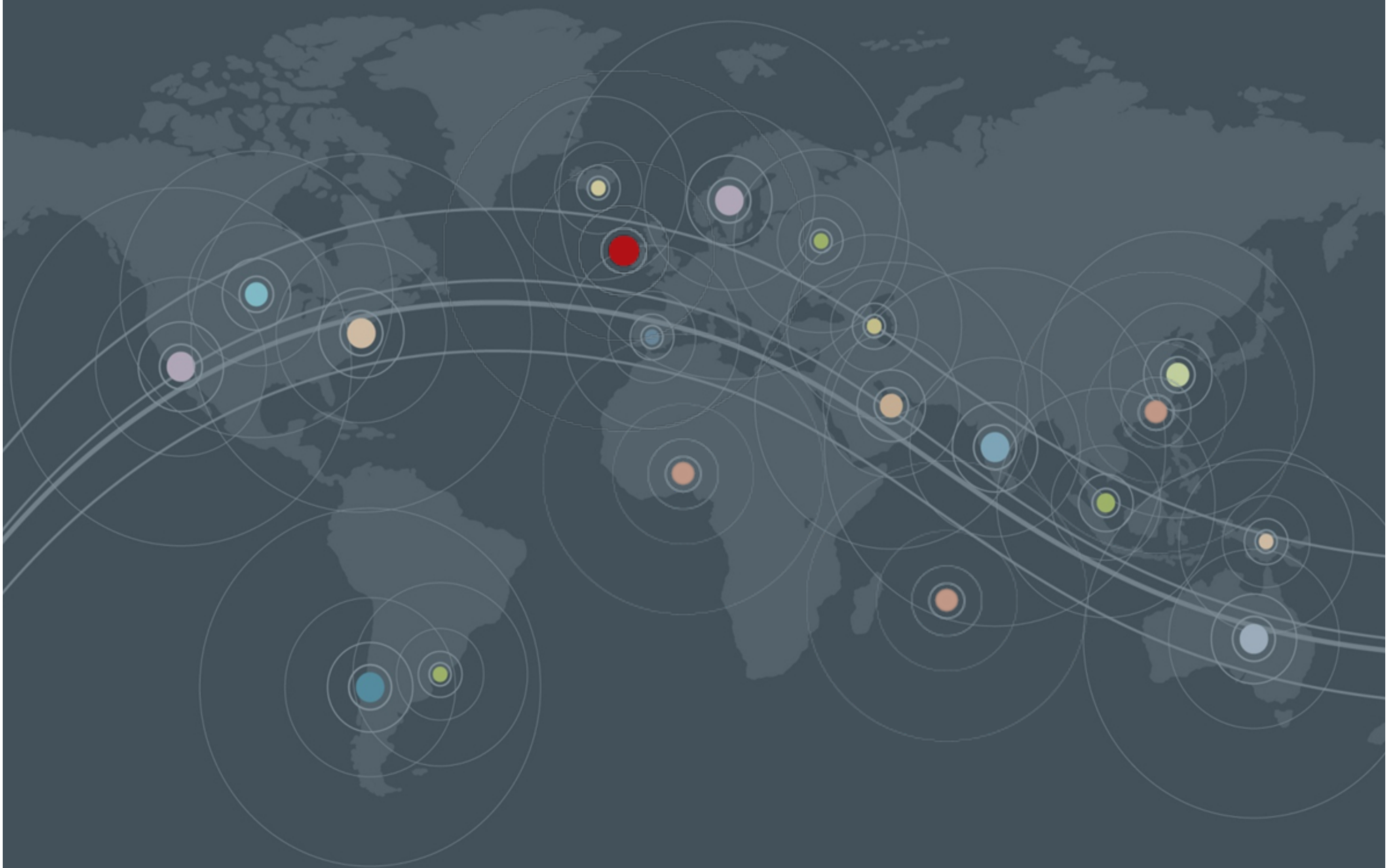
Economic Analysis of the Audiovisual Sector in the Republic of Ireland

A Report from Olsberg•SPI with Nordicity



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OLSBERG·SPI

Contents

GLOSSARY

Abbreviation/Term	Description
AI	Animation Ireland
AVMSD	Audiovisual Media Services Directive, the EU legislation which governs EU-wide coordination of national legislation in the TV and on-demand markets
ATL	Above the Line, the part of a film or TV production budget in which those who are key to the creative process – including writer, producer, director, and leading on-screen talent – are located
BAI	Broadcasting Authority of Ireland
BTL	Below the Line, the majority of the remaining cast and crew of a film or TV production budget excluding those found Above the Line
Code of Fair Trading Practice	Generic name for the published principles which Ireland's PSBs must abide by when commissioning programmes from independent producers
CRAOL	The Community Radio Forum of Ireland
CSO	Central Statistics Office of Ireland
DCCAE	Department of Communications, Climate Action, and Environment
DCHG	Department of Culture, Heritage, and the Gaeltacht
Development	For film and TV, the phase prior to production where the creative elements are finalised prior to financing and pre-production
ENB	Economic net benefit
FNB	Fiscal net benefit
FTE	Full-time equivalent
Games Development	The process of bringing a game from conception to the distribution phase
Games Studio	A company working in the development of games products
GDC	Game Developers Conference, an annual event for the games sector
GDP	Gross domestic product
GVA	Gross value added
IFB	Irish Film Board
ILBF	Irish Language Broadcasting Fund
Imirt Games	An Irish games developers' association
IP	Intellectual property

Abbreviation/Term	Description
Middleware	A common piece of software which provides services beyond those offered by the operating system, for example a game engine, such as Unity
Primary window	A platform or venue in which a film or TV program is first released commercially to the public.
ONS	Office of National Statistics (UK)
Operating surplus	Operating surplus refers to the income earned by a business's owner-operator and shareholders and is often similar to operating profits. Operating surplus is the residual income leftover after the value of employment costs and other purchases of supplies and services are deducted from the value of output.
OTT	Over-the-Top, a form of broadcasting which transmits over the internet as a standalone product, circumventing traditional over-the-air broadcast; many VoD providers use this model
PSB	Public Service Broadcaster
RTE	Raidió Teilifís Éireann, a PSB
Screen Leaders	A strategic company development programme, run by Screen Training Ireland with the support of Creative Europe
Secondary Window	A platform in which a film or TV program is released commercially to the public, following release on the primary window.
Section 481	Ireland's fiscal incentive for film and TV production
SIC	Standard Industrial Classification
Slate Finance	The provision of funding – in full or part – for a defined number of projects to be developed or produced by a single production company
IFB/STI	Screen Training Ireland, which is part of the IFB and the national training and development resource for Ireland's film and TV industry
Studio	For film and TV, a dedicated facility in which productions are undertaken
SVoD	Subscription video on demand
SPI	Screen Producers Ireland
SPV	Special Purpose Vehicle, a company established to fulfil narrow and temporary objectives; in the film and TV sector, these are used to manage IP and isolate production risks, income, and expenses from those of the broader company
Tent Pole	A major production from one of the big six Hollywood studios, which tends to carry lower risk, and is thus expected to

Abbreviation/Term	Description
	generate profits which will support riskier productions from the studio
Terms of Trade	In the TV sector, standard business terms through which PSBs are obliged to transact with independent production companies
TG4	An Irish-language PSB
VFX	Visual Effects
VFXAI	The Visual Effects Association of Ireland, a trade body
VGTR	Video Games Tax Relief (UK)
VoD	Video on demand
Waterfall	A concept which shows how the revenues recouped from the exhibition of a piece of IP are distributed to the various organisations involved in its funding, production, and distribution

1. EXECUTIVE SUMMARY

In 2008, the *Irish Audiovisual Content Production Sector Review* showed that 5,440 full time equivalents were employed in the sector. In 2011, the Creative Capital Report was published with twin objectives of doubling the value of the Irish audiovisual industry to €1 billion and increasing employment in the industry to over 10,000 within 5 years.

In 2016, the Irish Government commissioned us to measure the current economic value of the Irish audiovisual industry, and to propose policy changes to support its future growth.

Our research into these two separate but complementary elements is built on 90 separate consultations, a deep evaluation of over 180 data sources, analysis of Irish government statistics, and fresh data collected through surveys.

This shows that the Irish audiovisual sector generated €1.05 billion in gross value added in 2016 and supported employment of 16,930 full-time equivalents of which 10,560 was direct employment.

Our analysis of the present status of the Irish audio-visual sector suggests that a number of policy changes which we identify would support the future growth of the Irish audiovisual industry and could result in:

1. A doubling of turnover and employment within the next five years;
2. Increased provision of Irish cultural products to Irish audiences and their export to international audiences; and,
3. Greater inward investment with more international feature films, TV drama and games produced in Ireland.

Our Study aligns with the aims of Pillar 4 of *Creative Ireland - Ireland as a centre of excellence in Media Production* - a strategy designed to move Ireland towards a doubling of screen sector employment and turnover within 5 years. This goal informed our focus on certain elements of the industry. Throughout this Study, we have generated strategies which will allow Irish companies to tell their stories internationally; strategies which will help Ireland to operate as a production base for global content.

Our approach stems from the particular nature of the screen industries, which tend to be project based, and build on a cohort of highly skilled, freelance workers. Attracting internationally mobile productions and developing domestic ones, needs carefully calibrated public policy. The cultural and economic benefits of getting it right can be significant.

The Opportunities Worldwide screen content production is one of the fastest growing industries in the world. Consumer spend on internet video content in North America will grow from less than $5 billion in 2012 to over $20 billion in 2021. It will double to over $7 billion in Europe, the Middle East and Africa in the period from 2017 to 2021[1]. Much of this is on high end feature film, TV drama and animation content.

Creativity and Connectivity As a small country, Ireland is uniquely placed to participate in this great opportunity for growth and is based on Ireland's:

- Track record of creative and technical skills across feature film, high end TV drama, TV animation and potentially computer games. Examples include *Brooklyn*, *Room* and *Henry Hugglemonster;*
- Clear and transparent government support across film tax credits, cultural funding and an ability to bring all the resources of the country to bear in making solutions work for indigenous and inward production as happened with *Vikings* and *Into the Badlands*;

[1] *PwC Perspective from the Global Entertainment and Media Outlook 2017 – 2021*

- Location in the EU with English as its first language; and,
- Connections to the major centres of production with a first world infrastructure, stunning locations and easy access throughout the island as was evident in the filming of *Star Wars*.

Growth Potential With the implementation of the recommendations, Ireland audiovisual sector could, in a period of five years, double employment in film, television and animation to over 24,000 full time equivalents (FTEs) and a gross value added of nearly €1.4 billion. Screen content production can do for Ireland in the next five years what technology and software development did for Ireland in the 1990s - further diversifying Ireland's enterprise and skills base and deepening resilience.

Ireland on the World Stage The value of soft power in terms of international recognition of Ireland has been immensely strengthened by its output of screen content from both indigenous and inward production. In exporting of Ireland's image abroad, screen content is the form most easily disseminated and accessed.

Ireland as a Centre of Excellence of Media Production Creativity is at the centre of Irish government policy and the creativity of screen content across feature film, TV drama, TV animation and computer games will deliver a cultural, as well as an enterprise dividend for Irish and international audiences. This will regenerate, for the next generation, Ireland's contribution to world culture, creating jobs and inward investment, promoting Ireland as a place to visit for tourists and creating for that generation a sense of pride in living in Ireland and being Irish abroad.

1.1. Economic Contribution

1.1.1. Gross Value Added

Gross Value Added (GVA) is a productivity metric that measures the contribution of the audiovisual sector to the Irish economy. GVA varies greatly within the various elements of audiovisual sector covered in this report from quite low in commercial radio to high in Film, TV and animation.

One of the main reasons for this difference is the contribution of independent and inward investment production of predominantly live action films and television programmes which has a high GVA.

