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U.S. Film Commissions & Hollywood

By Isaiah A. Litvak and Marilyn M. Litvak

COMPETITIVE RIVALRIES AND STRATEGIC REALITIES

The U.S. motion picture production industry, a multi-billion dollar high wage sector, finds U.S. states and foreign governments promoting incentives to attract film production to their respective jurisdictions. Competition for Hollywood production dollars has taken on the character of an arms-war mentality with film commissioners and economic development officials functioning as foot soldiers. **The economic and political competitive environment, which shapes the industry context, is highlighted as location decisions are made as to where the production is to be filmed.** Cases about "Cold Mountain" and "Walk the Line" illustrate the dynamics and strategic realities of locational site competition in the film industry.

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INTRODUCTION

U.S. states and foreign countries trying to diversify their regional economies view film, television, and video (FTV) production as an industry sector with a bright future, one that is regarded as environmentally friendly. The industry has been one of the fastest growing high-wage sectors in the United States and is labor intensive. With locational site promotion activities and campaigns driven, in large measure, by the need to create jobs, U.S. states and foreign governments are competing aggressively and investing in proactive strategies aimed at attracting film production and related business activities.

Tax incentives, subsidies, labor costs, and exchange rates influence location decisions that are film production specific. Most U.S. states offer a range of incentives for the film production industry. This fact is not lost on Hollywood's film production companies which are in a strong position to cherry pick among competing U.S. state and foreign locations for productions, because, unlike companies in other major industry sectors, they are relatively footloose. Project-based enterprises have long prospered in filmmaking. Indeed, one might say that today's motion picture industry is largely sustained by the growing importance of temporary enterprises; i.e., film producing companies that are essentially disbanded upon the release of the film.

Photo Credit: The Memphis & Shelby County Film and Television Commission.

Mud Island Amphitheater – downtown Memphis on the Mississippi River– used in filming "Walk the Line" as the exterior of the Pacific Bowl.

Location shooting and off-lot production became increasingly common when the large studios (or majors) changed their focus from relatively small-budget formula films to big-budget feature films. Among the forces that contributed to this shift was a major restructuring of the Hollywood motion picture industry. The production system was reconstituted in the form of an aggregation of small and medium-size film production companies – studio projects; studio-backed independent productions; and negative pick-up films, i.e., films made independently and then sold to a studio. The structural transformation from largely independent studios to strategic business units of publicly owned conglomerates that push for higher stock values has created a climate for filmmakers to find production locations that give them greater cost savings. The issue of

Isaiah A. Litvak, Ph.D., is the Christine & Eugene Lynn Eminent Scholar and Chair in International Business, Florida Atlantic University. Dr. Litvak has been a consultant to business, government, and the United Nations.

Marilyn M. Litvak has more than 20 years experience as a government policy analyst, public affairs executive, and business consultant.

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The U.S. motion picture production industry, a multi-billion dollar high wage sector, finds U.S. states and foreign governments promoting incentives to attract film production to their respective jurisdictions. Competition for Hollywood production dollars has taken on the character of an arms-war mentality with film commissioners and economic development officials functioning as foot soldiers. The economic and political competitive environment, which shapes the industry context, is highlighted as location decisions are made as to where the production is to be filmed. Cases about "Cold Mountain" and "Walk the Line" illustrate the dynamics and strategic realities of locational site competition in the film industry.

'Runaway Production'[1] has become a cause for concern, especially for Los Angeles County.

This article is divided into four parts. The first part presents a brief overview of the economic importance of the U.S. motion picture production industry. The value chain is employed in the second part to illustrate the sequence of activities that are performed in the industry, with special reference to production location decision-making. The third part introduces the role of film commissions and the competitive challenges they face as they try to attract potential Hollywood runaways. Two case studies – "Cold Mountain" and "Walk the Line" – are presented to illustrate the dynamics of locational site competition: the former being an example of global competition and the latter being one of U.S. interstate competition. The fourth and final part provides some summary observations.

