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## **The Hollywood Majors and Ireland : A financially interesting relationship ?**

(Nathalie Dupont, ULCO ; text originally published in *Cinemas of Ireland*,  
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The cinematographic relationship between Hollywood and Ireland is not a new subject in itself ; important films with an Irish background and produced by American studios have existed for a long time in Hollywood and among the most famous productions, one has just to remember *The Quiet Man* (John Ford, 1952) to conjure up memories of good quality entertainment. What the present paper aims at doing is focusing on a particular aspect of that relationship in the context of currently dominating American blockbusters at the box office. The paper is thus going to question the contemporary cinematographic relationship between Hollywood and Ireland from an economic point of view. In that perspective, it is first going to see the reasons why American film productions elected to go to Ireland. Then the paper is going to focus on the subsequent impact of that choice on Ireland, before it finally examines that relationship in the context of a currently globalised economy.

### **The reasons why American productions have elected to go to Ireland**

Since the blockbusters appeared in the 1970s, the cost of films produced by the Hollywood Majors has kept increasing so much so that the average production cost that stood at \$4 million in 1977 reached \$ 65.8 million in 2006.<sup>1</sup> The present paper does not intend to dwell on all the reasons that have led to such an increase, nevertheless it is certain that the wages paid to the Hollywood workforce have played an important part in the process. There are roughly two categories among that workforce, the above-the-line workers -that is to say the directors, the actors and actresses, the producers, directors of photography, the specialists of special effects, etc- and the below-the-line workers -the numerous assistants, set designers and builders, the carpenters, hairdressers, etc - who may not represent the most glamorous part of Tinseltown, but who nevertheless wield a great power through their unions like for example the important *IATSE* (International Alliance of Theatrical Stage Employees) with more than 110,000 members in 2008. Those unions have demands as far as wages, number of employees and working hours are concerned, and, according to many producers, those demands increase the budgets while slowing down the shooting process.<sup>2</sup> Of course, the wages paid to famous stars or directors are much higher than those of an electrician or a carpenter, and it has definitely had an impact on the increase of production costs. Producers however do not wish to do anything about this situation because they desperately need marquee names to 'open their films' and to make them profitable. As long as that context is in place with film stars having that kind of power (called the 'clout'), the wages of the above-the-line employees are not in danger. Thus the only wages that can be reduced are those of the below-the-line employees and that is why producers have decided to move their productions abroad (a move known as 'runaway productions'<sup>3</sup>) where technicians are usually paid less than their Hollywood counterparts.

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<sup>1</sup> See <http://www.mpaa.org>

<sup>2</sup> "There is a lot of waste on the studio lots because of union regulations," admits producer Don Simpson [Flashdance, Top Gun, Bad Boys...]. "[There is] major featherbedding....We have figured that a picture like *Beverly Hills Cop*...that cost over ten million dollars, we could have made for six and a half or seven million dollars if we didn't have to worry about the unions[...]" "Why can't an electrician move a sofa ? Why can't a grip pick up a cord ?" complains Ted Zachary, senior vice-president of production for Tri-Star Pictures. "Why do we have to stop the show, get on the phone, and get someone to the set to do a job that would otherwise take a few seconds ?" [says] Richard Shonland, vice-president of labor relations at Paramount Pictures. Marc Cooper, "Concession Stand", *American Film*, volume 13, n°3, December 1987, p.34 & Mark Litwak, *Reel Power*, (Hollywood, Silman-James Press, 1986), 275.

<sup>3</sup> Nathalie Dupont, "La Californie et le cinéma américain : le problème des runaway productions" in *La Californie : périphérie ou laboratoire ?*, ed. Annick Foucrier and Antoine Coppolani, 137-150, (Paris, L'Harmattan, 2004), 137-150.

All this would not have happened if the context in which Hollywood studios operated had not changed dramatically, leading almost all Hollywood studios to be now the property of conglomerates managed by boards of executives whose only concern is to keep their shareholders satisfied. Producers have thus to turn out products that have to be the least expensive possible while being the most profitable ones at the same time. That also explains why Hollywood and its surroundings no longer come first when shooting is planned as there are cheaper countries abroad,<sup>4</sup> and Ireland became one of them.

Several interesting factors can indeed lead American producers to shoot in Ireland and among them are the financial reasons (the most important ones for the Americans):

Although production costs are roughly equivalent to those in the United States, Irish tax incentives are making filming there very attractive.<sup>5</sup>

- As it wanted to imitate Canada that had started cashing in on the American ‘runaway productions’ shooting on Canadian soil, the Republic of Ireland introduced its first interesting tax incentive for films in 1984. Since then, the most important one was Section 35 introduced by the 1987 Finance Act and then transformed into Section 481 -by the Taxes consolidation Act of 1997- that has now been extended until December 31, 2008. Section 481 “provides tax relief towards the cost of production of certain films and the maximum amount which can be raised under the scheme is 80% of the production budget”. It is thus a fiscal incentive to taxpayers (corporate and individual investors) to invest in film production as “The investor can write off for tax purposes 80% of the amount he has invested”. Therefore “projects can derive a benefit, net of all fees, of up to 20% of their qualifying expenditure” and “ the overall ceiling on tax relieved investment in any one film [is] €35m”.<sup>6</sup>

The current guidelines, as approved by the European commission, also specify that:

Tax relief under Section 481 is available for investment up to 80% of the total budget of a film [...] regardless of the budget.