Table 1 Gross Value Added in the audiovisual and radio sectors in Ireland (£m), 2016

	Film, TV and animation	**Commercial advertising**	**Video games**	**Radio**	**Total**
Direct	303.3	12.5	95.4	112.1	**523.3**
Indirect	273.5	6.0	30.6	56.5	**366.7**
Induced	115.2	2.7	17.7	24.4	**159.9**
Total	**692.0**	**21.2**	**143.7**	**193.0**	**1,049.9**

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, ONS, Indecon and CSO.

The audiovisual and radio sectors generated more than €1 billion in GVA for the Irish economy in 2016. Of this, €692 million was generated by the film, TV and animation sectors, with €303 million of this being direct impact GVA.

1.1.2. Employment

The audiovisual sector supports thousands of jobs in the Republic of Ireland and there is significant potential for further growth in the years ahead.

Table 2 Employment impact of the audiovisual and radio sectors in Ireland (FTEs), 2016

	Film, TV and animation	Commercial advertising	Video games	Radio	Total
Direct	7,070	270	1,450	1,770	**10,560**
Indirect	3,740	70	410	550	**4,770**
Induced	1,150	30	180	240	**1,600**
Total	**11,960**	**370**	**2,040**	**2,560**	**16,930**

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, ONS, Indecon and CSO.

The largest contribution to employment came from the film, TV, and animation sub-sector, which generated 11,960 FTEs of employment of which just over 7,000 was direct employment such as cast and crew.

1.1.3. Net benefit of Section 481 Film Tax Relief

Government support has played an important role in assisting the audiovisual sector to grow. Section 481 – the Irish government's film tax relief delivers value for money on both a fiscal net benefit and economic net benefit basis[2].

In 2016, every euro of Section 481 outlays returned €1.02 in tax revenue to the Irish government. This result was arrived at before taking into account the tax revenues generated by screen tourism and other spillover effects, and therefore, should be viewed as a conservative estimate.

In 2016, every euro of Section 481 outlays generated, on average, €2.82 in economic net benefit for the Irish economy. Economic net benefit is a more comprehensive measurement than fiscal net benefit as it recognises that governments do not invest to benefit their treasuries, but rather on behalf of all citizens as a means to raise standards of living.

1.2. Key Strategic Issues and Recommendations

The Irish audiovisual sector is a dynamic, vibrant and highly internationalised sector making a significant impact on the global scene. Ireland is viewed internationally as an emerging and innovative content creation hub while Irish audiovisual companies are known globally for developing visual concepts, international partnerships and building and maintaining relationships. The industry is built on a wealth of local talent – animators, content producers and post production/VFX companies are creating award winning intellectual property content, while also developing new technologies and investing in strategic leadership.

We identify a range of key strategic issues in this report which if not addressed may inhibit the future development and growth of the audiovisual sector in Ireland. In order to deliver the vision set out for the audiovisual sector, we recommend the following policy measures.

[2] See sections 6.3 and 6.4

1.2.1. Section 481 Film Tax Relief

- Section 481 is a critical support for the Irish production sector, generating jobs, and providing a strong value proposition for the public purse; as such, we recommend that the Irish Government signal its intention to extend the scheme as soon as possible.
- In order to maximise the opportunities to attract higher budget productions, we recommend an increase in the cap per project on "eligible expenditure" under Section 481 from €70m to €100m.
- There are a number of particular provisions and requirements relating to the way Section 481 operates which should be reviewed in the light of the underpinning policy considerations and the vision for the growth of the sector. This review should be undertaken by Government in consultation with the sector so that there is an integrated strategy for growth which balances the promotion and development of the sector in Ireland, efficient and effective support for inward production into Ireland, and the necessary protections for the ongoing operation of the incentive.
- The development of Ireland's games sector is inhibited by the lack of access to reliable funding, which is available in neighbouring nations; the extension of Section 481 Tax Relief to the games sector will support the development of the sector.

1.2.2. Strategic Review

In order to identify alternative and innovative approaches to feature film funding, the IFB should undertake a root and branch review of how the sector is funded in Ireland, as proposed in its five-year strategy.

1.2.3. Funding

- In the aftermath of the recession, the funding settlement for the IFB was cut by a significant amount; restoration of this funding will allow the IFB to invest further in the sector.
- In order to increase the volume of film and TV co-productions being made in Ireland, additional funding should be granted to the IFB to support the development and production of such projects.
- To increase the value of Irish productions in the marketplace by ensuring they are fully developed before entering production, a specific fund for the development of films, TV drama, and TV formats is proposed.
- As Irish domestic TV drama productions have been limited in recent years, inhibiting success in a growing international market, we recommend that a specific TV drama production fund to support the production of new Irish TV drama content.
- Ireland's games companies struggle to find funding for the development of projects; the introduction of a prototype fund is recommended to support companies to generate a prototype game, to take to the market for further funding.
- Businesses in the creative sector are under-capitalised, limiting their ability to hold onto IP, and inhibiting the downstream cultural impact of projects; introducing a business development funding stream would help to address this.
- Companies operating in the sector struggle to navigate the funding available to them; generating a clear map of available finance will help to address this.
- The IFB Screen Commission plays a valuable role in informing potential inward investment partners of the opportunities in Ireland, but has been under-resourced since the crisis; providing additional funding to support the reintroduction of a permanent US

establishment, additional 'fam' trips, and a more integrated communications strategy is proposed.

- Ireland's production sector is highly metro-centric, with higher costs and limited crew outside of Dublin; introducing a regional fund to defray the costs of filming in the regions, and to form part of a strategic development plan for regional industry development, is proposed.

1.2.4. Skills Development

- A gap in the market exists between interventions, to develop a creative-focused business skills programme; the generation of a new business skills course, specifically focusing on the needs of creative sector companies, is recommended to address this.
- The growth of the production sector as a result of our proposals is likely to lead to the demand for greater numbers of crew in the sector; ensuring there is a clear plan is available to close the gaps between the present status of skills in Ireland and the anticipated future shape of the industry is therefore recommended.
- VFX, animation, and games sector consultees have highlighted a misalignment between the current outcomes of third level education providers and the needs of their industries; engaging third level providers within a framework to ensure the quality of courses, number of students being produced, and access to classrooms for sector practitioners is suggested to address this.
- Irish companies struggle to hold and exploit the IP within the projects they develop and produce; to address this we recommend that business skills courses ensure that creators understand how to manage and leverage IP.
- Training support would be a useful adjunct to maximise the value of market attendance, to address this, we propose that the IFB:
    - Ensure training on the use of markets is part of the overall business skills training course; and,
    - Provide increased networking events at home as part of 'fam' trips.

1.2.5. Regulatory Reform

- In order to facilitate Irish participation in European film co-productions, Ireland should sign up to the recently-made revisions to the European Convention on Cinematographic Co-Production.
- The present licence fee model has significant elements of evasion, creating a challenge for RTE at time when they are already struggling due to the fall in advertising revenues. The licence fee collection model should be revised to tackle evasion and the current statutory exemption for devices other than traditional TV should be removed.
- The current model of "must offer" and "must carry" in respect of free to air channels carried by satellite and cable companies operating in Ireland causes significant leakage in value. Legislation should be revised to allow RTE and other free-to-air channels stations impacted by this obligation to undertake market negotiations to realise the value of the content they currently provide for free.

1.2.6. Marketing

- Ireland provides branded stands at film and TV events, but no equivalent is presently provided at international games markets; the potential for this in the game sector should be kept under observation, being ready to implement if the growth of the sector demands.

- Ireland should attract a major games studio to open a local branch; such studios form the core of many successful games sectors, and the recommended implementation of Section 481 for games will make Ireland a much more attractive destination for such an establishment.
- Creative sector markets provide an opportunity for content creators to generate contacts, financing, and sales, but are expensive to access and use; the provision of limited support to visit markets, for companies with content to sell and a clear strategy for using the event is proposed, if current provision is insufficient.

1.2.7. Other Supports and Reforms

- As Irish companies struggle to hold and exploit the IP within the projects they develop and produce, we recommend that funders ensure that interventions do not inadvertently inhibit this.
- Companies operating in the creative sectors in Ireland struggle to find affordable or suitable business premises, inhibiting growth and innovation; the Government should therefore consider interventions for the sector, and make changes if required.
- Review factors that may inhibit the audiovisual sectors from accessing some public supports, and identify any required changes, to ensure that a suite of supports remain fit for purpose for both the cultural sector and for newer forms of work not necessarily based on permanent employment.
- Irish language content production can be an important source of economic activity especially in regional and rural areas. There should be further promotion of the Irish language in the audiovisual sector in Ireland.

1.2.8. Oversight

Previous strategic plans have lacked an agency or group responsible for implementation, as such we recommend the present Steering Group is continued, and expanded to include other relevant departments and agencies, and charged with implementation.

2. INTRODUCTION

2.1. Aims of this Report

This report has two separate, though complementary aims.

It will first provide a description of the present status of the screen sector and radio, and show baseline data on the economic impact of this for the Irish economy. This section is referred to as the 'Economic Contribution' of the Industry.

Then it will propose a strategic plan for the future development of the screen sector in Ireland, highlighting strategic gaps, and identifying measures to close these, and to help with building the strengths of the industry. This is the 'Future Strategy' section of the report.

Aligning with the aims of Pillar 4 of the Creative Ireland Programme – Ireland as a Centre of Excellence in Media Production – this future strategy is designed to move Ireland towards a doubling of screen sector jobs and turnover within the next five years. This goal has informed our focus on certain elements of the industry, but throughout we have generated strategies which will allow Irish companies to tell Irish stories internationally, as well as to help Ireland to operate as a production base for global content.

The importance of such a strategy arises from the particular nature of the screen industries, which tend to be project based, and build on a cohort of highly skilled, freelance workers. Both attracting foreign productions and developing domestic ones need carefully calibrated public policy, but the cultural and economic benefits which arise when this occurs can be significant.

2.2. Economic Contribution

The first section of this report will therefore describe the economic contribution of the Irish audiovisual sector and radio for 2016, and will look at:

- Film, TV, and Animation
  - Independent Live Action Production
  - In-House (i.e., broadcaster) Production
  - Animation
  - Post-Production and VFX
  - Distribution
  - Cinema Exhibition
  - TV Broadcasting, and
  - Video on Demand
- Commercial Advertising
  - Live Action Production, and
  - Post-Production and VFX
- Video Games
  - Development, and
  - Publishing
- Radio
  - In-house production,
  - Independent Production, and

- Broadcasting

Following this, it will consider the tax impact of these sectors, and their fiscal and economic returns on investment, respectively the tax return and economic activity returned as a result of public intervention.

2.3. Future Strategy

The second part of this report will consider the present status of the Irish screen sector, opportunities and threats to growth, and our recommendations for future interventions.

Firstly, we will consider the present status of the Irish audiovisual sector. This will include how developed it is at the moment, what future opportunities and challenges exist, and what potential synergies exist with other creative sectors in Ireland.

We will then unpack these, identifying key strategic issues across the sectors of study. These will be presented in the areas of finance, skills, intellectual property and project development, access to markets, inward investment and co-production, facilities and regionalisation, and other. Comparisons will then be drawn with a number of key international territories, and conclusions identified.

Finally, we will make recommendations for the future development of the industry, aligning these with the strategic issues noted previously.