ECONOMIC IMPORTANCE

The U.S. motion picture production industry is a multi-billion dollar high wage sector. According to the Motion Picture Association of America (MPAA),[2] its members have a trade surplus with every country where they do business. This makes the motion picture industry quite unique in today's U.S. economy. The MPAA estimates that in 2002 motion picture production spending on payroll and purchases from vendors was $56.6 billion nationally and $34.3 billion in California. Measured in terms of employment, it was 353,076 people nationwide with 245,900 residents in California. Film production workers collectively earned $21.2 billion nationwide, of which $17.2 billion was realized in California. Indeed, the bulk of California motion picture employment is in Los Angeles County, 87.5 percent according to County Business Patterns.

Regardless of the data and methodology employed, California and Los Angeles County specifically, which includes Hollywood, is the economic and creative engine of the FTV industry. Few would question Hollywood's image of itself as the world's pre-eminent film industry.

Dan Glickman, chairman and CEO of MPAA, senior studio executives and U.S. film commissions are quick to emphasize that FTV productions generate significant job numbers and expenditures in locations in which filming takes place. Motion picture production is an extremely attractive business. Small productions alone may employ hundreds of people, however short-term they may be. No small wonder most U.S. states and a growing number of foreign countries are legislating and aggressively promoting competitive tax and other financial incentives to attract film production to their locales. Speaking for the industry, Glickman explains

> *"So while 65 percent of productions occur right here in California, many filmmakers have no choice but to explore opportunities every day in other states and other countries."*[3]

California

Inter-state and inter-nation competition for Hollywood economic runaways was succinctly captured by Chris Essel, vice president, Paramount Pictures and chair, California Film Commission

> *"…I've seen the landscape for location production continue to grow more competitive each day. Other countries, such as Canada, England and Australia, have been successfully pursuing our production jobs with rich incentive programs for many years. However, now the industry is being aggressively targeted by other states as well. In fact, twenty-nine states have recently passed new production incentives or have increased existing incentive packages after experiencing the economic boom that motion picture production brings. It's imperative for California to become more competitive if our state wants to remain the filming Capital of the world."*[4]

In 2006, California had approximately 40 local film commissions and film offices, in addition to the California (State) Film Commission. The California Film Commission and its sister affiliates have been lobbying for the enactment of state credits to keep film and television productions from going to other U.S. states and foreign countries. U.S. states such as New York are viewed as aggressive poachers. New York City, in particular, is considered a formidable competitor because of New York's more attractive tax incentives and recent infrastructure improvements, including large scale sound stages.

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Much to the chagrin of local unions, industry executives, film commissioners, and select legislators, Assembly Bill 777, which had the support of Gov. Arnold Schwarzenegger, died in September 2006 with the expiration of California's Legislature's term. The goal of AB 777 was to help level the playing field by allowing California to compete for film projects potentially lured away by more attractive tax incentives to other U.S. states, including New York. The bill would have provided 12 percent credits for wages and equipment with a cap of $3 million per production if 75 percent of the project was shot in California.

Three factors in particular made the passage of the bill doubtful. First, the yearly average wage of an FTV worker in Los Angeles county was approximately $100,000, more than twice the average for all industries in Los Angeles; second, the FTV industry was experiencing an overall job growth in spite of the runaways; and third, other key industries were worse off in terms of employment and wages such as the aerospace industry.

THE VALUE CHAIN

Hollywood's major studios dominate the film industry, most of which operate as strategic business units (SBUs) within larger multinational media, entertainment, and diversified conglomerates such as Paramount Pictures Corporation, a subsidiary of Viacom, a media conglomerate.

In recent years, the major studios increased their reliance on their small subsidiaries and independent film production companies (indies) for film products. While the indies produce primarily small budget films, they represent an important film production constituency in Hollywood. Not surprisingly, the indies, having more limited production and distribution capabilities than do the major studios, for the most part, rely on the major studios for distribution and financing.

