







▶ All Journals ▶ Industry and Innovation ▶ List of Issues ▶ Volume 14, Issue 4 Finance, Policy and Industrial Dynamics-

Industry and Innovation >

Volume 14, 2007 - Issue 4: Hollywood and Beyond: Globalization Of The Film Industry

3.007 51

Views CrossRef citations to date Altmetric

RESEARCH PAPER

Finance, Policy and Industrial Dynamics— The Rise of Co-productions in the Film Industry

Norbert Morawetz , Jane Hardy, Colin Haslam & Keith Randle

Pages 421-443 | Published online: 10 Sep 2007

66 Cite this article ⚠ https://doi.org/10.1080/13662710701524072

> Sample our Business & Industry Journals >> Sign in here to start your access

Full Article

Figures & data

References

66 Citations

Metrics

➡ Reprints & Permissions

Read this article

Abstract

This pap

and inst

narrativ

discusse

finance

We Care About Your Privacy industry

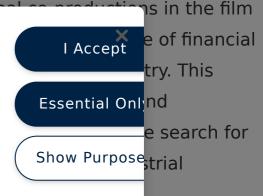
We and our 842 partners store and/or access information on a device, such as unique IDs in cookies to process personal data. You may accept or manage your choices by clicking below, including your right to object where legitimate interest is used, or at any time in the privacy policy page. These choices will be signaled to our partners and will not affect browsing data. Privacy Policy

Use precise geolocation data. Actively scan device characteristics for identification. Store and/or access information on a device. Personalised advertising and content, advertising and content measurement, audience research and services development.

List of Partners (vendors)

We and our partners process data to provide: Q Keywor

Ackno



cle 🔪

The research for this article was undertaken with a small grant from the University of Hertfordshire. The authors would like to thank the editor and the two anonymous referees for the constructive and insightful comments during the review process.

Notes

8. Globe

to irresp

one is ever likely to find".

- 1. Share of total national film production, in numbers of films produced.
- 2. It is important to distinguish between a co-production and a mere financial participation, in which the "financial partner" participates in the results of exploiting the audio-visual work, without being a co-owner of its constitutive elements (Enrich, 2005; see also Goettler and Leslie, 2005).
- 3. This was seen recently when the UK terminated its bilateral co-production treaties with Germany, Italy and Norway in favour of the convention. The convention also allows the involvement of co-producers from non-signatory countries as a fourth co-producer (e.g. the USA), provided that their total contribution does not exceed 30 per cent of the total production cost of the film (UK Film Council, 2007).
- 4. Producing a film in another country for economic (lower costs) or creative (location) reasons.
- 5. It has to be noted that the categories may be more fluid than the taxonomy suggests, with projects not being made exclusively for one reason, but usually for a



monument

'rip-off' as

- 9. The Film and Television Action Committee.
- 10. "Below the line" costs refer to the salaries of the non-starring cast members and the technical crew, as well as equipment, studio, travel and catering costs. In contrast to this "Above the line" costs are the costs for creative talent and producers.
- 11. In order to further reduce the risk for investors, film funds usually invest into a slate of films and not just in a single picture. In contrast to a simple financial stake, equity investors hold a full stake in a film project and are in turn entitled to participate in the exploration of rights associated with the film.
- 12. In Germany a failure to include such criteria led to the much reported financial drain of German tax money to fund Hollywood films. According to an independent German analyst, in 2004 four out of every five euros (78 per cent) raised through German media funds was channelled into North American-based productions, with only 10 per cent invested in productions in Germany and about 11 per cent in projects within Europe. The total amount of money German media funds raised from private investors was EUR 1.5 billion in 2004 and EUR 1.76 billion in 2003 (Blaney, 2005).
- 13. "Double dipping" allowed producers to claim tax relief twice on the same movie—once via a production fund, and later via a sale-and-leaseback deal. For films made under Section 48 relief (budgets under \$29 billion) "double dipping" could cover 25–40 per cent of the production costs. For bigger budget movies using Section 42, such as the "Harry Potter" franchise or Phantom of the Opera, the value ranged from 15–25 per cent.

te equity as 14. The a "trans private equity c equity is not th tax freely tra 580 billion credits, siness in to practic st this financia ng famously accusing ms of locusts'