2.4. Research Process

In order to collate this report, Olsberg•SPI with Nordicity have:

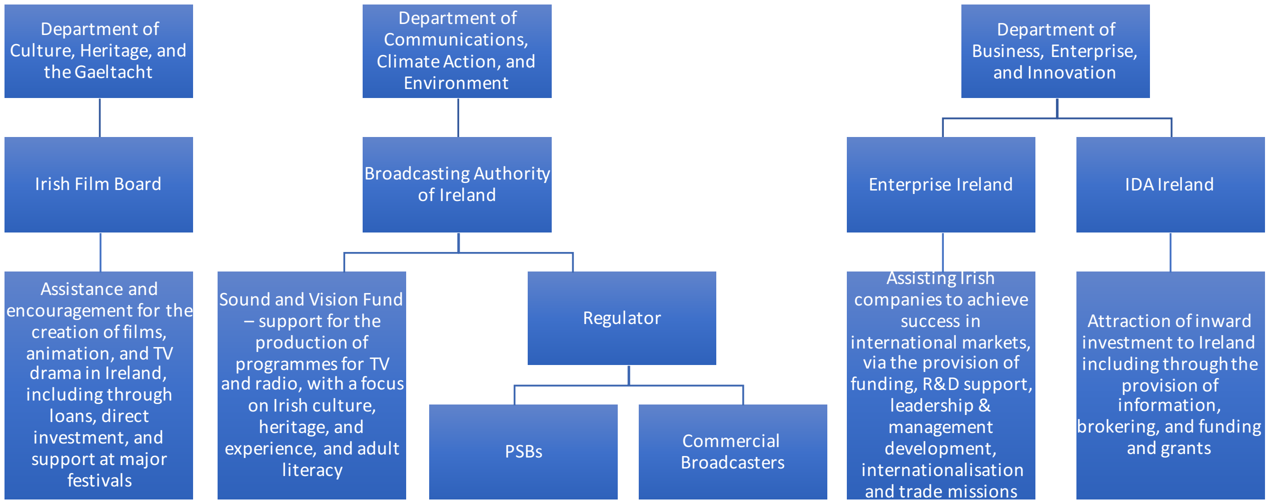
- Consulted more than 90 individuals in the Irish Audiovisual sectors;
- Collated more than 180 written data sources;
- Undertaken 4 sector-specific surveys, gathering 54 responses from individual companies;
- Compiled relevant industry and economic data from RTE, BAI, CSO, financial accounts and third party reports;
- Developed, circulated and collected data templates for RTE, TG4, BAI and CRAOL;
- Prepared preliminary profiles of goods and services purchases for each audiovisual industry (for modelling of indirect economic impacts);
- Constructed a model based on 2011 input-output tables published for CSO for estimating economic impact; and,
- Generated preliminary economic impacts estimates for 7 of 12 audiovisual sub-segments.

3. THE CURRENT STATUS OF THE IRISH SECTOR

3.1. The Government Agency Model

Multiple agencies in the Irish public sector engage with the screen industries in Ireland, and this section will address the role and programmes of four key organisations within the market. The diagram below outlines how these engage with the marketplace, and the government departments under which they draw responsibility.

Figure 1 - Irish Government Agencies in the Screen Sectors and Radio



3.2. The Role of Ireland's Public Agencies

3.2.1. Department of Culture, Heritage, and the Gaeltacht

The DCHG oversees the protection and presentation of Ireland's heritage and cultural assets. The goals of its Culture Division are to promote and develop Ireland's artistic and creative strengths and to maximise their societal, economic and reputational value for the country.

The Department funds and works closely with the Irish Film Board to secure the implementation of appropriate and effective strategies for the film industry. The Department also has a role in the administration of the film tax relief under Section 481 of the Taxes Consolidation Act 1997.

3.2.2. Irish Film Board

The IFB was constituted under the Irish Film Board Act, 1980, with the aim of assisting and encouraging the making of films in Ireland. Since this point, the IFB has grown to become a national development agency for the Irish film, TV, and animation sectors, engaging with these through the development, production, and distribution phases. The Board is also engaged with the sector through training and development, the attraction of inward investment, and promotion of the sector at major festivals and markets.

Funding support is made available through the IFB in the form of:

- Loans for the development of productions, with separate streams for film, animation, documentary, and international feature films and TV projects;
- Funding for the production of Irish films, creative co-productions, international film and TV projects, animated TV series, feature-length documentary films, and short films;

- Completion financing, for productions which have reached post-production or later stage, but require further finance; and,
- Distribution support, which can cover marketing and promotion costs for IFB-supported productions in Ireland, either through traditional theatrical or direct distribution channels.

Screen Training Ireland part of the Irish Film Board is the national training and development resource specifically created for Ireland's film and television industry (hereafter referred to as "**IFB/STI**"). Its programme aims to develop storytelling, production, technical, and business skills within the Irish production sector. For inward productions, the IFB runs a Screen Commission (hereafter referred to as the "**IFB Screen Commission**"), which acts to promote inward investment and Ireland as a destination for location filming, as well as working to ensure a film friendly environment for local and international productions.

3.2.3. Department of Communications, Climate Action and Environment

The DCCAE is responsible for communications, Climate Action, Environment, broadcasting, energy, natural resources and postal services. Its high-level objective for broadcasting is to promote, support and protect a diverse and plural media sector, including the provision of high quality public service broadcasting, and a broadcasting sector underpinned by a proportionate and effective regulatory regime. It is the parent department of the Broadcasting Authority of Ireland.

3.2.4. Broadcasting Authority of Ireland

The Broadcasting Authority of Ireland operates under the aegis of the Department of Communications, Climate Action and Environment, and fulfils a dual role as broadcasting regulator, and a funding provider through its management of the Sound and Vision Fund.

Following a remit set out in the Broadcasting Act 2009, one of the BAI's key roles is as the broadcast regulator for Ireland, in which role it:

- Licenses TV and radio services, outside of those provided by the PSBs;
- Reviews the performance of the PSBs against their public service objectives;
- Enforces compliance with the broadcasting codes and rules agreed to by Ireland's broadcasters; and,
- Provide a forum for, and decide on, complaints from Irish viewers and listeners about content broadcast on Irish services.

In addition to this role, the BAI operates the Sound and Vision Fund, a scheme which supports the production of programmes for TV and radio, with a focus on Irish culture, heritage, and experience, and the improvement of adult literacy. Funded from a 7% levy on the net receipts of the TV License Fee, the fund is aimed at supporting projects which will be broadcast on a service with near-universal, free-to-air coverage in Ireland.

3.2.5. Department of Business, Enterprise, and Innovation

Two agencies operating under the Department of Business, Enterprise, and Innovation – Enterprise Ireland and IDA Ireland – deliver sustainable growth and stimulate increased investment through focused supports to enterprise in line with enterprise policy objectives. They each have a broad sectoral remit and engage directly with companies involved in the audiovisual sectors.

3.2.6. Enterprise Ireland

Enterprise Ireland is responsible for the development and growth of Irish owned enterprises and assists companies across the country. The agency works with SMEs including high potential start-ups and established clients including those involved in animation, film, games post production and VFX. The impact of its role is evident in the success of Irish owned animation companies in recent years. This is achieved through:

- A flexible, needs based programme to support companies to internationalise and scale;
- The provision of funding to companies ranging from high potential start-ups to established firms looking to scale and expand their reach;
- Research & Development and Innovation supports for companies;
- Management advice and programmes, including leadership and management development, and company development programmes;
- Events such as trade missions, study visits and knowledge workshops;
- EI's International Office Network provides client companies with access to in-market incubation space, market and competitor intelligence, introductions to key industry and sectoral decision makers and support for building key customer relationships among other supports

3.2.7. IDA Ireland

IDA Ireland is Ireland's national investment and promotion agency (IPA) that attracts foreign direct investment to Ireland – both in terms of Greenfield and expansion activities. The agency supports enterprises that establish a base in Ireland to serve international markets. It also facilitates investment in a range of sectors and activities including technology, media and content. The agency undertakes this role through:

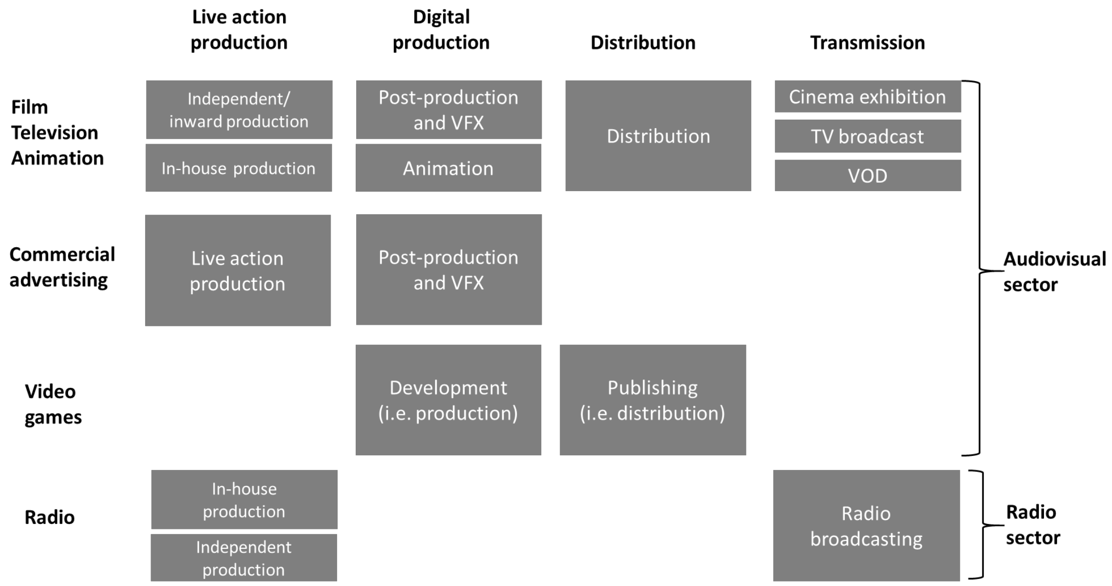
- Brokering connections, in particular between international companies and Irish third-level education providers;
- Targeting investment opportunities from global multinationals through its network of overseas offices; and,
- The provision of financial supports including RD&I grants to those considering foreign direct investment in Ireland, and training grants for companies already operating in the market.

4. OVERVIEW AND SCOPE OF RESEARCH – ECONOMIC CONTRIBUTION

Figure 2 provides a graphical overview of the scope of research for the economic contribution analysis. The study examines both the audiovisual sector as well as the radio sector. Within the audiovisual sector, the study provides separate estimates of the contribution of three key sub-sectors: (i) film, TV and animation, (ii) commercial advertising and (iii) video games.

Within each of these sub-sectors, the study examines four separate segments of the audiovisual value chain. These four segments include (i) live action production, (ii) digital production, (iii) distribution and (iv) transmission.

Figure 2 Scope of research – audiovisual and radio sectors



Source: Olsberg-SPI/Nordicity
Note: The graphic is not drawn to scale. The sizes of the tiles do not correspond to the size of each respective industry or value chain segment.

The **live action production** segment includes much the traditional scripted and factual film and TV production filmed in Ireland. For this study, we have separated digital production from live action production. This segment essentially includes the creation of screen content on computers and other digital equipment.

Most live action productions include some elements of **digital production** in the form of visual effects (VFX), computer animation or post-production editing. In this study, we have attempted to isolate digital production from the predominantly live action projects that it often supports. By doing so, industry stakeholders can begin to track the growth and contribution of this segment on its own.

In both the film, TV and animation, and video games sub-sectors, the distribution segment plays a key role as an intermediary between producers and audiences. In the video games sub-sector, distributors are often referred to as publishers. In both sub-sectors, the companies operating in the distribution segment manage the exploitation of the audiovisual Intellectual Property (IP), including its marketing and delivery to consumer – whether physical or digital. Distribution companies (including video games publishers) often provide a large share (or even 100%) of the financing for the production of audiovisual projects.

The transmission segment is the final stage of the value chain before consumers can enjoy the audiovisual IP. In the film, TV and animation sub-sector, the transmission phase is often characterised by a series of release window designed as a means for price discrimination.

Historically, feature films were released into the cinema exhibition (i.e. "exhibition") window on an exclusive basis before sequentially being released in the home video (e.g. DVD), video on demand (VOD), pay-TV and broadcast TV markets. In recent years, the time between release windows has shortened as has their order. For example, many films' second release window will now be the VOD or subscription VOD (SVOD) market rather than the home video market.

For these reasons, we have included the exhibition, TV broadcast and VOD industries in our transmission segment. In today's audiovisual market, transmission can be on-demand (e.g. cinemas or VOD) or passive (e.g. TV broadcast), or physical (e.g. DVD) or digital (e.g. SVOD).

For the radio sector, the study has separated the production and broadcasting functions. The former includes both the in-house programme production that takes places at RTE, commercial and community broadcasters, as well as the independent programme production that is supported by the Sound &Vision Fund. The latter consists of the sales, administration and transmission functions that support programme production.