Goods or services tend to be produced through a series of vertical business activities. As shown in *Figure 1*, such a sequence of activities is to be found in the motion picture industry. The making of a motion picture typically begins with a producer acquiring the motion picture rights, or option on such rights, to a literary property. If that property is not in script form, a writer will be hired to draft a screenplay. At this point in the value chain, the project is in the 'Development and Finance' stage. The producer seeks production financing and tentative commitments from a director, the principal cast members, and other creative personnel. A preliminary production schedule and budget is also a prerequisite. The decision of whether or not to "greenlight," or approve for production is made at the end of this stage.

Once greenlighted, the enterprise goes into 'pre-production.' At this stage, the producer hires creative personnel not previously on board, finalizes the filming schedule and production budget, obtains insurance or self insures, and secures completion guarantees, if required. It is at this phase in the value chain that the producer decides on the film locations, secures the necessary studio facilities and stages, where necessary, and programs the start of principal photography.

Principal photography takes place during the 'Production' phase. Completion of principal photography is followed by the 'Post-production' stage, in which the motion picture is edited; optical, dialogue, music, and any special effects are added; and voice, effects, and music soundtracks and pictures are synchronized. In post-production, release prints of the motion picture are printed from the final negative. 'Distribution' of a motion picture involves the licensing of the picture for distribution or market exploitation in both domestic and international markets.

Production Location Decision-making

Deciding on the production location(s), in particular, is based on a number of critical factors, the sum total of which must generate a cost competitive advantage if filming is to take place outside Los Angeles County, notwithstanding creative considerations. The producer and his/her team will normally have to make a detailed assessment of the cost components and the film project's production requirements (needs). Generally speaking, the smaller and tighter the budget, the greater the trade-offs between production cost components and production capability requirements (see *Figure 2*). Indeed, the more successful the producer is in reducing production costs, the more likely more monies will be available for the marketing budget.

Figure 1: The Motion Picture Value Chain

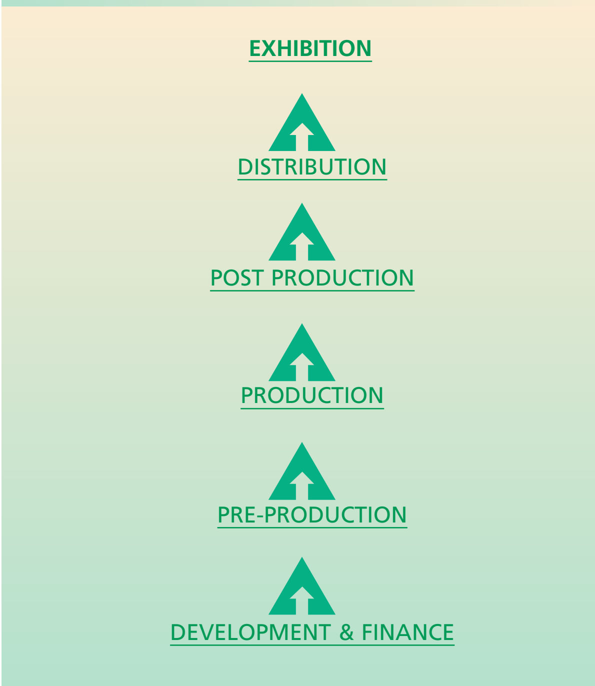

Figure 2

Location Decision Making Factors

PRODUCTION COSTS		PRODUCTION REQUIREMENTS
• Above-the-line • Below-the-line • Exchange Rates • Residuals • Government Incentives	Decision Process	• Infrastructure • Crew Quality • Crew Depth • Finance Vehicles • Talent/Creative Pool

A key budgetary category labeled 'above-the-line,' includes producer, director, story rights, screen writer, and principal cast. These are usually fixed fees. Activities such as crew costs and facilities and equipment rental fall into the 'below-the-line' category. Union contracts covering work rules and rates impact heavily on labor costs. The cost ratio between above-the-line and below-the-line varies from picture to picture, but since most theatrical films are cast driven, the tendency is to weigh the budget heavily toward above-the-line costs. In the case of studio theatrical film productions that employ one or more A-list actors, the budget ratio would be more heavily weighted in favor of above-the-line. Generally speaking, the smaller the budget, the greater will be the percentage spent on below-the-line costs.

