where there is no proportional requirement and the applicant must only be responsible for the filmmaking in Australia.
Definition of local spend	Qualifying Australian spend is the costs associated with goods or services provided in Australia, the use of land in Australia and the use of goods located in Australia at the time of the film. This may include Australian development costs, the costs of acquiring copyright if owned by an Australian resident, an appropriate share of Australian business overheads and the freighting of items to Australia to be used in a production, as well as the shooting of additional footage for later DVD release.
Exclusions & restrictions	Financing and distribution costs, deferments, and general business overheads are excluded from the definition of qualifying Australian spend. In some cases a proportion of business overheads can be used towards qualifying spend, if the business is Australian. If accessing the Location Offset, a production may not access any other Australian government tax incentive (e.g. PDV or Producer Offset).
Application process	Application for the Location Offset may be made when production expenditure ceases (for projects with a qualifying spend of over A\$50 million, only the Australian production expenditure needs to cease). Applications are considered by the Film Certification Board and if approved, a certificate is issued so that the company can claim the offset in its income tax return for the relevant income year. The Australian Taxation Office will provide a refund of a tax offset where the amount exceeds liabilities owed.
Applicant requirements	Recipient must be an Australian resident company or a foreign company with an Australian Business Number, operating with a permanent establishment in Australia. Depending on the level of qualifying spend, this company may need to be in charge of worldwide or only the Australian filmmaking.
Post-production element	See PDV Offset
Exchange rate calculation	Eligibility (total qualifying Australian production expenditure) for the offsets will be calculated with the exchange rate current to the day principal photography or animation begins. The calculation of the offset amount will use an average exchange rate calculated over the period production expenditure was incurred.

Post Digital and Visual (PDV) Offset

Incentive	15% tax rebate of qualifying PDV production in Australia, regardless of where film was shot
Maximum incentive value	15% of qualifying spend
Qualifying productions	Minimum PDV spend of A\$5 million in Australia
Definition of local spend	PDV spend is broadly defined as the creation/manipulation of audiovisual elements outside principal photography and physical elements (props, sets costumes)
Exclusions & restrictions	PDV Offset can only be used by projects NOT claiming the Location Offset or the Producer Offset.
Application process	PDV Offset application and certification may be made when all PDV expenditure in Australia has ceased. Applications for both offsets are considered by the Film Certification Board and if approved, a certificate is issued so that the company can claim the offset in its income tax return for the relevant income year. The Australian Taxation Office will provide a refund of a tax offset where the amount exceeds liabilities owed.
Applicant requirements	Recipient must be an Australian resident company or a foreign company with an Australian Business Number, operating with a permanent establishment in Australia. The company need only be responsible for Australian elements of the project.
Post-production element	PDV includes visual effects, audio and visual editing and mixing, orchestration and green-screen photography.
Exchange rate calculation	Eligibility (total qualifying Australian production expenditure) for the offsets will be calculated with the exchange rate current to the day principal photography or animation begins. The calculation of the offset amount will use an average exchange rate calculated over the period production expenditure was incurred

Producer Offset

Incentive	40% tax rebate of qualifying Australian production expenditure for feature films and a 20% rebate for non-feature films
Maximum incentive value	40% of qualifying Australian production spend
Qualifying productions	For Producer Offset eligibility, the project must have significant Australian content (including subject matter, location, nationality of principals and production expenditure). Feature films must also have a minimum qualifying Australian expenditure of A\$1 million.
Definition of local spend	Goods or services provided in Australia, the use of land in Australia and the use of goods located in Australia at the time of the film. This includes pre and post-production. A maximum of 20% of the film's above-the-line costs can be claimed as qualifying expenditure.
Exclusions & restrictions	A company is not entitled to the Producer Offset if the project has already accessed other Australian Government film incentives – e.g. the Location Offset, the PDV Offset or the Refundable Film Tax Offset. A company is also not entitled to the Producer Offset if it has received investment from a Film Licensed Investments Company (FLIC), or received production funding from the Film Finance Corporation (FFC), the Australian Film Commission, Film Australia or the Australian Film Radio and Television School prior to 1 July 2007. Qualifying production expenditure excludes financing costs, distribution or marketing expenses, foreign development costs and copyright acquisition from foreign residents.
Application process	Application is submitted once qualifying Australian production expenditure has ceased and assessed by the FFC and if approved, a certificate is issued so that the company can claim the offset in its income tax return for the relevant income year. The Australian Taxation Office will provide a refund of a tax offset where the amount exceeds liabilities owed.
Applicant requirements	The applicant company must be an Australian resident or have a permanent establishment in Australia and an Australian Business Number (ABN) when it lodges its income tax return and when the Producer Offset is due to be credited to the applicant company. Applicants must also first obtain a certificate of eligibility from the FFC (from mid 2008, Screen Australia).
Post-production element	Cannot use PDV offset, but post-production expense can count towards Australian qualifying expenditure
Exchange rate calculation	Eligibility (total qualifying Australian production expenditure) for the offset will be calculated with the exchange rate current to the day principal photography or animation begins. The calculation of the offset amount will use an average exchange rate calculated over the period production expenditure was incurred.