5. ECONOMIC IMPACT

The following section provides a summary of the estimated economic impact of the audiovisual and radio sectors in Ireland in 2016. This economic impact is measured in terms of employment, labour compensation[3] and GVA, and includes the three key stages of economic impact: direct, indirect and induced impacts.

Stages of Economic Impact

The **direct impact** refers to the employment, labour compensation and GVA generated directly within the industries that comprise the audiovisual and radio sectors. For example, it includes the number of cast and crew working on film and television productions, the labour compensation earned by those members of the cast and crew, and the GVA generated by those film and television projects. Similarly, it includes workers directly employed by television and radio broadcasters – or other companies operating within the audiovisual and radio sectors – the labour compensation earned by those workers and the GVA generated by those companies.

The **indirect impact** refers to the employment, labour compensation and GVA generated within the supply chain to the audiovisual and radio sectors – i.e. the industries outside of these two sectors, which supply goods and services to the audiovisual and radio sectors. For example, when a film or television production hires vehicles, it generates additional economic demand, which increases employment labour compensation and GVA in the Irish vehicle-hire industry.

For the purpose of this sector-wide analysis, any intra-sector purchases of goods and services have been excluded from the indirect impacts. For example, when an Irish television broadcaster commissions the production of an indigenous Irish television programme, the economic impact is counted as a direct impact within the film and television production industry, but excluded from the calculation of the indirect impact of the television broadcasting industry.

The **induced impact** refers to the additional economic activity and associated employment, labour compensation and GVA that occurs when workers employed at the direct and indirect stages re-spend their earnings within the Irish economy. For example, when workers re-spend their earnings in the domestic retail sector this increases employment, labour compensation and GVA in that sector.

The **total economic impact** equals the sum of the direct, indirect and induced impacts.

5.1. Employment

Overall, the audiovisual and radio sectors in Ireland generated a total of 16,930 FTEs of employment in 2016 (Figure 3). This included 10,560 FTEs employed directly within the two sectors themselves (i.e. direct impact), an additional 4,770 FTEs generated in the supply chain (i.e. indirect impact) and 1,600 induced impact FTEs.

The largest employment contribution came from the film, TV and animation sub-sector. It generated a total impact of 11,960 FTEs of employment in 2016, including 7,070 direct FTEs, 3,740 indirect FTEs and 1,150 induced FTEs.

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[3] We use the terms "labour compensation" as opposed to the wages in order to account for the earnings of both employed workers as well as freelance workers.

Within the film, television and animation sub-sector, the independent/inward production of (predominantly) live action films and television programmes was, by far, the largest contributor to the total employment impact.

According to IFB, over 6,300 Irish residents work in Ireland's independent live action production industry.[4] This includes freelancers who work in a variety of roles, ranging from camera operators, costume and wardrobe specialists, set designers, construction workers and electricians, to make-up artists. It also includes the hundreds of Irish residents who work in the production industry as writers, directors and producers.

Given the part-time nature of films and many television programmes, this employment base of 6,300 workers translated into 3,260 FTEs of employment in 2016. The indirect and induced impacts of live action independent/inward production brought this segment's total employment impact to 4,860 FTEs.

The cinema exhibition and TV broadcast industries also made significant contributions to this sub-sector's employment impact. Cinema exhibition generated 1,520 FTEs of employment, while TV broadcast (excluding the in-house production of TV programming) generated 2,080 FTEs of employment. In the case of cinema exhibition, the relatively high employment impact was due to the lower average wages paid in this industry in relation to many of the other industries within the film, television and animation sub-sector.

Across the remainder of the audiovisual sector, commercial advertising sub-sector – including both live action and digital production (i.e. post-production and visual effects) – generated 370 FTEs of employment, whilst the video games sub-sector generated 2,040 FTEs.[5] In the case of the video games sub-sector, the vast majority of the employment impact (1,890 FTEs) was associated with the publishing (and middleware) industry, which includes the distribution – physical and digital – and marketing of video games, as well as the customer support and localisation activities of foreign-owned games publishers with offices in Ireland.

The radio sector generated a total of 2,560 FTEs of employment in 2016, including 1,770 FTEs directly employed in the production or transmission of radio programming (and administration of radio stations), 550 indirect FTEs and 240 induced FTEs.

When viewed by value chain segment, the largest contribution to employment came from the live action production segment. It generated a total employment impact of 7,920 FTEs of employment in 2016, or 47% of the total employment impact (16,930 FTEs). It also accounted for 46% of the direct employment impact of 10,560 FTEs.

The live action production segment was followed by the transmission segment. It generated 5,060 FTEs of total employment, including 2,860 FTEs of direct employment. The digital production segment generated 1,940 FTEs of employment, whilst the distribution segment generated 2,010 FTEs of employment, largely on account of the direct employment in the video games publishing industry (e.g. customer support and localisation services).

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[4] This figure excludes employees and freelance workers in the post-production/VFX industry and animation industry. These workers are counted in the digital production segment (see Sections 6.3 and 6.4).

[5] As with other forms of film and TV production, animation production in any given jurisdiction can be subject to significant year-to-year fluctuations, largely driven by programme commissioning cycles. For this reason, any given year (e.g. 2016) may not be indicative of the overall levels of industry revenue or employment in subsequent years.

Figure 3 Employment impact of the audiovisual and radio sectors in Ireland, 2016 (FTEs)

	Live action production	Digital production	Distribution	Transmission	Total
Film Television Animation	Independent/ Inward production 3,260† 1,210 *390* **4,860** In-house production 680 750 *190* **1,620**	Post-production/ VFX 480† 80 *40* **600** Animation production 740† 220 *90* **1,050**	Distribution 50 50 *20* **120**	Cinema exhibition 960† 390 *170* **1,520** TV broadcast 890 1,040 *250* **2,180** VOD 10 0 *0* **10**	7,070 3,740 *1,150* **11,960**
Commercial advertising	Live action production 160 50 *20* **230**	Post-production/ VFX 110 20 *10* **140**			270 70 *30* **370**
Video games		Development (i.e. production) 130 10 *10* **150**	Publishing (i.e. distribution) 1,320 400 *170* **1,890**		1,450 410 *180* **2,040**
Radio	In-house production 740 310 *130* **1,180** Independent production 30 2 *2* **34**			Radio broadcasting 1,000 240 *110* **1,350**	1,770 550 *240* **2,560**
Total	4,870 2,320 *730* **7,920**	1,460 330 *150* **1,940**	1,370 450 *190* **2,010**	2,860 1,670 *530* **5,060**	10,560 4,770 *1,600* **16,930**

Legend:
Direct impact
Indirect impact
Induced impact
Total economic impact

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, ONS, Indecon and CSO.
† Total number of workers/employees: Live action independent/inward production, 6,300; post-production/VFX, 822; animation, 940; cinema exhibition, 1,600.
NB: Numbers may not sum due to rounding

Within the radio sector, 770 FTEs were directly engaged in the production of radio programming, either on an in-house or independent basis, in 2016. The total employment impact of this programme production was approximately 1,200 FTEs. The transmission (and administration) operations within the radio sector generated 1,000 direct FTEs and a total impact of 1,350 FTEs.

5.2. Labour compensation

The audiovisual and radio sectors generated €790.3 million in labour compensation for the Irish economy in 2016, including €533.6 million in labour compensation earned by workers employed directly within the audiovisual and radio sectors, an additional €185.2 million earned by workers in supplier industries (i.e. indirect impact) and €71.5 million earned by workers employed in industries that benefit from induced impacts.

The largest contribution to both the total and direct labour compensation impacts came from the film, TV and animation sub-sector. It accounted for 69% of the total impact and 66% of the direct impact.

Within the film, television and animation sub-sector, the independent and inward investment production of (predominantly) live action films and television programmes was the largest single contributor to the total employment impact in both the sub-sector and across the entire audiovisual sector. In 2016, this segment generated €211.7 million in labour compensation, including €149.8 million for cast and crew (i.e. direct impact), €44.3 million in labour compensation in supplier industries (i.e. indirect impact) and €17.7 million in labour compensation for workers employed in industries that benefit from induced impacts.

The radio sector generated total labour compensation of €129.1 million, including €95.7 million earned by workers directly employed by radio stations (i.e. transmission) for working in the independent production of radio programmes (i.e. direct impact).

On a value chain basis, live action production was largest contributor to total labour compensation. It generated €378.8 million in labour compensation 2016, or 48% of total labour compensation. The transmission segment was the second largest source (28%), followed by the distribution (13%) and digital production segments (11%).

Figure 4 Labour compensation impact of the audiovisual and radio sectors in Ireland, 2016 (€m)

	Live action production	Digital production	Distribution	Transmission	Total
Film Television Animation	Independent/ Inward production **149.8** 44.3 *17.7* **211.7** In-house production **53.8** 27.9 *8.4* **90.1**	Post-production/ VFX **21.0** 3.0 *1.7* **25.7** Animation production **36.3** 8.6 *3.9* **48.8**	Distribution **3.1** 2.6 *0.7* **6.3**	Cinema exhibition **25.0** 15.9 *7.5* **48.4** TV broadcast **62.7** 39.7 *11.5* **113.9** VOD **0.6** 0.0 *0.0* **0.6**	**352.3** 141.9 *51.5* **545.7**
Commercial advertising	Live action production **7.2** 1.8 *0.8* **9.8**	Post-production/ VFX **4.6** 0.6 *0.4* **5.6**			**11.8** 2.4 *1.2* **15.4**
Video games		Development (i.e. production) **2.7** 0.1 *0.2* **3.1**	Publishing (i.e. distribution) **71.1** 18.2 *7.7* **97.0**		**73.8** 18.4 *7.9* **100.1**
Radio	In-house production **47.9** 12.6 *5.8* **66.3** Independent production **0.6** 0.1 *0.1* **0.8**			Radio broadcasting **47.2** 9.9 *5.0* **62.0**	**95.7** 22.5 *10.9* **129.1**
Total	**259.4** 86.6 *32.8* **378.8**	**64.6** 12.3 *6.3* **83.2**	**74.2** 20.8 *8.4* **103.3**	**135.5** 65.5 *24.0* **225.0**	**533.6** 185.2 *71.5* **790.3**

Legend:
Direct impact
Indirect impact
Induced impact
Total economic impact

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, ONS, Indecon and CSO.
NB: Numbers may not sum due to rounding

5.3. Gross value added

The audiovisual and radio sectors generated just over €1 billion in GVA for the Irish economy in 2016. This total included €523.3 million in GVA generated directly within the audiovisual and radio sectors, an additional €366.7 million in GVA generated in supplier industries (i.e. indirect impact) and €159.9 million in GVA generated in industries that benefit from induced impacts.

As with employment and labour compensation, the largest contribution to both the total and direct GVA impacts came from the film, TV and animation sub-sector. It accounted for 66% of the total impact and 58% of the direct impact.

Within the film, television and animation sub-sector, the independent and inward investment production of (predominantly) live action films and television programmes was the largest single contributor to the total GVA impact in both the sub-sector and across the entire audiovisual sector. In 2016, the independent/inward production of live action films and television programmes generated €194.5 million in total GVA, including €69.2 million generated by workers and companies directly active in film and television production, (i.e. direct impact), €85.7 million in GVA generated by supplier industries (i.e. indirect impact) and €39.5 million in GVA generated by industries that benefit from induced impacts.

The radio sector generated total GVA of €193 million, including €112.1 million generated by radio stations and programme producers (i.e. independent production), €56.5 million generated in supplier industries to the radio sector and €24.4 million generated by industries benefitting from induced impacts.

On a value chain basis, live action production was largest contributor to the total GVA impact. It generated €442.7 million in GVA in 2016, or 42% of total GVA across the audiovisual and radio sectors. The transmission segment was the second largest source (35%), followed by the distribution (14%) and digital production segments (9%).