Meeting production requirements is also an overarching concern and includes capabilities such as infrastructure, crew depth and quality, and locations that are appropriate and accessible. The impact of talent and creative considerations come into play when finalizing the location decision. Here we have the requirements of the story, preferences of the director and "celebrity status" actors about where they wish to be, and the effect on the producer's ability to control the production.

According to MPAA, the average major studio picture has a production budget of approximately $60 million, with about one-third of the budget generally spent on location. No small wonder U.S. states and foreign governments and film commissions actively promote their regions as ideal sites for a film shoot. While artistic integrity is always a consideration when deciding where to shoot a film (e.g., script), today's industry driver is cost containment or to put it plain and simple "money." It often costs less to shoot outside of California or in a foreign country than in Los Angeles County.

Belle Island Quarry – Richmond, VA (5 minutes from a 5 Star Hotel, yet used as the remote cliff for a dramatic scene in "Cold Mountain").

U.S. FILM COMMISSIONS

Film commissions, ubiquitous in the United States, are generally operated and funded by various agencies of government, such as the governor's office, the mayor's office, the county board of supervisors, chambers of commerce, convention and visitors' bureaus, travel commissions, and business and economic development departments. They function much like economic development agencies, rather than cultural agencies. Their mandate is to attract FTV production and to promote their regions as ideal locations for investment in businesses that are supportive and related to the entertainment industry.

Film commissions as agencies and/or agents of governments are keenly aware of the economic benefits that FTV production can bring to their areas. Some film commissioners like to compare FTV production activity to tourism, namely an export industry that, for the most part, brings in money from outside a region, contributing to the growth of the local economy, especially when measured in jobs. It is not surprising that U.S. film commissions are constantly lobbying their state and federal governments to introduce state and federal tax incentives and subsidies, designed to attract film production activity to their areas as well as help stem the outflow of U.S. film production activity to foreign locations.

CASE: NORTH CAROLINA AND "COLD MOUNTAIN (2003)"[5]

It was a natural – a movie set, for the most part, in North Carolina, based on the epic novel "Cold Mountain." The author Charles Frazier was born in Asheville, North Carolina, and the book was written in North Carolina. Published in 1997, it became immediately a New York Times Best Seller. By year's end, the film rights were acquired by United Artists (UA) for Oscar-winning British director Anthony Minghella with Sidney Pollack of Mirage Enterprises and Ron Yerxa and Albert Berger of Bona Fide Productions to produce.

North Carolina was fast off the mark. The state mounted a sophisticated and targeted campaign. As early as the summer of 1997, North Carolina's Film Office started talking to producers, Ron Yerxa and Albert Berger of Bona Fide Productions. According to Bill Arnold, director of the North Carolina Film Office, they courted Yerxa and Berger pretty heavily, taking them out for dinner every time the Film Office went to a trade show on the West Coast. The Film Office also provided great numbers of photos showcasing North Carolina's mountainous terrain. Even the governor got into the act. So intent was the state on gaining the shoot, in 2000 the then Gov. Jim Hunt flew Arnold out to L.A. for a luncheon meeting with Minghella, Yerxa, and Berger to further advance the cause of doing the "Cold Mountain" shoot in North Carolina. During the courtship phase, to Arnold, it appeared that Yerxa and Berger had not considered shooting in other locations.

But a location courting process is not easy inasmuch as the players keep shifting. Five years were to pass before production was begun and during that time UA was replaced by Metro Goldwyn Mayer (MGM) in partnership with Miramax. Believing the production budget too high, MGM pulled out, leaving the bulk of the monies coming from Miramax. "Cold Mountain" was the most expensive film Miramax had ever done. Producers Mirage and Bona Fide were the constants, with Minghella becoming a full partner in Mirage Enterprises in 2000.