A4.4 South Africa

Location Film and Television Production Initiative

Incentive	15% rebate of qualifying South Africa production expenditure
Maximum incentive value	15% of qualifying local spend, to a maximum of R10 million (\$1.3 million)
Qualifying productions	Must be foreign-owned productions with qualifying South Africa spend of R12 million (\$1.5 million) and above
Definition local spend	Includes spend on South African goods, services, facilities, copyright of material owned by South Africans and South Africans' salaries. Goods and services may be provided outside of South Africa, as long as shooting requirements met
Exclusions & restrictions	Financing expenditure, land and buildings, business overheads, deferrals, advances, depreciation and costs of services embodied in goods. South African producer and other above-the-line party fees are excluded above R1 million or 10% of total production expenditure (whichever is less) General business overheads for South African companies are excluded above 2% of the total production budget or R1 million (whichever is less)
Application process	Producers must first apply for a preliminary certificate ahead of production. After production ceases, producers then supply an audited financial report, final full list of cast and crew with nationality/residency status, distribution agreement, certificate of SPV incorporation and a copy of the preliminary certificate and a final copy of the film to release the rebate. This can be done after the production has left the country. After the South African Department of Trade and Industry (DTI) have confirmed the claim, funds are dispersed, typically 4-6 weeks after application.
Applicant requirements	SPV must be incorporated in South Africa. In 2008, SPV and holding company must comply with Broad-Based Black Economic Empowerment requirements. Further requirements and targets may be added in 2009
Post-production element	None
Exchange rate calculation	Qualifying production expenditure will be incurred in Rand. Any other expenses, billed in another currency must use a budgeted exchange rate provided on the audited expenditure statement.

South African Film and Television Production and Co-production Incentive

Incentive	35% rebate of qualifying South Africa production expenditure
Maximum incentive value	35% of qualifying local spend, to a maximum of R10 million (\$1.3 million)
Qualifying productions	Must be a qualifying South African production or international co-production with a total budget of SAR2.5 million and above. To qualify as a South African production, at least 75% of the budget must be spent in South Africa, the majority of intellectual rights must be owned by a South African. The producer, writers, directors as well as the film's five highest-paid performers and the majority of the film's heads of department and key personnel must be citizens or permanent residents of South Africa (approval for non-South African participation may be granted). Official co-productions approved by the NFVF also qualify as South African.
Definition local spend	Includes spend on South African goods, services, facilities, copyright of material owned by South Africans and South Africans' salaries.
Exclusions and restrictions	Financing expenditure, land and buildings, deferrals, advances, depreciation and costs of services embodied in goods. Producer and other above-the-line party fees are excluded above R1 million or 10% of total production expenditure (whichever is less). General business overheads of South African companies are excluded above 2% of the total production budget or R1 million (whichever is less)
Application process	Producers must first apply for a preliminary certificate ahead of production. After production ceases, producers then supply an audited financial report, final full list of cast and crew with nationality/residency status, distribution agreement, certificate of SPV incorporation and a copy of the preliminary certificate and a final copy of the film. After the South African Department of Trade and Industry (DTI) have confirmed the claim, funds are dispersed, typically 4-6 weeks after application.
Applicant requirements	SPV must be incorporated in South Africa and must have a majority of South African shareholders. In 2008, SPV and holding company must comply with Broad-Based Black Economic Empowerment requirements. Further requirements and targets may be added in 2009
Post-production element	None
Exchange rate calculation	Qualifying production expenditure will be incurred in Rand. Any other expenses, billed in another currency must use a budgeted exchange rate provided on the audited expenditure statement.