Figure 5 GVA impact of the audiovisual and radio sectors in Ireland, 2016 (€m)

	Live action production	Digital production	Distribution	Transmission	Total
Film Television Animation	Independent/ Inward production **69.2** 85.7 *39.5* **194.5**	Post-production/ VFX **18.5** 6.1 *3.9* **28.6**	Distribution **3.1** 5.7 *1.6* **10.4**	Cinema exhibition **52.3** 32.2 *16.7* **101.3**	**303.3** 273.5 *115.2* **692.0**
	In-house production **61.2** 51.6 *18.9* **131.7**	Animation production **24.1** 17.8 *8.8* **50.6**		TV broadcast **74.3** 74.3 *25.7* **174.3**	
				VOD **0.6** 0.0 *0.1* **0.7**	
Commercial advertising	Live action production **7.2** 4.7 *1.9* **13.8**	Post-production/ VFX **5.3** 1.3 *0.9* **7.5**			**12.5** 6.0 *2.7* **21.2**
Video games		Development (i.e. production) **3.8** 0.5 *0.5* **4.8**	Publishing (i.e. distribution) **91.6** 30.2 *17.2* **138.9**		**95.4** 30.6 *17.7* **143.7**
Radio	In-house production **57.1** 31.4 *13.1* **101.5**			Radio broadcasting **54.4** 24.7 *11.2* **90.2**	**112.1** 56.5 *24.4* **193.0**
	Independent production **0.6** 0.4 *0.2* **1.3**				
Total	**195.3** 173.9 *73.5* **442.7**	**51.7** 25.7 *14.0* **91.4**	**94.6** 35.9 *18.7* **149.3**	**181.6** 131.2 *53.7* **366.5**	**523.3** 366.7 *159.9* **1,049.9**

Legend:
Direct impact
Indirect impact
Induced impact
Total economic impact

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, ONS, Indecon and CSO.
NB: Numbers may not sum due to rounding

5.4. Exports

A large part of Ireland's audiovisual and radio sectors are global-facing. In 2016, the sectors generated an estimated €191 million in export earnings for the Irish economy. The vast majority of these export earnings were generated by the film, television and animation sub-sector, in which the inward production of films and television programmes accounted for a significant amount of overall production activity.

This inward production is financed by Hollywood studios and other foreign producers and stimulates additional demand for Irish labour, and goods and services, which essentially represents the export for that labour, and goods and services. In 2016, the export earnings associated with the inward production of live action films and television programmes totalled €123.3 million.

Whilst these export statistics include the value of inward production, they exclude any export earnings from the international sales of completed Irish television programmes and films, particularly international co-productions.

The post-production and VFX, and animation segments were also important sources of export earnings. Survey research indicates that foreign clients accounted for €12.3 million of the estimated €31.8 million in turnover earned by Ireland's post-production and VFX studios in 2016. Survey research also indicates that Irish animation studios earned an estimated €48.2 million from foreign clients in 2016, or 74% of their turnover.

Figure 6 Export impact of the audiovisual and radio sectors in Ireland, 2016 (€m)

	Live action production	Digital production	Distribution	Transmission	Total
Film Television Animation	Independent/ Inward production 123.3 In-house production --	Post-production/ VFX 12.3 Animation production 48.2	Distribution --	Cinema exhibition -- TV broadcast -- VOD --	183.8
Commercial advertising	Live action production 3.0	Post-production/ VFX 0.9			3.9
Video games		Development (i.e. production) 3.3	Publishing (i.e. distribution --		3.3
Radio	In-house production -- Independent production --			Radio broadcasting --	0.0
Total	126.3	64.7	0.0	0.0	**191.0**

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, ONS, Indecon and CSO.
"-- " indicates that the industry segment is domestic facing and does not generate export earnings.

The commercial advertising sub-sector also generated significant export earnings. Commercial advertising producers reported that €3 million of their €14.3 million in production in 2016 was ultimately commissioned by foreign brands or agencies; thus, export earnings essentially accounted for 21% of industry revenue. Post-production/VFX studios working on commercial advertising projects reported by that €0.9 million of their turnover was earned from projects ultimately commissioned by foreign brands or agencies.

Survey research also indicated that Irish-owned independent video games developers earned €3.3 million in revenue from foreign publishers or consumers in 2016, representing 75% of their estimated total turnover of €4.5 million.

Whilst the live action and digital production segments of the value chain generate significant export earnings through inward production and work conducted for foreign clients many of the other segments of the audiovisual and radio sectors are domestic-facing and do not generate exports. In-house production, distribution, cinema exhibition, TV broadcast, VOD, video games publishing, and the radio sector are all fall within this group.

6. FISCAL IMPACT

6.1. Public Investment in Sector

Through the television licence fee provided to RTÉ, Section 481, the BAI Sound and Vision Fund (7% of the television licence fee) and the IFB Ireland's public sector invested €282.4 million in the audiovisual and radio sectors in 2016. The allocation of this total funding by source and value chain segment is detailed in Table 3. Public investment in film, TV animation production (live action and digital) totalled €233.4 million in 2016. Investment in radio totalled €49 million.

Table 3 Public investment in the audiovisual and radio sectors in Ireland, 2016

		Live action produc-tion	Digital produc-tion	Distri-bution	Trans-mission	Total
Television	Licence fee[1]	117.6	--	--	--	**117.6**
	Section 481	74.5	18.7	--	--	**93.2**
	IFB funding	11.4	1.0	--	--	**12.4**
	Sound & Vision	10.2	--	--	--	**10.2**
Radio	Licence fee[2]	47.8	--	--	--	**47.8**
	Sound & Vision	1.2	--	--	--	**1.2**
	Total	**262.7**	**19.7**	**0**	**0**	**282.4**

Source: Olsberg·SPI/Nordicity estimates based on data from IFB, Revenue, RTE and BAI.
Notes:
1. Excludes portion of licence fee allocated to Sound & Vision. Equal to the sum of the licence fee attributed to RTE's TV operations (€72.3 million) plus an allocation of the licence fee amounts attributed to RTE's news and current affairs (€55 million), digital (€2.7 million), DTT (€633,000) and other segments (€6.1 million).
2. Excludes portion of licence fee allocated to Sound & Vision. Equal to of the licence fee attributed to RTE's radio operations (€29.6 million) plus an allocation of the licence fee amounts attributed to RTE's news and current affairs (€55 million), digital (€2.7 million), DTT (€633,000) and other segments (€6.1 million).

6.2. Tax Revenue by Sector

We have estimated the tax revenue by sector on the basis of GVA and the average tax-to-GVA ratio observed in the Irish economy.

Statistics published by CSO indicate that €0.326 of general government tax was generated in Ireland in 2014 for every euro of GVA.[6] This tax-to-GVA ratio includes the contribution from personal and corporate income taxes, and other direct taxes (€0.142); VAT (€0.066); other product and indirect taxes (€0.055); and social contributions (€0.063).

Based on this tax-to-GVA ratio, the audiovisual and radio sectors in Ireland yielded an estimated €350.4 million in general government taxes in 2016. This included €115.1 million from live action film and TV production and an additional €25.8 million from digital production in the film, TV and animation sector.

[6] For the live action independent/inward production sub-sector, an alternative approach was used to estimate the tax revenue generated by the direct impact, which relied on direct observations on taxation at film and television projects.

Table 4 Tax impact by sub-sector and value chain segment (€m, GVA amounts in parentheses), 2016

	Live action production	Digital production	Distri-bution	Trans-mission	Total
Film, TV and animation	115.1 (326.1)	25.8 (79.2)	3.4 (10.4)	90.1 (276.3)	**234.4 (692.0)**
Commercial advertising	3.8 (13.8)	2.4 (7.5)	--	--	**6.3 (21.2)**
Video games	--	1.6 (4.8)	45.3 (138.9)	--	**46.8 (82.9)**
Radio	33.5 (102.8)	--	--	29.4 (90.2)	**62.9 (193.0)**
Total	**152.5 (442.7)**	**29.8 (91.4)**	**48.7 (149.3)**	**119.5 (366.5)**	**350.4 (1,049.9)**

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, Revenue, ONS, Indecon and CSO.

6.3. Fiscal Net Benefit

The Fiscal Net Benefit (FNB) compares the tax revenue yielded by incremental economic activity to the actual public investment outlays required to generate that incremental economic activity.

In 2016, the film and television production industry – live action and digital – stimulated by Section 481 generated a total tax impact of €93.3 million. Every €1 of Section 481 outlays generated, on average, €1.02 in tax benefit for the Irish economy. In other words, Section 481 was breakeven from a FNB perspective.

Table 5 FNB of Section 481, 2016

	Section 481 outlays (€m)	Total tax-revenue impact (€m)	FNB (€)
Live action production	74.5	72.2	0.97
Digital production	17.4	21.1[1]	1.21
Total	**91.9**	**93.3**	**1.02**

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, Revenue, ONS and CSO.
Notes:
1. The total tax-revenue impact for digital production includes 100% of the tax revenue generated by animation production (€16.5m) and 49% of the total tax revenue generated by the VFX/post-production industry (49% x €9.3m = €4.6m). The survey research indicates that – after removing revenue from commercial advertising work – approximately 49% of the remaining revenue earned by the VFX/post-production industry was derived from live action Section 481 projects not captured elsewhere in this analysis.

Whilst this analysis indicates that Section 481 is breakeven on an FNB basis, it is important to keep in mind that the scope of this research has not quantified some of the spillover effects – particularly screen tourism – which can often add a significant amount to economic contribution and resulting tax revenue. For this reason, the breakeven result should be viewed as conservative.

6.4. Economic Net Benefit

The ENB compares the total economic impact of public investment to the actual public investment outlays required to generate that GVA. From a conceptual perspective, the ENB recognises that governments do not invest to benefit the treasury, but rather, make public investments on behalf of all citizens as a means to improve their standard of living.

In 2016, the production – live action and digital – stimulated by Section 481 generated a total GVA impact of €259.1 million. In other words, every euro of Section 481 outlays generated, on average, €2.82 in ENB for the Irish economy.

Table 6 ENB of Section 481, 2016

	Section 481 outlays (€m)	**Total GVA impact (€m)**	**ENB (€)**
Live action production	74.5	194.5	2.61
Digital production	17.4	64.6[1]	3.71
Total	**91.9**	**259.1**	**2.82**

Source: Olsberg·SPI/Nordicity estimates based on data from RTE, BAI, CRAOL, Irish Times, Core Media, IFB, Imirt, industry surveys, company accounts, Revenue, ONS and CSO.
Notes:
1. The total GVA impact for digital production includes 100% of the GVA generated by animation production (€50.6m) and 49% of the total GVA generated by the VFX/post-production industry (49% x €28.6m = €14m). The survey research indicates that – after removing revenue from commercial advertising work – approximately 49% of the remaining revenue earned by the VFX/post-production industry was derived from live action Section 481 projects not captured elsewhere in this analysis.

7. THE STRENGTHS AND CAPABILITIES OF THE IRISH AUDIOVISUAL SECTOR

This chapter outlines the strengths and capabilities of the Irish Audiovisual Sector.

Given the relative similarity in their sectors, live action film and TV are presented and analysed as a single entity for the purposes of this chapter.

7.1. Status of the Screen Sector

7.1.1. Film and TV

Ireland's film sector has received worldwide recognition over the last few years, despite the negative impacts of the financial recession. Irish talent and films have received multiple Oscar nominations including for *The Secret of Kells* (best animation feature in 2010), *Room* (best picture, screenplay and director and a best actress award for Brie Larsen in 2016), *Brooklyn* (best picture, actress, and adapted screenplay in 2016) and *The Lobster* (best screenplay in 2017). Irish writers (Emma Donoghue), directors (Lenny Abrahamson, John Crowley and John Carney) producers (Ed Guiney of Element Films and Alan Maloney of Parallel Films) and actors (Saoirse Ronan, Ruth Negga and Colin Farrell) underline the strength and depth of Irish filmmaking talent.

New talent is coming through in the form of directors Nora Twomey (*The Secret of the Kells, The Breadwinner),* Peter Foott (*The Young Offenders),* Darren Thornton (*A Date for Mad Mary),* and Aoife McArdle (*Kissing Candice).* Meanwhile, Irish TV companies co-produce some of the largest TV drama series in the world including *Vikings* and *Into the Badlands*.