Despite early indications of success with Yerxa and Berger and the targeted efforts of North Carolina's Film Office, NC lost out to Romania. It was definitely not due to lack of infrastructure, inasmuch as North Carolina boasted a world-class crew base of more than 1500 film professionals, 400 service and support companies, eight studio complexes, and 30 sound stages – offering more than one million square feet of production space. And even when production shifted to the United States for a short few weeks, North Carolina was left out of the picture. It was South Carolina and Virginia locations that were considered crucial to the film.

The failure to gain the "Cold Mountain" shoot was a blow to efforts to reinvigorate North Carolina's sagging film industry. The industry, which had grown dramatically from 1980 to 1993 when production reached an all time high of $504.3 million, had fallen to half the production values at $250.6 million by 2001.

The decision to film in Romania was without question a case of economics. Making a "big" picture with a slightly better than average budget ($83 million) was the driving factor. Minghella as both director and producer (Mirage) was intent on doing the picture and with a heavy above-the-line cost budget, owing to the high-priced stars, he and his co-producers were on the look out for a less expensive way to accomplish the film. The production team had grown increasingly concerned with what it would cost to film the story in North Carolina. The team needed to create the town of Cold Mountain, and according to Pollack, "we were able to build exactly what we needed for a fraction of the cost of building in the states, and on top of that, we got a tax benefit."

Production in Romania took nine months – April through December 2002 – and though filming in a location where the average salary was, at that time, $US130 a month, was the driver, there were other contributing factors to the decision. Romania is equipped with large studio capacity. Castel Film, with eight sound stages approximating 100,000 square feet and able crews, provided production services. The developing and the printing of the over one million feet of negative was done by Kodak-owned Romanian operation, Cinelabs.

U.S. diplomats indicated the film had a considerable impact on the local community. The crew employed local construction and production talent through a Romanian film company and the region's restaurants, bars, and resorts played host to the almost 100 production crew of Italians, Britons, and Americans.

When the film was released, it was greeted with a great brouhaha because it was filmed abroad. "Cold Mountain" was after all a quintessentially American story and the North Carolina film industry had been left out in the "cold," so to speak. The Film & Television Action Committee (FTAC), an organization formed in Hollywood in 1998 to address the issue of the outsourcing of American film workers' jobs (Runaway Production), attacked the film condemning the producers, in particular the Weinstein brothers of Miramax fame, and even started a letter writing campaign to bring attention to the issue of "runaway" productions. To counter this attack, the producers issued forth all manner of reasons, chief among them being: Western North Carolina's landscape had become too modern – dotted with electrical wires etc. (Canada was dismissed in the same fashion); their executive producer discovered the similarity between NC and Romania during a hiking trip; and so on. But there is no question that Romania was chosen for economic reasons. For example, the production obtained the services of the Romanian army for 11 weeks of grueling battle scenes for an astonishing $300,000. In addition, the exchange rate favored the U.S. dollar.

Carter's Grove Plantation – Williamsburg, VA – Exterior scenes shot as the hospital for "Cold Mountain."

North Carolina, having lost the production, still hoped to benefit from the film's production. Asheville Convention and Visitors Bureau partnered with the producers to cross promote the film and the region as a tourism destination. On-line links were established between the *"Cold Mountain"* web site and the Bureau's. By doing so, the bureau hoped "to turn a trip to the movies into a trek to the mountains." Additionally, the regional economic development agency AdvantageWest launched an international plan to bring Europeans to see the real Cold Mountain in Haywood County. According to Dale Carroll, AdvantageWest director, it was the first major tourism effort the agency made in connection with a motion picture.