[...] the amount spent in Ireland on a given film production must at least equal the amount of investment eligible to tax relief under the scheme. Accordingly, 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 this amount on Irish territory [...] the producer must be free to spend at least 20% of the film budget in other Member States.

€35 million is now the absolute maximum amount of eligible investment that can be raised in respect of any one film’ and thus ‘producers will see their potential net benefit from the tax break rise from about \$3.8m (€3m) to \$9m (€7m).

As to possible cumulation, State aid shall not exceed 50% of the budget of the film.<sup>7</sup>

That tax incentive has been very important not only for the development of the Irish Film industry, - which has thus operated in a financially safer environment-, but also because it has attracted several American producers interested in the easier financing of their projects.

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<sup>4</sup> The number of American films shot abroad increased by 78.1% between 1990 and 1998. See <http://www.sag.org/pr/pressreleases> (accessed January 26, 2004) : Monitor Report, *U.S. Runaway Film and Television Production Study Report* , 1999, 6.

<sup>5</sup> Ibid, 82.

<sup>6</sup> State aid No N 151/2006-Ireland, p.9 (See [http://ec.europa.eu/community\\_law/state\\_aids/comp-2006/n151-06.pdf](http://ec.europa.eu/community_law/state_aids/comp-2006/n151-06.pdf), accessed October, 7, 2007 and <http://www.irishfilmboard.ie>) and IBEC, *Film Production In Ireland: Audiovisual Federation Review 2007*, 24 (See <http://www.iftn.ie/downloads/AVFReview2007.pdf>, accessed September 24, 2007).

<sup>7</sup> State aid No N 151/2006-Ireland, 9&11 (See [http://ec.europa.eu/community\\_law/state\\_aids/comp-2006/n151-06.pdf](http://ec.europa.eu/community_law/state_aids/comp-2006/n151-06.pdf), accessed September 24, 2007) and Ted Sheehy, “Break for the border”, *Screen International*, n°1554, July 7, 2006, 11.

Moreover, through their association with an Irish Co-producer who will apply for a Section 481 certificate, those producers can also get access to the European MEDIA programme designed to “increase the competitiveness of the European film, TV and new media industries and to increase international circulation of European audiovisual product”.<sup>8</sup>

- Another financial reason was the 10% manufacturing tax rate that ended in December 2005: in Ireland the tax rate for non-manufacturing was 24%, but if no less than 75% of the production work on a film was carried out in Ireland, the film would be treated as a manufactured product and a 10% tax rate would be applied to any income arising from production of the qualifying film. American studios saw there another interesting reason to look at Ireland as a place for ‘runaway productions’. That scheme has been ended but American producers can nevertheless be interested in the Corporation Tax of 12.5% “which is the lowest in Europe [and] applies to all corporate trading profits” to which can be added the fact that “Visiting productions also have a 0% VAT [sale tax] rating in Ireland, and there is the possibility of Irish Film Board equity investment”.<sup>9</sup>
- Between 2001 and 2004, the Euro used to be weak against the American dollar, which thus enabled producers who shot in Ireland to make substantial savings on crew wages as well as accommodation and the renting of equipment.

There are also geographical and linguistic reasons:

- It is obvious that Ireland cannot offer Hollywood productions the sunny weather the crews of *Gladiator* (Ridley Scott, 2000) or *Star Wars : Episode II-attack of the Clones* (George Lucas, 2002) found in Malta, Italy, Tunisia or Australia. Ireland is totally aware of that and the Irish Film Board even provides some kind of weather information on its Internet site so that producers can plan their shooting schedules accordingly. Nevertheless Ireland sells itself as a country with a unique countryside that provides an interesting backdrop for filmmakers looking for different and original settings with character or a modern touch:

Here are some examples of the kind of diverse locations Ireland has to offer:

- Country Houses
- Castles
- Modern Cityscapes
- Unspoilt Rural Landscapes
- Wild Coastal Scenery
- Industrial Wasteland .<sup>10</sup>

Those very diversified locations can thus interest directors whose films require shooting with different northern landscapes as a backdrop.

- The country cannot offer the exotic-looking locations of Australia, South Africa or New Zealand, but the Republic of Ireland has studios that enable productions to recreate such locations indoors. There are four studios in Ireland (Ardmore Studios, Hannaywood Studios, EO Teilifis and Concorde Anois Teoranta) that all boast they are well equipped (as can be seen in the addendum)
- American producers and directors nevertheless have not used the Irish post-production equipments (sometimes said to be limited), but as Ireland is just 45 minutes away by plane from London, the

<sup>8</sup> See <http://www.iftn.ie/mediadesk> (accessed September 27, 2007).

<sup>9</sup> See <http://www.irishfilmboard.ie> and Adam Dawtrey, “Tax allowances give productions a big benefit”, <http://www.variety.com/article/VR1117971612.html> (accessed September 28, 2007) & Ted Sheehy, “The View from Ireland”, *Screen International*, n° 1583, February 9, 2007, 36.

<sup>10</sup> See <http://www.filmboard.ie> (Ireland as a location) accessed April 10, 2004.