A4.5 Germany

Filmförderungsanstalt – German Film Incentive

Incentive	20% rebate of eligible production expenditure in Germany
Maximum incentive value	20% of eligible spend, with a €4 million cap per film. This cap may be increased up to €10 million in exceptional cases approved by FFA's advisory board (if at least 35% of the production costs occur in Germany or the film scores more than two thirds of the available points on the cultural test).
Qualifying productions	Feature films must have a budget of €1 million, animation features, €3 million; and documentaries €200,000. Projects must have a secured theatrical release in Germany, with a specific number of prints. Productions must spend 25% of the film's total production expenditure in Germany, though this may be reduced to 20% for films with budgets over €20 million. There is no proportional threshold if German production costs exceed €15 million. Films also must pass a 'cultural test,' scoring a minimum of 48 out of 94 points (27/52 for documentaries and 41/78 for animation). Cultural content, nationality of talent and utilization of national production facilities all accrue points. Co-productions under the European Convention do not need to pass the cultural test. International co-productions must have an active German producer covering at least 20% of the production expenditure (at least €5 million if total production expenditure is over €25 million).
Definition local spend	Production costs that are attributable to film-related goods and services provided in Germany by companies or their employees, as well as by freelancers and self-employed persons.
Exclusions & restrictions	The programme receives €60 million annually to 2009, distributed on a first come first serve basis. Qualifying production expenditure does not include: preproduction, underlying rights acquisition, legal advice, insurance, financial costs, travelling and transport costs, administrative costs or actors' fees (provided that these fees do not exceed 15% of the production). Can be bundled with many of the regional funding programmes in Germany.
Application process	Applications may be filed with the FFA when 75% of the film's financing is in place and principal photography should not start before grant is awarded. Applicants are notified automatically if they have received funding and the FFA disburses the grant directly to the applicant. Payment is generally made after completion of the film and submission of final costs. However, in some cases, the FFA will award the grant in 3 equal instalments, at the start of principal photography, at the completion of the rough cut and after the final cost examination. The producer must take out a completion guarantee or bank security in this case.
Applicant requirements	Applicant (the film's producer or co-producer) must have a domicile or registered office in Germany and be actively involved in the film's production. Co-producers must contribute at least 20% of the film's production budget and have creative or technical contribution as well as financial responsibility
Post-production element	None

A4.6 Hungary***Hungarian Film Incentive (As of December 2007)***

Incentive	Tax shelter worth up to 20% of eligible Hungarian production expenditure
Maximum incentive value	Up to 20% of qualifying Hungarian spend can be claimed back, though typically this may be slightly less, after service costs
Qualifying productions	There is no minimum spend in Hungary, but a Hungarian co-producer must be involved to submit the application/financial information to the National Film Office.
Definition local spend	Eligible Hungarian production expenditure includes all production-related costs incurred and paid within Hungary to Hungarian taxpayers. Above-the-line costs may only be covered if the individual concerned pays personal income tax in Hungary.
Exclusions & restrictions	Under the previous incentive programme, only above-the-line costs of Hungarian residents could be included in the calculation of eligible Hungarian production spend. Marketing, legal and promotional costs are excluded.
Application process	The Hungarian and non-Hungarian producers enter into a service agreement or co-production agreement that is registered with the National Film Office (NFO). The local producer then registers the production with the NFO who certifies all production costs paid in Hungary. After all Hungarian production expenditure ceases, the NFO issues a tax certificate reflecting local spend. A local financier/corporate entity can disburse the face value of this certificate to the producer and reduce its corporate tax to be paid at the end of the tax year.
Applicant requirements	The Hungarian production company and the production must be registered with the NFO at least 45 days before the start of principal photography. Investors must not hold any interest in the production company and must stand to make no gain from their involvement in the production.
Post-production element	None

A4.7 Ireland**Section 481**

Incentive	Tax shelter which can raise up to 20% of qualifying expenditure (usually closer to 19%)
Maximum incentive value	Up to €50 million can be raised per project
Qualifying productions	To qualify for Section 481 investment, productions must be certified by the Revenue Commissioners, with Department of Arts, Sport and Tourism. Projects are evaluated on the basis of whether they will be an effective stimulus to film making in Ireland, if they are of importance to the promotion, development and enhancement of creativity and the national culture, including, where applicable, the Irish language; the professional capability (creative and technical) of the film's promoters and creative collaborators; the transparency of the project's legal, financial, commercial, and corporate arrangements for the production; and the anticipated contribution that Section 481 investment will make to the production. The Irish production spend must be at least equal to the amount of investment eligible for tax relief under the scheme.(e.g. if a producer raises 80% of the total budget of a film from investors who benefit from the scheme, the producer will have to spend 80% of the budget in Ireland). If these conditions are met, Section 481 finance can be raised.
Definition of local spend	Salary cost of EU residents working in Ireland, as well as goods and services purchased in Ireland
Exclusions & restrictions	Eligible Irish production spend is capped at 80% of the total production spend
Application process	To access Section 481 investment, a foreign producer must team up with a local Irish co-producer, who must take responsibility for production services carried out in Ireland. The Irish co-producer applies to the Irish Revenue Commissioners for a Section 481 certificate, at the financial closing of the film. The certificate will stipulate various conditions such as: the maximum amount of Section 481 finance which can be raised, the identity of crew, the number of trainees, etc. The Irish co-producer is responsible for compliance with all the conditions of the certificate. Finance is therefore available from the first day of principal photography. Investors with a high tax liability can invest up to €31,750 in a certified Irish production, writing off 80 % of their investment against tax.
Applicant requirements	A qualifying company for the purposes of the scheme, is an Irish incorporated and resident company or a company, which is carrying on a trade in the State through a branch or agency. The company must exist solely for the production and distribution of one and only one qualifying film. Under Revenue Rules, to qualify for the tax relief, a risk requirement must attach to the investment, i.e. a return cannot be guaranteed to the investor.
Post-production element	None