Tourism benefits notwithstanding, North Carolina was still intent on bringing film industry jobs to its state. With the dramatic fall off of film production and the "Romanian effect," as it is known in the region, it was decided that a more attractive package was needed. In August 13, 2005, a law providing a 15 percent tax credit was enacted. However, a flaw in the legislation reduced the 15 percent credit to 8.1 percent, and so the act was amended. In August of 2006, Gov. Mike Easley signed into law legislation that provides for a full 15 percent tax credit on productions over $250,000, and not exceeding a credit per project over $7.5 million. The new incentives went into effect January 1, 2007.

The loss of the "Cold Mountain" shoot to North Carolina and attendant brouhaha appeared to be a wake-up call and, in no small measure, contributed to the "political will" to enact more competitive incentives designed to attract film production and restore the state to its former status as a major U.S. filming location.

CASE: TENNESSEE AND "WALK THE LINE (2005)"[6]

Though "Walk the Line (2005)" had a long road to the screen, it came away a winner for the producers and actors, but, apparently, not for the Tennessee film commissioner and quite possibly not for the Tennessee film industry as well. The movie won Golden Globes for Best Picture and Best Actors for both leads and the Oscar for Reese Witherspoon, and the film's afterglow helped create a climate for the promotion and adoption of a film grants incentive program called, the "Visual Content Act of 2006."

For many years, Johnny Cash was courted by filmmakers who wanted the rights to film his "from rags to music legend" saga. It was not until the mid-1990s that he decided his friend and film producer James Keach would do justice to his story. Among the filmmakers interested were director James Mangold and producer wife Cathy Konrad and in 1999, after being vetted by Cash, they were brought on board. Well known screenwriter Gil Dennis worked with Mangold on the script. And so the film project was off, but was not quite running. At first Sony was interested in the project but then pulled out. And according to Konrad, no one wanted to make the movie. Konrad and her husband Mangold said they met with many studio heads in Hollywood. They told them the budget was $25 million and everyone passed, except Fox 2000 President Elizabeth Gabler. In December 2003, Fox closed the deal.

Once the deal was set with the budget rising to $28 million and principal cast in place (Joachim Phoenix and Reese Witherspoon both agreeing to do the film for a much reduced rate), the team began to scout locations. They identified the south as the preferred location, wanting to imbue the production with a southern ambiance. Though Tennessee was the true creative location, given Johnny Cash built his fame and fortune there, Louisiana's generous incentives beckoned.

At that time, Louisiana had and still has one of the most generous transferable tax incentive programs, offering an investor tax credit of up to 15 percent and an employment tax credit of up to 20 percent.

> *Its keystone was transferable tax credits, a kind of indirect rebate. A movie company gets a percentage of tax breaks, or credits, for coming to the state and spending money. Since the movie company is not subject to state taxes, however, it sells the credits, or transfers them, at a discount to local businesses and corporations – which can apply them toward their own taxes at full value. The movie company pockets the money; the local business pays lower taxes. (See EN 6 – Ridley)*

The incentive program was enacted in 2002 and the state, within two short years, average film production revenues grew from $20 million to about $200 million a year. To this day and despite Hurricane Katrina, filmmakers, always on the lookout for a bargain, still consider the state, given its generous incentives, a viable location for filming, albeit not in New Orleans.

Photo Credit: The Memphis & Shelby County Film and Television Commission.

The Orpheum Theatre – downtown Memphis – used in "Walk the Line".

20th Century Fox stood to save $3 million of its $28 million budget by filming in Louisiana rather than Tennessee. Given the modest budget and that savings are derived from the below-the-line budget, the Louisiana savings represented a goodly portion of the cost. Nonetheless, Tennessee won the shoot through the hard work and determination of Shelby County Film Commissioner Linn Sitler and Tennessee Film Commissioner David Bennett. They cobbled together a soft incentive package which included free use of government facilities, Shelby County and Memphis city hotel and motel tax refunds for the film crew, and the use of free office and warehouse space. Indeed, they were even able to persuade the Government of Tennessee to allow the use of a state plane to scout locations.

Photo Credit: The Memphis & Shelby County Film and Television Commission.