Americans have been interested in the post-production equipment found in the English neighbourhood of Soho (widely used for example during the post-production of *Gladiator*). Thus they have not hesitated to commute between the Irish sets and London.<sup>11</sup>

- The European Union has established quotas limiting the number of foreign films entering the European Union distribution market (quotas primarily aimed at American films), but films shot in Ireland are exempted from those quotas and thus give their producers an easier access to the European market.
- The Irish crews are efficient people who speak English, an important asset in a medium dominated by the English language. It hence avoids the communication problems that sometimes occur on Eastern European sets (whose rates are cheaper, but whose technicians are not fluent enough in English).
- Another interesting reason can be found in Irish studios that are better staffed : American producers can now rely on at least six production crews (about 1600 people, most trained by Irish institutions) which can thus work at any time on several big budget productions at the same time (there was a time when the only existing crew could only have worked on one big production at a time).

To those assets can be added about 50 different companies specialized in the renting of equipment needed for a production (lighting, cameras, generators, sound equipment, etc) as well as regional film offices that (like the studios) are eager to help with the preliminary research as well as all the paper work or to dig in a digital photo database listing all possible locations in Ireland. The Irish authorities have also created various organisations such as the Irish Film Board that advertise their country as a possible ‘runaway’ place, and even politicians are involved in that process : for example in February 2000, the Irish Minister of Arts and Heritage for Gaeltacht and Islands made his third visit to the United States and went to the Headquarters of 20<sup>th</sup> century Fox, Warner Bros., MGM and HBO to advertise Ireland as a possible location for American films<sup>12</sup>.

All these advantages probably explain why in 2002, the U.S.A. was “ the largest source of non-Irish funding [for its audiovisual industry] at €58.4 million or 31% of total funding ”,<sup>13</sup> and why the Republic of Ireland has been able to host some important American productions. No doubt *Braveheart* (Mel Gibson, 1994) and the Oscars it won showed good work could be done in Ireland, and it then enticed Steven Spielberg to look at The Republic of Ireland as a possible location for shooting *Saving Private Ryan* in 1997 :

We were contacted by Mel Gibson’s people, who said they had a wonderful time making *Braveheart* in Ireland, and gave us some contact numbers. So we made a few calls, the Irish army volunteered their services, and we were able to make our movie.<sup>14</sup>

So, instead of shooting the D-Day landing in France (as was done in Corsica for *The Longest Day* - Ken Annakin, Andrew Marton, Bernard Wicki & Darryl F.Zanuck, 1962), the crucial scenes portraying the gruesome landing of Captain John Miller and his men at Omaha Beach were shot at

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<sup>11</sup> Some producers even estimate that London’s visual effects sector is on a par with Hollywood’s, so much so that they can finish the post-production of an entire film on the European continent, should they wish to do so.

<sup>12</sup> Department of commerce, *The Migration of US Film and Television Productions*, 2001, 55 (See <http://www.ita.doc.gov/media/filmreport.html>, accessed April 10, 2004).

<sup>13</sup> IBEC, *Film Production In Ireland: Audiovisual Federation Review 2003*, 24 (See [http://www.iftn.ie/downloads/AVF\\_Report\\_2003.pdf](http://www.iftn.ie/downloads/AVF_Report_2003.pdf), accessed April 15, 2004).

<sup>14</sup> See [http://www.filmboard.ie/ire\\_films.php?y=1997](http://www.filmboard.ie/ire_films.php?y=1997) (accessed March, 28, 2004).

Curraclloe Beach, County Wexford (with the help of the Irish army which had previously helped in the shooting of *Braveheart* ).

Then, Dublin doubled for New York in *In America* (Jim Sheridan, 2002) ; *The Count of Monte Cristo* (Kevin Reynolds, 2002) spent some of its \$35 million budget in Ireland and Spyglass, its American production company, was so satisfied it went back there for *Reign of Fire* (Rob Bowman, 2002), produced for about \$100 million. Then came Antoine Fuqua and his producers (Touchstone Pictures and Jerry Bruckheimer Films) who also chose Ireland to shoot *King Arthur* (2004) with a similar budget of about \$100 million.<sup>15</sup>

So, as long as they have found the Irish conditions financially interesting, the Hollywood studios have kept Ireland on their list of ‘runaway places’, which has had a beneficial effect on the Island.

### The benefits for Ireland.

The Republic of Ireland is the country that has mostly benefited from the American presence as the financial advantages it devised not only proved a decisive asset in attracting the Hollywood studios but also brought in financial benefits. In September 2003, the PricewaterhouseCoopers Report to the Irish Film Board and the Department of Arts, Sport and Tourism, entitled *Review of Section 481 of the Taxes consolidation Act 1997*, showed that Section 481 had been profitable to the Irish goods and services:

S481-incentivised Production Company Spend on Goods & Services in Ireland

	1999	2000	2001
<b>Total expenditures in Ireland</b>	€88,669,451	€ 96,916,443	€ 108,582,882
Labour	€ 46,456,797	€ 53,618,791	€ 53,180,418
Goods and Services	€ 42,212,654	€ 43,297,652	€ 55,402,464
Net Contribution of S481-incentivised Films to National Balance of Payments	€ 24,608,038	€ 36,655,562	€ 38,778, 621

*Review of Section 481 of the Taxes consolidation Act 1997, 26 & 43*

So, it is possible to say that Section 481 proved to be a definite and vital asset to the Irish Film Industry, enabling it to develop in about ten years’ time from what some used to call a ‘cottage industry’ into a fully-fledged film industry that has turned out a profit, albeit uneven, for the Irish government:

