

The Economist

The film business

Hollow-wood

The sign is still there, but the film crews increasingly aren't

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MORE than 41m Americans tuned in on March 7th to watch “*The Hurt Locker*” win the award for best picture at the Oscars, the annual ritual of glitz that reminds the world that Hollywood is the global centre of the film and entertainment industry. “*The Hurt Locker*”, however, was filmed in Jordan, not Hollywood. Perhaps that is as it should be for a film set in Iraq. But what about “*Battle: Los Angeles*”? Hitting cinemas next year, it is a film about marines fighting an alien invasion. And it is being shot in Louisiana.

California has been worrying about “runaway production” since 1998, when Canada began luring producers and their crews away from Los Angeles with tax breaks. Other places followed, and all but seven American states and territories and 24 other countries now offer, or are preparing to offer, rebates, grants or tax credits that cut 20%, 30% or even 40% of the cost of shooting a movie.

These incentives have become a huge factor in choosing where to shoot a film. Hollywood types are used to going on location, says Amy Lemisch, the director of the California Film Commission, a state body that tries to retain film production. These days, she says, producers first compare the incentives offered by the different locations and only then look at their scripts to see which of the places on the shortlist make sense. California’s world share of studio films (ie, those made by the six biggest studios) dropped from 66% in 2003 to 34% in 2008, she estimates, and has fallen further since then.

The decline in movie-shooting would have been even faster if California had not, last July, also got into the game of giving out incentives. Ten feature films which would otherwise have been made outside the state were filmed in Los Angeles in the second half of 2009 purely because of this financial aid. But California’s incentives are relatively modest, says Ms Lemisch, and are set to expire in 2014.

It may seem strange that even states with budget crises, such as Michigan, New York or California, choose to make their deficits worse with such giveaways—and in Michigan the tax credits have indeed become controversial. But states and countries are enthusiastic about hosting film crews, for good reason. With no factories to build, the economic benefit is instantaneous. Jack Kyser at the Los Angeles County Economic Development Corporation estimates that the average film (with a budget of \$32m) leads to 141 jobs directly, from caterers to make-up artists, and another 425 jobs indirectly. And it generates \$4.1m in sales taxes and income taxes.

Even with its film schools and armies of cameramen and extras, therefore, Hollywood is not quite as unshakable as it once thought. The business of film-making may split, says Ms Lemisch, with the lawyers, agents and other suits staying in their Brentwood and Bel Air villas, and the crews decamping. Every time a film is shot in another state, moreover, the locals pick up skills that make subsequent shoots easier. In a sign of how desperate Los Angeles is becoming, the city is now considering offering its most treasured resource to crew members at no charge: parking places.