S. Main St. – downtown Memphis – area used in "Walk the Line."

Star power came into play as well. According to Tennessee booster and native, Reese Witherspoon, she took it upon herself to try to convince Governor Phil Bredesen to make Tennessee more financially attractive to the "Walk the Line" producers. While it may be doubtful that her pleadings with the governor had anything to do with the location decision, it is more than possible she used her considerable star power to influence Fox's final decision – she was determined to have the film shot in Tennessee.

Most of the "Walk the Line" film was shot in Tennessee. Thirty-one of the 47 local shooting days took place at 26 locations in West Tennessee (See EN 6 – Beifuss). The film also had a short location shoot in Arkansas, Cash's birthplace. But during the 2004 summer shoot, the cast and crew moved to Memphis neighbor, Tunica, Mississippi, for about 12 days. Tunica is the third largest gaming destination in America, and the production company was able to make use of one of the large-scale barge casinos by transforming it into the now defunct Mint Hotel in Las Vegas in the 1960s. Though the reason for moving the production to Tunica was the casino, "Walk the Line" was the first film to benefit from a newly enacted Mississippi incentive package that went into effect in July 2004. The Mississippi incentives included a 10 percent payroll tax credit, a 10 percent rebate on in-state production expenditures, and a broad set of sales tax exemptions and reductions.

After the near miss, Tennessee's Film Executive Director David Bennett was determined that Tennessee develop a competitive Film Production Tax incentive program. To that end, he recommended that Dama Chasle be hired as a consultant to help develop an incentive program. Bennett had dealt with Chasle during the "Walk the Line" negotiations when she was Tax VP, 20th Century Fox. To illustrate the problem in simple terms, Chasle prepared a comparison for the Tennessee Film Production Advisory Committee charged with developing the proposed legislation. Chasle's comparison illustrated the difference in savings offered by Louisiana, Georgia, and Tennessee. Film production budgets benefited by about 25 percent in Louisiana, 14 percent in Georgia, and 5 percent in Tennessee. The comparisons and what has become known as "The Romania Effect," – i.e., the loss of "Cold Mountain" to Romania where the cost-benefit to film production was so great – were held like the Sword of Damocles over the heads of the Legislative Assembly. And it worked.

In 2006, a $10 million non-recurring "Film/TV Fund" was established, with program start date January 2007. The incentive was vastly different from the tax incentives programs originally proposed; nevertheless, there was great joy and hope among promoters of Tennessee's film industry. In a strange twist of fate, as reported January 13, 2007 by *Memphis commercialappeal.com*, Film Commissioner Bennett was forced to retire because of political pressure from Gov. Phil Bredesen's administration.

Great concern was expressed by the film community on two levels. First, Bennett was well-liked, well-respected and considered by fellow film commissioners and business as having done a great job in attracting FTV production to Tennessee. Second, and perhaps more importantly, according to Sitler, development of criteria for distributing the FTV fund has been delayed and this delay could result in the money being returned to the state's general fund. This view is not far fetched, given rumor has it that Governor Bredesen and some of his close advisors neither supported nor endorsed the package even though the governor signed the state budget, which included the $10 million film/tv incentive package in 2006. According to Bennett, without the Film/TV Fund incentive program, Tennessee's Film/TV business will flounder.

SUMMARY OBSERVATIONS

Movie productions are mobile and flexible when it comes to deciding where to shoot the film. Generally speaking, each film has its own budget; no sunk costs tying it to an existing location; potential customers which are increasingly worldwide; and distribution costs which are not production-location-dependent. Not surprisingly, incentives are very effective in attracting productions. Louisiana is one such striking example. Production expenditures grew from $12 million in 2002 to $330 million in 2004 after the adoption of its incentive program.

While incentives are critical in attracting film production activity, investment in the capabilities of a film commission is necessary if the full benefits of film shoots are to be realized. For example, streamlining the permit process and making the city/county a hospitable environment for film making are two important elements in any strategy that has as its goal to attract film shoots. Having a film commissioner who understands what it takes to help a production run smoothly as opposed to a political appointee who knows very little about the dynamics of film production is also an asset.