	2000	2001	2002	2003	2004	2005	2006
Net benefit to the Exchequer (€ million)	16.3	23.6	21.2	30	12.2	16.8	19.5

*Film Production in Ireland : Audiovisual review 2003, 2004, 2005, 2006*

In 2003, the most profitable year according to the previous chart, the report published by IBEC (the Irish Business Employers Confederation) mentioned that the audiovisual spending on Irish goods and services had reached €151.4 million and that the Irish film and TV industry directly employed 12,238 people – 94% were Irish- in relation to 179 productions.<sup>16</sup>

There have been other benefits at a lesser level :

Irish productions have benefited from the equipment and the better infrastructures bought and developed to welcome American film productions while the Irish technicians have benefited from their collaboration with their American counterparts. The perfected technical skills of the Irish film workforce has been an added asset to the Irish film industry (especially to its studios) and helped in

<sup>15</sup> See <http://www.imbd.com>

<sup>16</sup> IBEC, *Film Production In Ireland: Audiovisual Federation Review 2004*, 24 (See [http://www.iftn.ie/downloads/AVF\\_Report\\_2004.pdf](http://www.iftn.ie/downloads/AVF_Report_2004.pdf), accessed August 24, 2007).

the shooting of, for example, *The Wind that Shakes the Barley* (Ken Loach, 2006) in County Cork in Ireland.<sup>17</sup>

Successful blockbusters have shown that some places used as a backdrop can then benefit from their exposure on the silver screen<sup>18</sup> and this has also been true for Ireland. The development previously mentioned leading to the apparition of Irish scenery identified as such has thus benefited Irish tourism. For example it played a part- even if moderate- in how foreign tourists chose to go to Ireland as shown by the following chart :<sup>19</sup>

	2001	2002	2003	2004	2005	2006
<b>Friends/relatives/business associates</b>	48%	46%	46%	46%	45%	42%
<b>Internet</b>	17%	20%	23%	27%	29%	32%
<b>Guide books</b>	18%	17%	20%	20%	18%	18%
<b>Irish tourism board literature</b>	14%	14%	12%	12%	11%	10%
<b>Tour company brochure</b>	14%	12%	13%	10%	10%	10%
<b>Films</b>	<b>8%</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>	<b>10%</b>	<b>10%</b>
<b>Other promotional literature</b>	11%	12%	10%	9%	10%	8%
<b>Travel programme on TV/radio</b>	9%	10%	9%	9%	10%	8%
<b>Articles in magazines</b>	10%	9%	8%	7%	8%	8%
<b>Advertising for Ireland</b>	10%	8%	8%	7%	8%	8%
<b>Travel Agent</b>	9%	8%	8%	8%	6%	7%
<b>Articles in newspapers</b>	8%	6%	7%	5%	6%	5%

And for American and European tourists, films even played a more important part than travel agents or travel programmes on TV :<sup>20</sup>

	Total	GB	North	Mainland			Rest of the world
	%		America	Europe	France	Germany	
<b>Friends/relatives/business associates</b>	42%	38%	42%	44%	40%	45%	49%
<b>Internet</b>	32%	37%	33%	29%	32%	29%	19%
<b>Guide books</b>	18%	11%	22%	22%	22%	28%	15%
<b>Irish tourism board literature</b>	10%	13%	8%	10%	11%	13%	10%
<b>Tour company brochure</b>	10%	7%	13%	9%	8%	10%	14%
<b>Films</b>	<b>10%</b>	<b>4%</b>	<b>12%</b>	<b>14%</b>	<b>12%</b>	<b>16%</b>	<b>13%</b>
<b>Other promotional literature</b>	8%	9%	8%	9%	3%	17%	6%
<b>Travel programme on TV/radio</b>	8%	6%	8%	10%	20%	9%	15%
<b>Articles in magazines</b>	8%	10%	8%	7%	14%	7%	5%
<b>Advertising for Ireland</b>	8%	6%	8%	10%	9%	8%	6%
<b>Travel Agent</b>	7%	5%	8%	8%	8%	8%	10%
<b>Articles in newspapers</b>	5%	6%	5%	6%	4%	6%	6%

This explains why “foreign tourists attracted to Ireland by film and TV spent an estimated €450 million” in 2005 when the total foreign exchange earnings reached about € 4.3 billion.<sup>21</sup>

<sup>17</sup> The film eventually won The Palme D’or at the Cannes Film festival in 2006 and even if it had been directed by a British director, it was proudly used by the Irish Film Board to promote Ireland as a quality ‘runaway place’ in numerous professional trade publications.

<sup>18</sup> For example Alnwick Castle in Northumberland was used as the location for many of the exteriors of Hogwarts’ school of witchcraft and wizardry, as well as the location for the famous Quidditch match, in *Harry Potter and the Sorcerer’s Stone*. The benefit for the Castle from its apparition in the Harry Potter films translated in a 120% rise in visitor numbers (See <http://www.enjoyenglandsnorthcountry.com/movies> and “The week in figure”, *Screen International*, n°1609, August 31, 2007, 7 (accessed September 2, 2007).