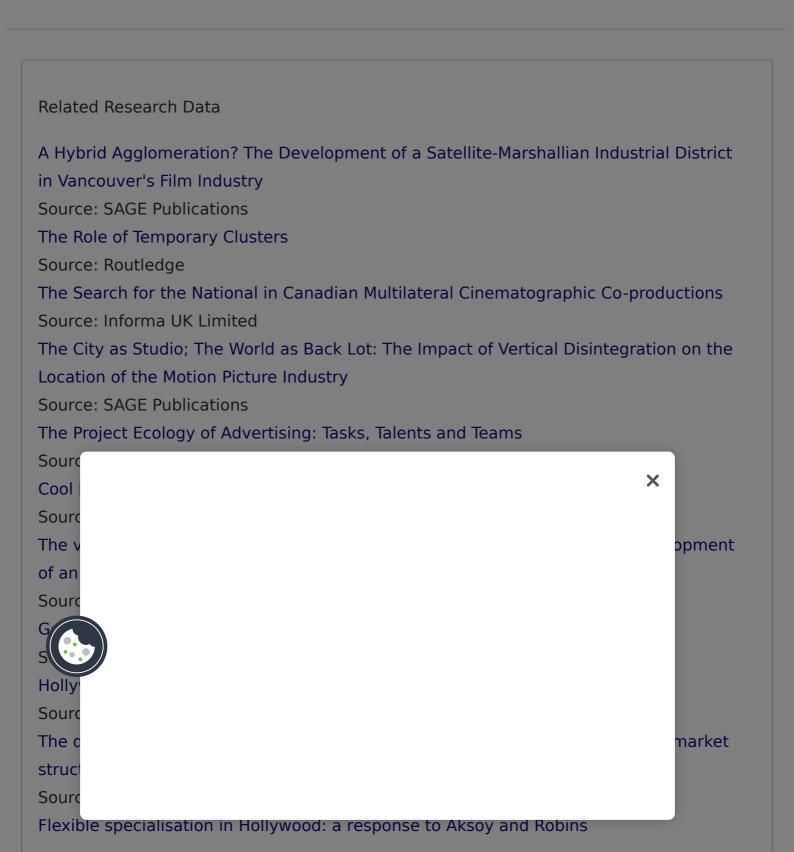
15. Rather than relying on a single top-or-flop project, equity funds and studios use a portfolio approach to film financing where risk is spread across a slate of films (White, 2005).

16. In the early 1990s the studios diversified into independent film production through acquiring or building independent distribution companies. These "mini-majors" (e.g. New-Line Cinema, Miramax) significantly increased the scope of their spending in the following decade, to meet a growing demand for high budget independent motion pictures (Perren, 2001; Thompson, 2004). The average negative cost of a mini-major peaked in 2003 at an average of \$46.9 million, a 154 per cent increase on production budgets since 1999. Films such as Martin Scorscese's \$100 million epics Gangs of New York (2002) or The Aviator (2004) reflect how profoundly the image of independent film was changed in this period (Grove, 2005). This growth in the independent sector is in line with a steady expansion of overall studio production budgets that reached an average of \$63.8 million in 2003, compared with \$36.4 million in 1995, with marketing costs rising in the same period from \$17.7 million to \$39 million (MPA, 2006a).

17. Insurance-backed securitization introduced institutional investors and in particular large insurance companies to the film industry. However, the failure of these companies to assess their risk accurately led to a series of bankruptcies and court cases and made insurance-backed film financings "one of the major issues facing the insurance industry" (Freshfields Bruckhaus Deringer, 2002: 4). As Phillips (2004) has noted, the London market lost around £2 billion in film financing, and Crédit Lyonnais, once the largest bank in the world went under state administration after it lost roughly \$5 billion



- 21. Tax credits are usually payable on expenditure. However, as producers need the finance upfront, the tax credit is discounted with a financial intermediary or fund.
- 22. There has been a tremendous growth in private equity capital since 2003, with private equity funds raising more than \$225 billion in 2006 alone, and about \$580 billion in total since 2003 (Dow Jones Equity Analyst, 2006). This has happened alongside a similar strong growth in the hedge fund industry that has expanded from \$240 billion under management in 1998 to approximately \$1.4 trillion in 2006 (Russo, 2007).



Source: Oxford University Press (OUP) An Irresistible Market Source: Oxford University Press (OUP) Modeling Movie Success When 'Nobody Knows Anything': Conditional Stable-Distribution Analysis Of Film Returns Source: Springer Science and Business Media LLC Technological Revolutions and Financial Capital Source: Edward Elgar Publishing Effects of rationing on the consumption behavior of Chinese urban households during 1981-1987 Source: Elsevier BV Economic Geography as Dissenting Institutionalism: The Embeddedness, Evolution and Differentiation of Regions Source: Informa UK Limited The Cluster as Market Organisation Source: SAGE Publications Flexible Specialization and Regional Industrial Agglomerations: The Case of the U.S. **Motion Picture Industry** Source: Informa UK Limited Transforming the Danish Film Field Via 'Professionalization', Penetration and Integration Source: Wiley The Name above the (Sub)Title: Internationalism, Coproduction, and Polyglot European Art Cinema Source: Duke University Press Framing city networks through temporary projects: (Trans)national film production beyo X Sourc Hong Sourc Greel Euror d Film Sourc Exam audie Sourc Local Source: SAGE Publications

Related research (1)

research •

People also read

Recommended articles

Cited by 51

Cultural globalization and the dominance of the American film industry: cultural policies, national film industries, and transnational film >

Diana Crane

International Journal of Cultural Policy

Published online: 11 Sep 2013

Internationalization vs. Globalization of the Film Industry >

Mark Lorenzen

Industry and Innovation

Published online: 10 Sep 2007

Between state-led and corporation-led co-productions: how has film co-production been exploited by states in Europe >

Jimmyn Parc

Innovation: The European Journal of Social Science Research

Published online: 30 Jul 2020



Information for Open access **Authors** Overview R&D professionals Open journals Editors **Open Select** Librarians **Dove Medical Press** Societies F1000Research Opportunities Help and information Reprints and e-prints Advertising solutions Newsroom Accelerated publication Corporate access solutions Books Keep up to date Register to receive personalised research and resources by email Sign me up Taylor & Francis Group Copyright © 2024 Informa UK Limited Privacy policy Cookies Terms & conditions Accessib