Irish fiscal incentives, locations and technical talent are attracting international inward investment shoots to the country including TV series *Penny Dreadful* and *Ripper Street*, Whit Stillman's independent feature *Love & Friendship*, and Disney/Lucasfilm's *Star Wars: Episode VII - The Force Awakens* and *Episode VIII - The Last Jedi.* The *Star Wars* films shot at various locations including on Skellig Michael and the Dingle Peninsula, and form part of an inward investment industry that employs many local crew and craftspeople, and provides on-the-job experience for new entrants.

Headcount analysis undertaken by the IFB prior to this project indicated approximately 6,250 separate individuals have worked in this section of the market in the years prior to 2016. This included around 300 directors and a similar number of writers, together with a wide range of skilled technicians across crew departments.

The Dublin-Wicklow Cluster is the geographical heart of the Irish production sector. The major national broadcasters, and film, TV, and games companies are based here, as are Ardmore and Ashford studios. There is also a strong Irish- language production sector in Galway, with smaller clusters in Waterford and Cork, supported by TG4 and the BAI Sound & Vision Fund (with its Irish-language programme production quota.) This cluster has also developed strong connections with international markets through its Irish and non-Irish language production activity.

Troy Studios has also opened a permanent production facility in Limerick, which has attracted an NBC pilot.[7] However, the South West generally remains an underdeveloped area of the nation for production skills and facilities.

Non-drama TV content, such as documentary and sport also supports a wide range of jobs and companies across these areas. These productions are mostly delivered to the Irish TV sector,

[7] "George RR Martin's 'Nightflyers' to film at Ireland's Troy Studios", E. McCarthy, in *Screen Daily* (10th August, 2017)

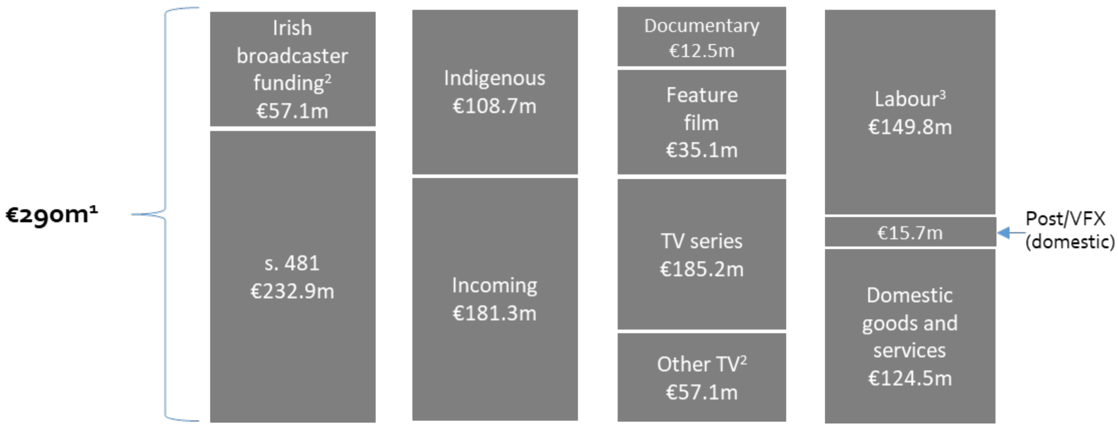
but a number of companies have also generated successful international businesses, exporting both formats and finished content.

Both films and TV programmes – made either by indigenous Irish producers or foreign producers – often stimulate significant expenditures within Ireland on cast and crew, and the purchase of local supplies and services. Expenditures on the independent production of (live action) films and TV programmes in Ireland totalled **€290 million** in 2016.[8] This included **€232.9 million** in production supported by **section 481** and an additional **€57.1 million** in estimated production funding from **Irish broadcasters** (which is not eligible for section 481 support).[9]

Out of the €290 million in total value of production,

- **€181.3 million** in expenditures were generated by **incoming** productions originating from outside Ireland, including Hollywood films shooting on location in Ireland; **€108.7 million** in expenditures were generated by **indigenous Irish** productions.
- **€185.2 million** in expenditures were generated by **TV series**; **feature films** accounted for **€35.1 million**; **documentaries** (**€12.5 million**) and **other types of TV programming** (**€57.1 million**)[10] accounted for the balance.
- **€149.8 million** was devoted to payments to **cast and crew** (i.e. direct labour); **€15.7 million** was paid to **domestic post-production/VFX studios**; and **€123.2 million** was paid to **domestic suppliers of goods and services** (e.g. accommodation, vehicle and equipment rentals, legal and accounting services).

Figure 7 Expenditures on independently produced live action film and TV production in Ireland, 2016



Source: Olsberg-SPI/Nordicity estimates based on data from IFB, Revenue, industry survey and CSO.
Notes:
1. Excludes animation production made with support from section 481. See Section 6.3.
2. Includes independent production commissioned by RTE, TG4, TV3 and other commercial TV broadcasters across various TV genres and formats (may include animation programming). The entirety of the €57.1 million in Irish broadcaster funding has been assigned to the "Other TV" genre category, since a detailed genre breakdown of this funding was not available.
3. Approximately 25% of labour expenditures were paid to cast and crew who were no permanently resident in Ireland.

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8 This figure excludes animation production made with support from section 481. See Section 6.3.
9 This €57.1 million includes estimated funding from RTE, TG4, TV3, and other commercial broadcasters.
10 The entirety of the €57.1 million in Irish broadcaster funding has been assigned to the "Other TV" genre category, since a detailed genre breakdown of this funding was not available.

7.1.2. Animation

Ireland's animation industry has become highly international in recent years, with production companies focusing on foreign clients including Nickelodeon, Netflix, and Amazon. This has led to a number of highly successful corporations growing in Ireland, a factor reflected in the recent takeovers of two of the largest studios by major international businesses.

Two major animation franchises, *Octonauts* (Brown Bag Media) and *Dangermouse* (Boulder Media), are produced by Irish production houses, as well as local productions *Puffin Rock (*Cartoon Saloon) and *Roy* (Jam Media).

Cartoon Saloon in Kilkenny, which was Oscar nominated for *Song of The Sea*, has recently made Nora Twomey's animated feature *The Breadwinner*, set in Afghanistan and with Angelina Jolie as an executive producer.

The sector employed around 1,000 individuals in 2016, of whom the majority were PAYE employed – this is a function of the longer timescales for development and production in the animation market compared to live-action. Most companies balance service work with the generation of their own IP, though some operate only on a service production model. The majority of work is based in the Dublin-Wicklow region, though operations also exist in Kilkenny and Galway.

7.1.3. VFX and Post-Production

Ireland's VFX and post-production sectors are relatively small. They operate as 'generalist' companies – providing both VFX and post-production services across film, TV, and advertising – rather than the specialist firms seen in larger markets. While there are over 30 companies operating in this sector, Screen Scene, Windmill Lane, Egg, and Piranha Bar, the four members of the VFX Association of Ireland (VFXAI) are responsible for the bulk of activity in the country.

The companies attract international clients such as HBO's high-end TV series *Game of Thrones* which carried out some VFX work at Screen Scene. However, this type of work tends to be as a small part of a larger project, operating within a subcontractor environment.

The sector works on an equal split of permanently-employed workers and freelancers, the latter of whom enter firms to address the specific needs of projects.

7.1.4. Games

Ireland's nascent games sector, centred mostly in Dublin-Wicklow, numbers around 300 individuals. Two of the most established companies, Dublin-based Pewter Games and Galway-based Tribal City Interactive have recently been awarded financing of over €100,000 each from Creative Europe. While major firms such as EA and Activision Blizzard are established in Ireland, their offices tend to operate on the basis of customer support and further back office functions, rather than undertaking games development or sales activities.

7.2. Future Opportunities and Challenges

7.2.1. Film and TV

At present, the global market for independent film and TV is dominated by the huge investment in content being undertaken by pay-TV operators including HBO and Sky Atlantic and new international VoD providers such as Amazon and Netflix. High-end TV dramas such as *Game of Thrones* and *Outlander* cost at least $1m – and more often over $2.5 million – per episode and put film-quality production values in a scripted episodic format, attracting A-list film actors and directors in the process.

While many will tailor programming to local tastes, the VoD providers in particular put a premium on content which will appeal to audiences in all of the territories in which they operate, particularly in the field of original content where they will look to purchase all IP rights. The potential scale of this is significant – Netflix are spending US$6 billion (€5 billion) on content this year, while Apple are spending US$1 billion.[11,12] This potential is also underlined in the UK, where spend on High End TV production has risen from £288.2 million in 2014 (€328m) to £768.9 million in 2016 (€875m), following the introduction of the High End TV Tax Relief.[13]

In the theatrical film sector, the focus of the US studios in the last decade has moved away from mid-budget level films of up to $30m towards fewer but more expensive 'tentpole' features, exemplified by Disney's Marvel franchises which each cost at least $100m to produce. Although a slump in box office takings in the US in the summer of 2017 might be an early sign of audience fatigue with this genre, which has been dubbed 'sequel-itis', it would take at least five years for a change in the US studios' production strategy to be realised and subsequently have any impact on international film producers.

At the same time, high-quality independent titles, including Irish productions *Brooklyn*, *Room* and *Sing Street*, have found significant cinema audiences around the world. This suggests there is considerable consumer appetite for this kind of mid-budget level feature content. Irish productions and co-productions such as Element Pictures' *The Killing of a Sacred Deer*, Cartoon Saloon's *The Breadwinner*, and Parallel Films' *Mary Shelley*, have all been selected to screen at major international film festivals in 2017, and can expect to be distributed theatrically in 2018.

The boom in the quantity of high-end TV programming being made, combined with the greater than $100 million shooting budgets of the Hollywood studios' franchise features, have together created intense competition among international locations to service these lucrative productions and reap the economic benefits. With a generous fiscal incentive, striking and diverse locations, and well-trained crews, Ireland is perfectly placed to be at the forefront of this sector.

7.2.2. Animation

Ireland has a strong animation sector which serves the international market well and is now regularly engaged by the new VoD providers. In this, Ireland is unique outside of North America – no other market has animation producers with this level of access.

But the major obstacle to further growth is the challenge of finding skilled hires, a problem that exists across the European Union. Third level education is not producing animation graduates in sufficient number or quality, while the €60,000 annual salary requirement to qualify for a work visa for non-EU labour is beyond the scope of animation companies' finances.

7.2.3. VFX

VFX has been an increasing part of the film and TV production landscape over the last 10-15 years, moving from an activity conducted at the end of a production to one which is conducted throughout the physical production period. This partially reflects the digitisation of the physical production sector, but also that major productions, are using much more digital content on-screen.

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[11] "Netflix is spending $6 billion on content this year and 'a lot more' in future, CEO says", Michelle Castillo, *cnbc.com* (31st May, 2017)
[12] Apple Sets $1 Billion Budget for Original TV Shows, Movies (Report), T. Spangler, in *Variety* (16th August, 2017)
[13] BFI Research and Statistics Unit; HETR introduced in 2013, defining High End TV as having a production spend £1 million (€1.14 million) per broadcast hour or greater

The size of large-scale productions makes it unlikely Ireland's VFX houses will be able to undertake the entirety of digital production for a major film, but the opportunity exists for significant growth. Major VFX and post-production firms tend to subcontract elements of their content down to smaller houses, and this is an area in which Ireland's community is well stocked for growth.

Additional physical film and TV production within Ireland is likely to require the support of Ireland's post-production and VFX community as part of their production process. Furthermore, a more VFX-friendly Section 481 would also allow the sector to bid for work in Europe where post and VFX are above the 80% territoriality threshold in the EU Cinema Communication.

We believe there is an opportunity for strong growth in this segment of the market over the next 5-10 years.

7.2.4. Games

In 2016, the global games industry was worth $101.1 billion (€89.6bn), with growth projections to 2020 of 6.4% annually; this is anticipated to lead to total sales of $128.5 billion (presently €113.9bn) by the end of the decade.[14] While the Irish games sector is presently tiny, given the speed of overall growth in the global games market, there is major growth potential if the right circumstances are available in Ireland.