<sup>19</sup> See <http://www.failteireland.ie/getdoc/327b31d1-3971-4d81-9d9f-26658fad41b4/Visitor-Attitude-Survey-2006.aspx>, 6 (accessed September 28 , 2007).

<sup>20</sup> See <http://www.failteireland.ie/getdoc/256c4d54-50e2-42bc-a967-7e1f2f0d32a2/Main-Market-Results.aspx> (accessed September, 28, 2007).

The Republic of Ireland was not the only one to benefit from Hollywood productions as they have also had an impact on Northern Ireland : seeing the benefits its southern neighbour could draw from Hollywood, Northern Ireland has also started advertising itself as a ‘runaway place’ for American productions, especially as it has some advantages as one producer explained : “Belfast is 20% cheaper than Dublin or the UK mainland when it comes to accommodation, crews and studio space” while other advantages were also outlined :

They [the producers] all find Northern Ireland is ‘a film-friendly’ place to shoot. They all talk of the simplicity of doing business with crews in Northern Ireland (where there is less of an ‘us and them’ attitude to producers, compared, they say, to the Republic of Ireland) ; adherence to deals and less resorting to penalty clauses ; a strong work ethic; and work flexibility. <sup>22</sup>

Meanwhile, Northern Ireland has also started thinking of its lack of film infrastructures and has converted a disused Belfast leisure centre into a studio called the Paint Hall, located at the Harland & Wolff shipyard on an eight acre site, and that “contains four 16,000sq ft cells connected by an internal road network, and [which] is available rent free from Northern Ireland Screen”. That effort in building new infrastructures was rapidly rewarded by the shooting there of *City Of Ember* (Gil Kenan, 2008) produced for \$50 million by Wadlen Media and Playtone and backed by Twentieth Century Fox. <sup>23</sup>

Kimberly Rach, vice-president of physical production at Walden Media also added another reason for coming to the Paint Hall with *City of Ember*: “Northern Ireland drew our attention because of the availability and size of the Paint Hall. The strong support of NIS and the UK tax credit made it competitive with other locations”.<sup>24</sup> She underlines here another advantage now benefiting the Northern Republic which is that productions shooting in Northern Ireland can also gain access to the UK tax credit as long as they spend at least 25% of their budget there. This fact has led to the development of more co-productions between the Irish borders while productions from the Republic of Ireland have also moved north of the border – or to the Isle of Man- so as to still gain access to the UK tax break (which became almost impossible when shooting in the Republic of Ireland after 2006, as is later explained).

Moreover the Northern Ireland Film & Television Commission (NIFTC) has also launched several schemes like for example the Northern Ireland Film Production Fund (NIFPF) launched in 2004 and through which “the NIFTC invested \$294,000-\$1.2m (£150,000-£600,000), up to a ceiling of 25% of the overall project costs for productions that demonstrate some relevance, as defined in the scheme, to Northern Ireland”. <sup>25</sup>

So the choice of Ireland as a possible ‘runaway place’ for American productions can be said to have benefited Ireland as a whole, and the cinematographic relationship has been a financially interesting one on both sides. The downside however is that Ireland has come to rely a lot on those American productions and it may now be a drawback in the context of a globalised economy.

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<sup>21</sup> IBEC, *Film Production In Ireland : Audiovisual Federation Review 2006*, 8 (<http://www.iftn.ie/downloads/AVFReport2006.pdf>, accessed august 28, 2007) and [http://www.failteireland.ie/getdoc/5d8deedb-5c3a-4d50-aa22-3d117c0b4896/Failte-Ireland-Annual-Report-2005-\(English\).aspx](http://www.failteireland.ie/getdoc/5d8deedb-5c3a-4d50-aa22-3d117c0b4896/Failte-Ireland-Annual-Report-2005-(English).aspx), 2 (accessed September 22, 2007).

<sup>22</sup> Ted Sheehy, “Belfast and Furious”, *Screen International*, n°1533, January 27, 2006, 18.

<sup>23</sup> Ed Lawrenson, “Royalty in the Regions”, *Screen International*, n°1621, November 23, 2007, 26.

<sup>24</sup> See <http://www.screendaily.com/ScreenDailyArticle.aspx?intStoryID=36014> (accessed September 22, 2007).

<sup>25</sup> Ted Sheehy, “The View from Ireland”, *Screen International*, n° 1583, February 9, 2007, 36.



### A double-edged relationship in a globalised economy

In fact, thanks to Section 481, the Irish film industry has entered the stages gone through by all the world places Hollywood ‘runaway productions’ go to : the tax incentives enable the local film industry to develop. Those incentives also attract some Hollywood producers and thus enable local studios to build better infrastructures while their crews get better training through contact with the few Hollywood technicians present on location. Then there are usually new tax incentives, this time for the employment of a greater number of local crews (leading to the creation of the six feature film production crews mentioned before) now able to replace their Hollywood counterparts while the production places are better and better equipped, especially for the post-production stage, which attracts more Hollywood producers:

When you add everything up, Ireland is still an effective place to make movies....That is because of Section 481. I cannot emphasise enough the crews and the talent that has been developed here (Robin Cook, Chairman, Walt Disney Studios).<sup>26</sup>

In the context of ‘runaway productions’, the Republic of Ireland has however been involved in an intense competition with England (and more especially with London), Scotland, Northern Ireland and even the Isle of Man (which sometimes doubles for Ireland).<sup>27</sup> All go to great length to court the American producers, and the Republic of Ireland, although smaller than its British neighbour, has nevertheless been able to stand its ground so much so that it managed to rank among the top ten countries welcoming American productions. In the past twenty years or so, Ireland thus managed to be on a par for some time with countries like Canada, Australia, Mexico, the UK, New Zealand, the Czech Republic or Romania, and to become one of the top six world-wide locations, not a small feat for a country which cannot boast a huge territory ! The globalisation of the economy that has also affected the cinema world has however brought that success into question.