A4.8 UK***UK Tax Incentive***

Incentive	Tax credit worth 25% of qualifying British spend (up to a maximum of 80% of the total production budget) for budgets under £20 million and 20% of qualifying British spend (up to a maximum of 80% of the total production budget) for productions with a budget over this threshold
Maximum incentive value	Net value to the producer 20% for productions with a budget under £20 million and 16% for films over this threshold
Qualifying productions	There are three conditions to qualify for tax relief. The film must pass a 'cultural test' (or be an approved co-production), there must be genuine theatrical intent for the project and 25% of the production's core budget must be 'used or consumed within the UK. The production's core budget includes expenditure on pre-production, principal photography and post production (development and distribution are specifically excluded).
Definition of local spend	Costs of goods and services that are used or consumed in the UK. The nationality of those providing these goods and services is not taken into account.
Exclusions & restrictions	Qualifying British spend does not include finance costs, development costs, completion bond, entertainment, publicity (except for the unit publicist) and audit fees.
Application process	The credit is administered by HM Treasury, though the project must first be certified as 'British' by UK Film Council. This certificate, as well as final financial information and proof of the production's theatrical intent as well as the production company's statutory accounts are submitted with the company's corporate tax return to claim tax relief (as well as any additional loss relief). The credit is administered alongside the company's annual tax filing, so the choice of timing the company's year end ultimately determines when funding made available.
Applicant requirements	The applicant must be a film production company – responsible for pre-production, shoot, post and delivery of the film. In the case of co-production, the company must make an effective creative, technical and artistic contribution to the film
Post-production element	Post-production is an eligible component of qualifying British spend as well as being worth points on the cultural test.

Appendix 5 – The Consultants

Olsberg/SPI

SPI is a strategy consultancy, based in London, which specialises in the international film, television and related media industries. With sixteen years' experience providing high value strategic advice to clients in the UK, Europe and around the world. SPI has a strong track record in advising on public policy for national and regional media bodies, including studies measuring the economic impact of policy measures. The SPI team consisted of Richard Miller (Project Leader) and Dr Libbie McQuillan (Project Manager)

Steve Clark -Hall

Steve Clark-Hall's credits as a line producer, producer and co-producer include the following productions:

<i>RocknRolla</i>	2008	Producer
<i>Britz</i>	2007	Producer (TV)
<i>Body Armour</i>	2007	Producer
<i>Love and Other Disasters</i>	2006	Co-producer
<i>The Magic Flute</i>	2006	Line producer
<i>Separate Lies</i>	2005	Producer
<i>Revolver</i>	2005	Line producer
<i>Dungeons& Dragons: Wrath of the Dragon God</i>	2005	Producer
<i>Man to Man</i>	2005	Co-producer
<i>Calendar Girls</i>	2003	Co-producer
<i>Regret not Speaking</i>	2003	Producer
<i>The Gathering</i>	2002	Line producer
<i>Dust</i>	2001	Supervising line producer
<i>Sorted</i>	2000	Executive producer
<i>Saving Grace</i>	2000	Line producer
<i>The Clandestine Marriage</i>	1999	Producer
<i>The Trench</i>	1999	Producer
<i>Still Crazy</i>	1998	Line producer
<i>Imogen's Face</i>	1998	Executive producer (TV)
<i>Blink</i>	1998	Executive producer (TV)
<i>The Winter Guest</i>	1997	Producer
<i>Love and Death on Long Island</i>	1997	Producer
<i>Small Faces</i>	1996	Producer
<i>Margaret's Museum</i>	1995	Producer
<i>Don't Get Me Started</i>	1994	Producer
<i>Edward II</i>	1991	Producer
<i>The Dressmaker</i>	1988	Associate producer
<i>There is a Happy Lana</i>	1987	Producer (TV)
<i>Blood Red Roses</i>	1986	Producer (TV)
<i>Edward II</i>	1991	Writer

Appendix 6 – Consultation List

The following is a list of all the people we spoke to in the course of our work. Some people were approached to provide input, insight and opinion – others worked closely with us in order to establish and verify the budgets.