A key challenge for film commissions is to insert themselves as early as possible in the film production location decision making process, and preferably the development stage. There are a number of sources of information that a film commission can tap into which list the development and production status of feature film projects. Feature film projects are identified according to each critical stage of the film value chain; namely, active development; greenlighted; pre-production; production; post production; and releasing (distribution).

Relationship marketing is a central strategic ingredient if a film commission is to succeed in getting the right information at the opportune time to make the necessary pitch. Studio executives, producers, agents, lawyers, and location consultants are among the important players in the multiple location decision making process. Given that most film commissioners operate with small budgets and generally employ fewer than five staff members, their ability to proact with peripatetic location decision-makers is limited. It is for this reason that a rifle rather than a shotgun, customized rather than a broad based marketing approach is likely to be more successful.

It is equally important to recognize that there is a high executive and staff turnover rate in the motion picture production industry. It is therefore vital that film commissioners, incumbents and recently appointed, work on an ongoing basis to develop and sustain solid working relationships with key location decision making players – a high maintenance activity that requires diplomatic skills, the schmooze facility, and a solid supportive traveling/entertainment budget.

Generally speaking, when comparing different jurisdictional location advantages, film commissions that are more aggressive, service oriented, and possess superior

Generally speaking, when comparing different jurisdictional location advantages, film commissions that are more aggressive, service oriented, and possess superior staff resources and connections ultimately do better, especially if their jurisdictions offer the more attractive incentive benefits. Typically, the film commissioners of such organizations are better at developing working relationships and networks with "Hollywood" decision makers and, generally, are more adept in handling the "schmooze factor."

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Finally, the falling value of the U.S. dollar, coupled with the enhanced array of financial incentives offered by many U.S. states, other than California, has helped mutate the Hollywood "off-shore" runaway phenomenon to one that is becoming more "U.S. state runaways." Nonetheless, U.S. states and their film commissions while "thinking locally must still compete globally." The MPAA members benefit from the global competition in government incentives; in fact they help fuel such competition in the U.S. and abroad. It is in their bottom line interest to do so!

FOOTNOTES

1. Runaway productions are categorized as creative and economic. Creative runaways are those productions that are shot on locations related to story/script requirements, whereas an economic runaway is defined as U.S.-developed feature films, movies for television, TV shows, or series which are filmed in another country for economic reasons; i.e., to achieve lower production costs.
2. The MPAA represents the American motion picture, home video, and television industries whose members include Buena Vista Pictures Distribution, Metro-Goldwyn-Mayer Studios, Inc., Paramount Pictures, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corp., NBC Universal, and Warner Bros. Entertainment Inc.
3. Hollywood Chamber of Commerce, "Doing Business in Hollywood," September 15, 2006, http://hollywoodchamber.net/business/entertainment.asp (accessed December 2, 2006.)
4. Ibid.
5. Information for the case was taken from the following sources: Sunshine, Linda, (ed), *Cold Mountain - The Journey from Book to Film,* Newmarket Press, New York, 2003, p.11.; Clark, Paul, "N.C. film industry still smarting from 'Cold Mountain' snub," *Citizen Times,* Dec. 23, 2003; North Carolina Film Office, (http://www.ncfilm.com/directory_film.asp); "Films romance Romania," Reuters November 18, 2003, (http://www.theage.com.au/articles/2003/11/17/1069027031914.html); McDonald, Kara, "A Warm Reception on cold Mountain," State Magazine, Feb 2003, p. 30, (http://www.state.gov/documents/organization/17522.pdf); Jones, Tammy, "WNC tourism leaders hope to turn "Cold Mountain" into cold cash," *Citizentimes*, Dec. 25, 2003; NC Film Office, (http://www.ncfilm.com/ film_incentives_benefits.asp); Schreiner, Mark, "Industry seeks film incentive fix," Wilmington Star, July 06. 2006.
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