The ‘runaway business’ now sees many competitors trying to attract Hollywood productions. There are for example southern countries such as Morocco (*Black Hawk Down*, Ridley Scott, 2001) or Tunisia whose crews do not speak proper English and whose infrastructures have not yet reach the level of Ireland’s, but which definitely offer the sun that Ireland cannot provide on a long-term basis. Spain (which welcomed *Kingdom of Heaven* -Ridley Scott, 2005- and *Goya’s Ghosts* – Milos Forman, 2006) and Malta (*U-571*, Jonathan Mostow, 2000) also have to be added to the list of competitive sunny locations with well-developed infrastructures.

Then there are the Eastern countries that used to attract American productions thanks to the low cost of their experienced crews, but which now also lure Hollywood producers thanks to improved infrastructures. There are, for example, the Czech Barrandov studios in Prague that welcomed the production crews of *A Knight’s Tale* (Brian Helgeland, 2001), *The Bourne Identity* (Doug Liman, 2002) as well as the British crew of *Casino Royale* (Martin Campbell, 2006).

The Southern hemisphere is also a strong rival for Ireland. For example New Zealand welcomed *The Lord of the Rings* trilogy (Peter Jackson, 2001, 2002, 2003) and *The Chronicle of Narnia : the Lion, the Witch and the Wardrobe* (Andrew Adamson, 2005) thanks to interesting tax incentives, well-qualified English-speaking crews and good infrastructures. The same reasons led American producers to go to Australia to shoot got the *Matrix* trilogy (Andy and Larry Wachowski, 2002, 2005), *Star Wars : Episod II-Attack of the Clones* and *Episode III- Revenge of the Sith* (George Lucas, 2002 and 2005), *Ghost Rider* (Mark Steven Johnson, 2007) and *Superman Returns* (Bryan Singer, 2006).

<sup>26</sup> The Irish Film Board, *Ireland, The Film Location*, 11 (See <http://www.filmboard.ie>, accessed April 10, 2004).

<sup>27</sup> This closeness to the UK even leads newspaper to consider the Republic of Ireland and the UK as the same territory as far exhibition is concerned, which explains why in such trade papers as *Screen International* , box office figures for the British and Irish territories are combined.

Last but not least, in the USA, where trade unions lobby for more tax incentives to avoid ‘runaway productions’, many states -like the states of New York or Texas for example- have introduced new schemes to attract Hollywood productions while new incentives have been studied in California so as to avoid home productions leaving their own turf.

Ireland has thus strong competitors in the ‘runaway business’ while it has to be added that the Irish continent still ‘suffers’ from its proximity with England. Section 481 has greatly contributed to the development of Ireland as a ‘runaway’ place, but what interested American producers the most was the possibility of combining both UK and Irish tax incentives for the “portions of the production spend incurred in Ireland”<sup>28</sup> as long as at least 20% of the production budget was spent in the UK according to the UK system. In the UK, the producers could indeed take advantage of the sale-and-leaseback scheme allowed by Section 48 -for smaller budget films- and Section 42 -for larger budget films- of the tax relief system.<sup>29</sup> Unfortunately for Ireland it was announced in 2004 that both British sections would soon disappear, which disappointed American producers who then did not like the uncertainty and rumors that from 2004 to 2006 surrounded the soon-to-be-implemented new UK film tax relief. As Hollywood does not like financial uncertainty, American producers thus started choosing places other than Ireland and the UK<sup>30</sup> for their productions, which obviously led to a decline in earnings for Ireland as shown in *Film Production in Ireland : Audiovisual review 2003, 2004, 2005, 2006*.

In fact since *King Arthur*, no real American blockbuster has been shot in Ireland and it has not helped that over the last few years the current weak dollar-strong euro exchange rate has meant shooting in Ireland has been more expensive than it used to be.

The other consequence of that decreasing activity and ensuing lack of profits was that the upgrading of Ardmore studios, the biggest one able to welcome US productions, was put on hold due to the uncertainties linked to the UK tax new schemes. It thus started putting Ireland slightly behind other countries that had started upgrading their own studios (The Barandov studios in the Czech Republic) or planning the building of new ones (the Stern Film Studio in Hungary) to attract more US productions in better conditions.

Then in March 2006 emerged new details on the new UK tax credit for films that was to be introduced from April 1, 2006 and that particularly stipulated that “production [would] now qualify for the UK’s new tax breaks if they passe[ed] a series of cultural tests for UK activity [and if] 25% of the total budget is UK spend”.<sup>31</sup> For Ireland it meant bad news once again as producers could get access to that incentive only for sums spent in the UK ; the entire budget of a film was thus no longer eligible for UK tax relief while it meant cancellation of the possibility of combining both tax relief for the parts not shot in the UK. Ireland thus definitely lost its appeal to American producers.