Aside from the present games market, the emergence of augmented reality and virtual reality – together projected to be worth $108 billion (currently €95.8bn) for hardware and software sales by 2021 – also represents an opportunity for games.[15] This reflects the skillset needed to develop content on these platforms, whether for industry or entertainment, is highly compatible with that required for games development. VFX and animation companies are also likely to benefit from the spillover effects of this emerging industry.

Ireland's major obstacle to entering these markets is the lack of large companies operating within the Irish sector. Were this to be addressed, there are sufficient trained individuals within the market to fill the roles which would be created. In many markets, these are very high productivity and GVA jobs, and generate a large amount of value for the economy.

7.3. Possible Synergies

The Irish screen content production sector has the potential for greater alignment with two of Ireland's other creative sectors, music and literature. It has been notable through our research these industries are more highly regarded outside, rather than inside, Ireland. The success of these industries could be leveraged to mutual benefit by Ireland's screen industries.

7.3.1. Music

The Irish music sector does not engage deeply with the film and TV production industry. For co-productions, this will often reflect the breakdown of competencies in the work – with music, post-production, and VFX being a coherent block of work to be undertaken in partner countries – but in other cases, it also reflects a lack of common understanding between the two sectors.

Our research suggests there is an expectations challenge around the use of music in Irish film and TV content – whereas many in the screen sector expect the use of Irish composers and orchestras to be expensive, it is also often expected music should be made available for free. In the TV sector, there is a further challenge due the availability of a blanket licence to use all

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[14] "The global games market will reach $108.9 billion in 2017 with mobile taking 42%", E. MacDonald in Newzoo (20th April, 2017)
[15] "After mixed year, mobile AR to drive $108 billion VR/AR market by 2021", Digi-Capital (January 2017)

forms of music from whatever source. This can skew the kind of music being used, while creating an international challenge, as secondary licensing will have to be acquired for any international transmission.

An issue the Irish production sector faces in closing this gap is the lack of an obvious conversation partner in the music industry – there is no Screen Composers Guild-type organisation which could play this role, as most sectoral agencies focus on collective rights management.[16]

7.3.2. Literature

Ireland's literature travels around the world, and many of the most successful Irish films made in recent years – including *Room* and *Brooklyn* – have been based on pre-existing literature. There is the potential and the desire for a far closer relationship between the screen and literary sector. This would allow Irish content to travel more widely, given the pre-existing audience it would be addressing.

However, it is likely the low level of capitalisation within Ireland's production companies is at least a partial barrier to greater co-operation. As such, our recommendations around enhanced development funding may well assist in this area, as it could provide the funding for Irish production companies to acquire the rights to adapt Irish literary content.

[16] While a lobby organisation for the sector – the Irish Association of Songwriters, Composers, and Authors – does exist, they play a slightly different role to that discussed here, and in the IMRO report on the sector published earlier this year

8. KEY STRATEGIC ISSUES

Building on our research, and the mapping of the Irish screen sector summarised in chapter 7, this Report has identified a range of strategic issues which are likely to inhibit the future development and growth of the Audiovisual sector in Ireland. Without addressing these, it is our belief the future benefits of the sector in the Republic will not be maximised.

The six headline areas for these issues are:

- The future of Section 481 and access to finance;
- Skills generation and development;
- Intellectual property and project development;
- Access to markets;
- Inward investment and co-production; and,
- Facilities and regionalisation

Many of the issues we describe below address a range of the individual sectors which make up the audiovisual industry, but others will address challenges which are faced only in individual sub-sectors; where this is the case, this is clearly noted.

It is also worth highlighting many of these issues are not unique to Ireland. Our experience working in the audiovisual sectors around the world has been that most if not all have run into problems of the kind described, and as such with targeted intervention, it will be feasible to circumvent these challenges

8.1. Section 481

8.1.1. Future of Section 481 Tax Relief

The Section 481 Tax Relief underpins the Irish film and TV industry. It provides vital finance to enable Irish producers to make local projects with local content in Ireland, ensures Irish producers remain attractive international co-production partners, and makes Ireland a globally competitive location for co-productions and high- budget inward investment productions.

The future of Section 481 – which is presently legislated for only until the end of 2020 – is an issue which requires clarification from the Government on the next steps for the incentive. Our view is this also presents an opportunity for the evolution of the incentive.

While the present extension is only half way through its lifespan, many of the investments being considered in the sector – in particular studio facilities – are unlikely to come online until after this date. Furthermore, US studios work years ahead to plan their productions, with films for 2018 and 2019 presently being prepared in detail, and outline plans for 2020 and 2021 being made. Within this context, the end date for the scheme will, understandably, be seen as an inhibition to the serious consideration of inward investment projects, and domestic infrastructure investment in Ireland.

Although the need for such an end date for such an extension is a European Union requirement, there is also a strategic question around how this is communicated to the general market. Considering the example of the UK, whereas the High-End TV Tax Relief is presently legislated to mid-2018, communications around the scheme make no mention of such an end date – it is an expectation it will be re-legislated for, as the UK Government is fully behind the programme.

The present nature of communications on the issue raises doubts in the minds of people placing investments. A small change in this – as part of the broader Inward Investment programme – may well have an outsized impact.

8.1.2. Reviewing Section 481

Along with extending Section 481, one immediate change that could be introduced would be to increase the per project cap from €70m to €100m. As we have previously noted, major tentpole productions cost at least $100m to produce and being open to projects of that scale would improve Ireland's competitive position and allow Ireland to capture more of, if not all, of a single production. This could be seen as a positive message in connection with inward production.

Aligned with this, a number of aspects about the way Section 481 is currently applied could be reviewed to establish whether they continue to match the policy objectives underpinning their original inclusion in the incentive. These include the present blanket nature of the ban on broadcasters accessing Section 481. This was included in Section 481 as part of a general policy incentivising the development of the independent production sector, and is reflected in other legislative initiatives such as the minimum spend requirement for independent production which RTE is obliged to undertake.

However, the blanket ban also prevents international media groups which include broadcaster components from establishing producer companies which can access Section 481, and this is seen as having an inhibiting effect on inward production. There is also the possibility that, following Brexit, broadcasters licensed in the UK might consider setting up in Ireland, but might also consider not having the access to Section 481 on other production activity as a disincentive to doing so. Currently, such media groups and broadcasters connect up with independent Irish producer companies and thereby access Section 481 which is seen as promoting the development of strong indigenous companies.

The "21 month" rule – which requires that before a producer company can access Section 481 it must have traded for at least twelve months and filed a corporation tax return within 9 months after that – might also be reviewed. This requirement is linked to the 90% interim payment, but could also be seen as inhibiting companies being established and immediately availing of Section 481 as is the case with firms availing of the UK film tax credit. Again, the implications of changing this provision and its impact of both inward productions and the development of the indigenous production sector would need to be considered.

A discussion should also be opened about the amount of paperwork and other requirements of the scheme, which are a legacy of the previous Investor-led Tax Relief model. These can cause serious issues for potential applicants when used to operate the present Tax Credit model. Consultees have noted some of the language around figures they provide can be vague, opening up meanings to interpretation – this has been seen in consultations, where there is a divergence between the data as it is provided by the industry, and how the exchequer understands and interprets this. Furthermore, requirements in certain areas – for example the total budget for the production, or detailed chain of title – are an impediment to certain types of inward investment project.

A case in point are VFX-only projects, where, given the market, the Irish company is likely to act as a sub-contractor to another VFX studio. Some Irish VFX companies have noted they have lost projects when these requirements are highlighted, and that in other EU jurisdictions, including the UK and Hungary, such requirements are not imposed.

Whereas for Irish-originated or co-produced projects these are necessary obligations, consideration should be given to whether they should be required for inward investment projects.

8.2. Finance

Within the creative sectors, finance can be used for two purposes. Whereas project finance – designed to fund the making of films, TV programmes, and games – is often the focus of public sector involvement, corporate finance is also required. Working capital for the sector is often hard to come by, but is vital for ongoing success in the market.

Project and corporate finance can be provided from two sources, either Public or Private. Whereas our interpretation is that both are required within the Irish market, most of our findings below focus on public money. This reflects our experience in other markets, namely that where this element of funding is addressed, private finance often follows public.

8.2.1. Project Finance

Despite the strength of Section 481 Tax Relief, the availability of finance for projects has been limited in Ireland in recent years. The budgets of the various public agencies were cut following the 2008 recession, which generated a downward impact in the production sectors.

At the IFB, public funding was cut almost 40% from a high of €23.19 million in 2008, falling to €13.3 million in 2015; as a consequence of this, spending on production and development fell from just under €17 million to €11 million. This impacted across the linear content sector, including in the film, animation, TV drama, and documentary spaces.

In the TV sector, spending on independent TV production by RTE has fallen from around €80 million per year to a statutory minimum of under €40 million in recent years. This is largely due to the advertising downturn that followed the recession. It has resulted in the commissioning and production of less than 10 hours per year of original non-soap TV drama programming via independent production companies.

Consequently, the development and production of culturally Irish content in the independent TV sector has been significantly curtailed and activity limited to inward investment projects such as *Vikings*, *Into the Badlands*, and *Penny Dreadful*.

For the games industry, all project finance is presently private, with the exception of those companies who manage to work within structures designed for the broader tech industry. Given the small scale of the industry such finance is difficult to come by, and is often raised by those working on a project, their friends, and their family. As Ireland has a border with a country with an incentive for games – the UK's Video Games Tax Relief – this represents a significant stumbling block for the sustainable growth of the industry.

8.2.2. Corporate Finance

Allied with this, limited access to corporate finance – primarily in the form of working capital – has reduced the ability of the Irish creative sector firms to develop business which is not reliant on public funders. This is reflective of the broader challenges as a result of risk-averse financial services sector in Ireland – which has not engaged in the sector to a large degree following the 2008 crisis – and leads to a part-time approach to some elements of production, and under-development in others.

A contrast can be drawn in this case with the UK and Australia, where separate government interventions have helped to generate a stronger base of companies, which have taken advantage of recent market trends.

The UK TV production Terms of Trade – introduced in the 2003 Communications Act – gave qualifying independent producers ownership of formats and the secondary rights to programmes commissioned by free-to-air broadcasters. This has allowed the development of a range of strong TV production companies, which have been able to financially benefit from successful productions – from *Peppa Pig* to *Downton Abbey* – and have subsequently capitalised on the trend for high-end TV drama production, whether broadcaster or OTT-funded.[17]

Screen Australia took a different approach to this issue, putting in place a working capital fund (*Enterprise*), which provided suitable film and TV companies with up to A$1 million (currently €667,000) in non-project funding over a three-year period. This could be used for a range of purposes, including new hires, acquisitions, or setting up additional departments within the company.[18]

Through different mechanisms, both approaches have strengthened the companies within the TV (and in some cases, film) sectors in these markets, generating stronger firms which are more able to own IP and attract additional private capital. This has had a noticeable impact on the quality of production, and in the commissioning patterns of broadcasters and OTT services in the two marketplaces.

Within the Irish market, the highly successful animation sector – which has access to the same range of top-tier international platforms and channels as UK production companies following the introduction of UK Terms of Trade – also demonstrate the value of strong companies.

Whereas Ireland has a suite of highly successful government programmes that aim to solve this for general companies, screen sector companies have noted difficulty in navigating and accessing these, not least as such programmes often require the creation of 'permanent' jobs, which is not how the sector works. The underlying strength of Irish production companies – beyond a very small top tier – is very low, and it is a frequent comment that Irish productions are often underdeveloped. Greater access to working capital would help assist with these issues.

8.3. Skills

Alongside financing, ensuring sufficient skills within the Irish market is vital. Ireland has a strong track record in this area, with IFB/STI – in particular its highly regarded Screen Leaders programme – and the business development programmes led by Enterprise Ireland.

Further strategic development is desirable in selected areas.

8.3.1. Business Skills Development

The market has a range of valuable business skills development courses but a gap exists for a more tailored approach addressing issues such as working with IP and SPVs.