Los Angeles

Vicki Gabor	Disney
Mary Ann Hughes	Disney
Peter McManus	Disney
Paul Steinke	Disney
Steve Molen	Dreamworks
Ty Waren	Dreamworks
Jessica Stamen	Echo Lake
Fred Baron	Fox
Martha Cronin	Fox
Mike Heard	Fox
David Starke	Fox
Bill Fay	Legendary Production
Stephanie Austin-Thaler	Line Producer
Trevor Waterston	Line Producer
Chrisanne Verges	Line Producer
John Alexiades	Miramax
Dan Hassid	Miramax
Betsy Megel	Paramount
Rod Smith	Paramount
Ronald Stack	Paramount
Brian Wensel	Paramount
Aaron Merrell	Sidney Kimmel Entertainment
Scott Nicolades	Sidney Kimmel Entertainment
Paul DePace	Sony
Greg Manson	Sony
Bret Johnson	Universal
Jeff La Plante	Universal
Michael McCormick	Universal
Claire Chapman	UKFCUS
Andy Weltman	UKFCUS
Roy Button	Warner Bros UK
Karen Fouts	Warner Bros
Steve Papazian	Warner Bros
Shelly Bellik	Warner Brothers
Tim Clawson	Weinstein Company

Connecticut

John Hadity	Producer
Tanoa Parks	Accountant
Mike Philips	Line producer
Karen Senich	Connecticut Film Commission
Chrisanne Verges	Line Producer
Trevor Waterston	Line Producer

Canada

Kimberlee Alexander	Vancouver Film Studios
Julie Bernard	BC Film Commission
Susan Croome	BC Film Commission
Grace Gilroy	Line Producer
Peter Leich	North Shore Studios
Ron Hrynuik	Bridge Studios
Craig Kelpin	Rainmaker (Visual Effects)
Dennis Hofman	Rainmaker (Visual Effects)
Shauna Bryan	Rainmaker (Visual Effects)
Gerry Rutherford	Pacific Backlot Services
Chris Zimmer	Line Producer

Australia

Sandra Alexander	Line Producer
Antonia Barnard	FFC
Anni Browning	Film Finances
Chris Budrys	Construction Effects
Tania Chambers	New South Wales Film and Television Office
Babara Gibbs	Line Producer
Jill Hewitt	Moneypenny Services
Genevieve Hofmeyr	Line Producer
Tom Hoffie	Line Producer
Anna Huildebrandt	Animal Logic
Catherine McDonnell	Fox Australia
Scott Meek	FFC
Sue Millken	Film Finances
Chris Oliver	Film Finance Corporation of Australia
Caroline Pitcher	AUS Film
Greg Ricketson	Screen Producers Association of Australia
Bethwyn Serow	Screen Producers Association of Australia
Greg Smith	Animal Logic
Brett Thornquest	Moneypenny Services

South Africa

Dianne Beatty	Line Producer
Richard Bridgeland	UK Production Designer
Genevieve Hofmeyr	Moonlighting Films
Paul Raleigh	Film Finances
Kenny Smith	AFM Lighting
Barry Strick	Panalux/Waterfront Studios

Germany

Hartmut Kohler	Zeigler Films
Henning Molfenter	Studio Babelsberg
Sebastian Krawinkel	Studio Babelsberg
Sonja Zimmer	Line Producer

Hungary

Tamas Ctusak	Abacus Consulting
Ildiko Kemeny	Pioneer Pictures
Daniel Kresmery	Korda Studios
Karoly Radnai	Ernst & Young
Katalin Schulteisz	Line Producer
Amy Szabados	Stern Studios
Mari Ungor	Accountant

Czech Republic

Kevin Ban Thompson	UK Producer/Line Producer
Ales Bosticka	Film Laboratories Barandov Studios
Radomir Docekal	Producers Association
Ales Komarek	Line Producer
Vladimir Kuba	Barandov Studios
David Minkowski	Line Producer/Stillking

Ireland

Mary Alleguen	Line Producer
Orlagh Collins	Line Producer
Susan Holmes	Production Executive
James Lynch	Lawyer
Alan Maloney	Producer