The possibility of combining both tax reliefs had also meant that while shooting in the Republic of

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<sup>28</sup> Aileen O’Malley, *Adapating to the hanging competitive Dynamics of the international Film Industry*, November 2005, 2 (See <http://www.irishfilmboard.ie/files/reports>, accessed September 2, 2007).

<sup>29</sup> “Section 42 Finance (No. 2) Act 1992 relief allows production or acquisition costs to be written off on a straight line basis over three years starting in the year the film is completed and Section 48 Finance (No. 2) Act 1997 relief allows production or acquisition costs, where the total production expenditure does not exceed £15 million, to be written off in full in the year that the film is completed. This relief applies to expenditure incurred between 2 July 1997 and 1 July 2005” (See [http://production.investis.com/pws\\_ps/market/film](http://production.investis.com/pws_ps/market/film), accessed September 25, 2007).

<sup>30</sup> “Production investment in UK features has slumped by 43% in the first nine months of 2005 which film observers have linked to the uncertainty over the UK tax regime coupled with the strength of the pound against the dollar” (See Aileen O’Malley, *Adapating to the hanging competitive Dynamics of the international Film Industry*, November 2005, 9 (See <http://www.irishfilmboard.ie/files/reports>, accessed September 2, 2007). Ireland was however more affected as its own industry is so modest that it can not really stand alone.

<sup>31</sup> Geoffrey Macnab, “Cultural Test : Yes or No ?”, *Screen International*, n° 1604, July 27, 2007, 7.

Ireland the American productions would mostly do the post-production work in London where they found a more adequate equipment. Thus, the Irish post-production companies never got as much work from the American studios as their Irish production counterparts and the post-production business in Ireland just stayed under-developed.

The new UK tax break therefore highlighted another drawback for Ireland as it has some post-production companies, but none that can compete with the *Mill* in London which received an Oscar for the special effects of *Gladiator*, Cinesite that worked on the effects of *The Da Vinci Code* (Ron Howard, 2006), *X-Men : the Last Stand* (Brett Ratner, 2006) and *Harry Potter and the Order of the Phoenix* (David Yates, 2007) or Moving Picture Company on those of *The Poseidon Adventure* (Wolfgang Petersen, 2006), *Sunshine* (Danny Boyle, 2007) or of *The Chronicles of Narnia : Prince Caspian* (Andrew Adamson, 2008).<sup>32</sup> And even if Ardmore Sound Ltd. now boasts post-production sound facilities with Tom Johnson, who won 2 Oscars for Best Sound for his work on *Terminator 2 : Judgment Day* (James Cameron, 1991) and *Titanic* (James Cameron, 1997) and who moved from LA to Ireland,<sup>33</sup> this is not enough to attract American producers to do some post-production work in Ireland. Moreover, the new UK tax scheme has not helped in that field as 6 of the 32 points tested to qualify for the UK tax breaks are related to post-production.<sup>34</sup>

Increasing global competition has thus revealed that the financial relationship between Ireland and Hollywood has not been constantly beneficial to Ireland and turned out to be problematic as soon as the American productions started deserting the island to go to other cheaper locations. The Republic of Ireland has not stood idle however and has tried to address the question. Ireland continues to advertise itself as a ‘runaway’ location through the Irish Film Board whose site gives potential producers all the information needed for shooting in Ireland.

In February 2007 an Irish delegation made up of important people from the Irish film industry and the Irish film Board went to Los Angeles to meet with studios executives so as to advertise Ireland. They were also there to officially unveil the Irish film Commission for the U.S.A., the first Irish film board’s overseas office whose aims is to attract “feature film and television drama to locate in Ireland” and whose objectives were thus defined:

- Creating new business opportunities for the Irish Film Industry
- Increasing awareness in the US of Irish incentives for US filmmakers
- Delivering increased US investment into the Irish economy
- Promoting Irish cinema and Irish talent working in film
- Ensuring the Irish film industry is abreast of current US industry trends

The commission also has to “promote new Irish cinema and Irish talent directly to US decision-makers”<sup>35</sup>, and to this self-promotion have to be added various advertisements published in trade newspapers.

To be able to keep attracting foreign productions, the 2005 Report to the Department of Arts, Sport and Tourism also asked for changes to be made to Section 481, which were made in the Finance Act of 2006 and led to lower limitation on the tax relief, a higher maximum amount of eligible investment and of cumulation of State aid - other recommendations were not followed. However it does not seem to have been very effective so far in bringing Hollywood productions back to the Republic of Ireland.

<sup>32</sup> Geoffrey Macnab, “Cause and Effects”, *Screen International*, n° 1604, July 27, 2007, 17.

<sup>33</sup> See <http://www.ardmore.ie>

<sup>34</sup> Adrian Pennington, “Break and Enter”, *Screen International*, n° 1552, June 16, 2006, 13.

<sup>35</sup> Archie Thomas, “Irish film org installs U.S. topper” (See <http://www.variety.com/article/VR1117951547.html?categoryid=1043&cs=1> accessed October 3, 2007, and <http://www.irishfilmboard.ie>).

To conclude, it is possible to say that the Irish film industry is probably turning a page and beginning a new chapter. The financial relationship Ireland has enjoyed with Hollywood and that has brought in financial benefits to both sides has also turned out to be a double-edged one for the Irish continent. Meanwhile the British re-appraisal of its financial incentives has had a very bad impact on the Irish film industry so much so that in 2005 it was described as an “industry on the verge of collapse” by the Film Technicians’ association of Ireland.<sup>36</sup>

The Irish film industry seems however to have just started adapting itself to the new situation. Big Hollywood productions are not back in Ireland yet, but at least the Irish film industry has been kept running – even if at a more modest level with less jobs- thanks to smaller and sometimes local productions like *The Wind that Shakes the Barley* (Ken Loach, “a \$7.3m film co-financed by the UK film council, the IFB and Filmstiftung North Rhine Westphalia”<sup>37</sup>), *Lassie* (Charles Sturridge, 2005 - a \$15m UK-Ireland-US co-production to which the IFB made a 10% contribution<sup>38</sup>) or *Becoming Jane* (Julian Jarrold, 2007). So, the activity of the Irish Film industry has started increasing again –albeit slowly- while it has also been helped by several foreign TV productions that chose to settle in Ireland so as to take advantage of the IFB’s new international co-production fund as well as of the newly revised Section 481, which “unlike most countries’ film incentives, is available to TV production”.<sup>39</sup> Showtime’s *The Tudors* is such an example and its American producers decided to go back to Ireland to shoot *The Tudors Series 2*.

Things are not going to be easy for Ireland in the context of globalisation that has led to constantly new emerging opportunities for Hollywood studios, but Ireland has its card to play. It has had a few international successes like *Once* (John Carney, 2006 – it won the Audience Award at the Sundance Film Festival in 2007) that “has grossed almost \$10 million at the US box office while *The Wind that shakes the Barley* has grossed over €25 million worldwide to date [November 2007]”.<sup>40</sup>

Ireland also currently boasts international actors such as Colin Farrell (*The New World* – Terrence Malick, 2005-, *Miami Vice* – Michael Mann, 2006), Pierce Brosnan (*The Thomas Crown Affair* – John McTiernan, 1999-, *Die Another Day* – Lee Tamahori, 2002), Cillian Murphy (*Sunshine*, *The Wind that Shakes the Barley*, *Batman Begins* – Christopher Nolan, 2005), Gabriel Byrne (*Vanity Fair*, Mira Nair, 2004) or international directors such as Neil Jordan (*Breakfast on Pluto*, 2005-2005-, *The Brave One*, 2007) who all try to support the Irish industry<sup>41</sup> and whose names give international credibility to a project while at the same time attracting international funding.

All Ireland needs is a newly improved tax incentive that will make it attractive again in the eyes of Hollywood studios and thus lead to the shooting of a project similar to *The Lord of the Rings*. This, together with all the assets previously mentioned, could then put Ireland back on a par with London and other competitors, and would thus boost the Irish film industry while once again benefiting the whole country’s economy.

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<sup>36</sup> Ted Sheehy, « the Law of Attraction », *Screen International*, n°1506, June 24, 2005, 18.

<sup>37</sup> Ibid.

<sup>38</sup> Wendy Mitchell, “Pet Project”, *Screen International*, n°1526, December 2, 2005, 7.

<sup>39</sup> IBEC, *Film Production In Ireland: Audiovisual Federation Review 2007*, 22 (See <http://www.iftn.ie/downloads/AVFReview2007.pdf>, accessed September 24, 2007).

<sup>40</sup> Ibid.

<sup>41</sup> For example Pierce Brosnan produces Irish-themed films like *Evelyn* (Bruce Beresford, 2002) through his own production company called Irish DreamTime.

## The different Irish studios

They are well spread between the Eastern coast and the Western coast of the country.

### On the Eastern coast

#### *Ardmore Studios*

The studio opened in 1958 and is located 12 miles south of Dublin ; that studio hosted *Braveheart*, *Reign of Fire* and *The Count of Monte Cristo*.

Its facilities include:

- Five sound stages
- Fully serviced production offices
- Make-up, hair and wardrobe departments
- Digital sound facilities
- Wide range of advanced 16mm and 35 mm cameras
- State of the art lighting facilities
- Preview/dubbing theatre
- Editing suites
- Art Department
- Workshops
- Prop store
- Restaurant, bar and catering services
- Star dressing rooms

*Hannaywood studios* are located inside Dublin and have :

- 2 sound studios for film production
- Studio 3 has 22,000 sq.ft. with a 13,000 sq.ft. sound stage
- Studio 4 has 22,000 sq.ft. with a 20,000 sq.ft. sound stage
- the balance of the interior is laid out as offices and workshops
- The site has a 4-acre backlot for car parking ; trailer parking and exterior set build

### On the western coast

*EO Teilifis* is located near Galway and boats:

- A 10,000 square ft studio complete with 14 sets
- An exterior lot
- Production and administration offices
- Storage facilities
- A set construction workshop
- Catering facilities
- Wardrobe & make up
- Editing and audio post production

*Concorde Anois Teoranta* is located near Galway and was created in 1995 with the help of the famous American filmmaker Roger Corman ; it is the newest studio of the four and is advertised as having been copied on the Hollywood system. Its facilities include:

- Two sound stages
- Blue screen
- Construction workshop
- Camera, lighting, grip and Sound packages
- Make-up, hair and wardrobe departments
- Avid Editing Suite
- Production Vehicles
- Fully equipped production offices

(See <http://www.filmboard.ie> -Ireland as a location)