Investment in this area would underpin the growth of the sector as companies with greater business acumen would be able to better manage the benefits of project investment, successfully access corporate investment, and address the issues we note further below, such as monetising the IP they generate.

8.3.2. Screen Sector Education and Vocational Skills

Ensuring a sufficient supply of skills for those looking to join the sector in any capacity is a critical issue. Particularly within the growth phase following any successful strategy implementation, it is vital, the industry has access to the skills – whether domestic or international – to be able to make the product required.

The VFX and Animation sectors have particular concerns about the third-level courses. There is a general impression these are neither up to the needs of current practice in the industry, nor do they produce a sufficient volume of technical skills to meet the present needs of the sectors.

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[17] A Decade of Success, Pact (2013)
[18] Building Sustainable Film Businesses, Olsberg•SPI (2012) p. 20

This issue is compounded by a broader European dearth in technical skills in animation-based industries, which limit the potential for growth as companies have to hire expensive, non-EU migrants.

Companies report they have attempted to work with these institutions to address skills issues, but have faced a lack of interest from the colleges and universities approached.

Regional skills fora have been established by the Department of Education and Skills (DES) to provide greater engagement between business and third level education, which may assist with this issue. Some firms are also turning to an apprenticeship model to close this gap, though this is likely to be a slow process.

Similar issues are noted in the Games sector, where programming is noted as an area of strength, but art, design, and writing fall short of present demand. In many ways, however, Games faces the obverse challenge, with a large number of courses producing high-quality games graduates, who are arriving in an insufficiently large industry to provide them with employment. This reflects the wide range of courses presently available in Ireland, compared with a small number of jobs.

8.4. Intellectual Property and Project Development

Production of content in the screen sectors is based on the generation of IP. This comes in a variety of forms, whether the original concept for a game show, the script of a film, or the finished piece of content itself.

8.4.1. The Project Development Process

The development process for film and TV content in Ireland – the period in which a project is brought from the idea stage to the point at which production starts – is presently a major challenge, but one which is also seen in other markets around the world. This reflects two factors: firstly, there is limited funding available for this stage and secondly, production companies themselves generate revenues from production of work rather than its exploitation, and are therefore incentivised to minimise development time and cost.

This represents a challenge for the sector as a whole, as underdevelopment of a project limits the possibility of success in the marketplace. The present arrangement causes problems for the two-other key creative figures who should be engaged at this stage, writers and directors. For writers, the effects of the financial crisis have seen reported revenues fall from pre-crisis levels – consultees have reported significant cuts to script costs, though IFB awards for script development continue to average the amounts seen prior to the recession. Meanwhile, Irish directors tend to be seen as interchangeable in the project, and are often not engaged until too late in the process to have a critical impact on its development.

A separate, though similar, issue relates to the development of formats, which are a form of IP with domestic and export value to a company, akin to a finished product. Historically, funding existed from RTE for the generation of Irish-originated formats, but since the financial crisis this has been deprecated. As a result of this – and the increased leveraging of bought-in formats– Irish companies can struggle to develop formats in-house, as reflected in the relative weakness of many companies' balance sheets.

A similar trend is seen in the games sector, reflecting many of the same issues; within the games sector, however, the most analogous phase is known as 'prototyping'.

Each of these issues – and the broader challenge of underdevelopment – could be addressed through additional funding to production companies from broadcasters and public funders. In the long-term, other markets have seen companies able to generate their own development funding through access to diversified revenue streams, with IP exploitation being a key element.

8.4.2. Exploitation of IP[19]

Production companies operating in the Film and TV space – including those working in Animation – generate revenue in a variety of ways. For domestic companies, the two predominant models are:

- The production fees and overhead associated with a project; and/or,
- Recoupments from the exploitation of IP – both the production itself and, where applicable, the underlying concept – including sales to domestic and international markets;

For producers handling inward investment projects, value tends to be generated solely through the fees associated with production, as rights to the IP will be held by the originating funder.

Generating value through IP sales is, however, a significant challenge for production companies – financing mechanisms are intimately related to IP rights, and the generation of more funding for production will result in the producer being forced ever further down the recoupment 'waterfall' (this issue is explored further in Appendix 4, below). Such a funding approach means that producers are often unlikely to see the benefit of successful productions, and therefore focus on making rather than selling, as this generates guaranteed revenues through fees and overhead.

Our experience in other markets is that multiple revenue streams are a requirement for the generation of sustainable creative sector businesses, and this is a major challenge in Ireland.[20] Whereas the introduction of the RTE Code of Fair Trading Practice has and will help to address this, it only occurs in the TV sector and also has come in at a time when broadcasters are taking ever fewer risks (and producers are therefore generating less IP with downstream potential).

The size of the Irish market means that significant value will have to be achieved in the export market, but as the example of Israel – which in recent years has become a major exporter of finished productions and formats (for example *Prisoners of War*, which became *Homeland*) – demonstrates, this is a feasible proposition with the right market conditions.

8.4.3. Role of Irish PSBs in Drama Production

From a TV perspective, there is a challenge around the present engagement of Irish PSBs in English-language Drama Production. A significant part of the market is engaged in the production of soaps – RTE with *Fair City*, and the independently produced *Red Rock* (TV3), and *Ros na Rún* (TG4) – all of which have tremendous value. RTE is the only major commissioner of high-cost English-language drama content from local independent producers, but averages just 10 hours or less a year, and no longer takes a significant role in project development.

TG4 does commission a significant amount of Irish-language production, including long and short-form series TV drama, from independent producers, playing a significant role in developing culturally-relevant content for the Irish public. However, as a relatively small broadcaster, it cannot have the market-making power of the main national PSB.

From the broadcaster perspective, the present position is understandable: RTE went into the financial crisis having signed long-term contracts for sports rights, and given the importance of its current affairs remit, TV drama fell down its list of priorities. The focus on sports also

[19] Intellectual property rights within the audiovisual sector relate not only to the finished product – the film, TV programme, or game – but also to the ideas which underlie it, and any replicable format (i.e., a game show) which is generated. All of these elements have value, and it is the exploitation of this value within the market place – including through sales to cinemas and TV channels, VoD, DVD, and downloads – that generates revenues for the owners of this content.

[20] *Building Sustainable Film Businesses*, Olsberg•SPI (2012)

reflects the present position of the audience, as the emergence of new content platforms – such as Netflix – places greater advertising value on such 'appointment' content, where viewing at the time of original broadcast is critical.

While the decision is understandable, it is nonetheless causing damage to the Irish production sector, and identifying a model to rebuild drama production in the PSB sector is highly desirable.

8.5. Access to Markets

In the screen content sector, markets play a large role. A mixture of conference and trade fair, events led by but not limited to the European Film Market (or Berlinale, Film); MIP and MIPCOM (TV), Kidscreen (Children's Content), and GDC (Games) provide an opportunity for producers, financiers, and other sectoral stakeholders to meet, discuss content which is being prepared, and sell finished products and formats.

Access to such markets provides a major tool in being able to exploit the IP owned by Irish content creators. However, most stakeholders have advised they struggle to attend such events. This reflects the high cost of attending, as many are based in high-cost cities such as San Francisco (GDC), Cannes (MIP), and Miami (Kidscreen). In order to attend these events, travel, accommodation, and registration fees must all be paid for, and in many countries – including Ireland prior to the financial crisis – public funding is used to defray some of these costs for eligible companies.

In addition to individual attendance, nations and regions often exhibit at stands within markets, promoting their national content, providing a space for their attendees to hold meetings, and publicising the benefits of creating content in their jurisdiction. Ireland does this at a number of markets, but could consider the alignment of this with a broader strategy, and the choice of markets to attend, in follow up to the results of this Report.

8.6. Inward Investment and Co-Production

Alongside domestic production, production spend is also generated through two other approaches – inward investment, and co-production. Both of these include the engagement of foreign productions and financiers, with a greater or lesser creative role in the production.

Inward investment – demonstrated by a production such as *Star Wars* in Dingle – is the first of these, and usually involves the location being used purely for filming, without significant creative local input. Co-production, meanwhile, is the sharing of the creative endeavour between Ireland and another country or group of countries, exemplified by *Vikings*, which was an Irish-Canadian TV co-production.

8.6.1. Inward Investment

Ireland is undoubtedly an attractive territory for inward investment – a combination of fantastic locations, English-speaking population, a highly competitive fiscal incentive, and a business-friendly climate all contribute to this. However, in recent years while the IFB Screen Commission have been working to attract inbound productions, our impression is they are under-resourced for the scale of the opportunity.

Given the tight production market in the UK – where shooting facilities are fully booked, and skills can be hard to come by – a favourable situation exists for Ireland to expand its position as an inward production destination. Other markets have recognised this, and have been in constant contact with the US studios and other potential inward investment producers to explain what opportunities exist, and how their incentive systems work.

In many cases, such markets will support this with a permanent base in Los Angeles, which Ireland used to possess, but had to close due to budget cuts. While the IFB has appointed a representative in Los Angeles at a modest level to communicate with the industry there, additional resource would help to build a more permanent establishment, and hence more permanent relationships.

There is also a challenge around familiarisation (known as 'fam') trips, where international producers are shown potential locations around a market, and meets the local industry. While there have been a number of these in recent years, the impression in the sector is such trips have been discontinued. We believe further 'fam' trips to be highly worthwhile, and also communication between the IFB and the wider film and TV sector be improved to ensure they are as valuable and as inclusive as possible.

Aside from the physical production element of the market, inward investment is also possible within the VFX sector, reflecting the multi sub-contractor approach which is often taken on such major projects. For this part of the industry, the structures of Section 481 itself are an inhibitor to the potential scale of investment, as required information such as the chain of title would not normally be passed to the VFX provider, especially one in a sub-contracting role. Faced with these requirements, several consultees have noted that business has been lost, as the physical production company finds the requirements of the incentive disproportionate to the benefits.

The lack of a clear inward investment push also creates a limit to the scale of production which can be undertaken in Ireland. While the IFB has recently appointed a new Inward Production Manager, our impression is an enhanced strategy – and greater funding to support this – will be needed to attract major producers to the market, and to communicate effectively and fluently with the Los Angeles-based US studios.

Our experience suggests the following elements are key in determining where a production is based, and the provision of information around all these areas will be key in attracting more and larger inward investment productions to Ireland:

Figure 8 - The Production Location Decision

Creative specifics that will determine the locations and look of the production

Budgeted line-by-line costs of production

The effect of fiscal incentives in reducing such costs

Production infrastructure provision

Depth and capability of crew and their skills

Variety of suitable locations and facilities and whether they are in close proximity

Fluctuations in exchange rates

Personal preferences of key talent, particularly the director and lead actors

Perceived ease of filming including regulations, licences and permits

Effectiveness of support from local film offices and commissions

Communications and lifestyle offer (hotels, restaurants)

Safety and security

Overall 'film-friendliness' of the region/state concerned

Financial co-production – of the type exemplified by *The Tudors* – follows a similar line, though includes the greater involvement of Irish creative talent. There is a distinct difference between this and creative co-production.

8.6.2. Creative Co-Production

Creative co-production presents a further opportunity beyond inward investment for growing the sector through generating productions of greater scale. This model of maximising budgets while retaining some degree of national 'voice', has made it a cornerstone of European film and TV production.

This international production model is regularly used by many of Ireland's larger film productions, including *Room* and *Brooklyn.* Both were based on original Irish novels, were directed by Irish directors and developed or co-developed by Irish creative producers. *Room* was an Irish-Canadian co-production with UK funding (from Film Four), while *Brooklyn* was a UK-Irish-Canadian co-production, with funding from all three countries.

A shared language between the participants – as Canada, the UK, the US and Ireland possess – assists with this process, as do compatible cultural backgrounds.

Examples of such co-productions where the Irish producer is the minority partner and the on-screen content may not be culturally Irish, include *Love & Friendship*, *Mary Shelley* and *The Professor and The Madman*, which were all originated outside Ireland but involve Irish creative talent with production taking place, at least partly, in Ireland. The IFB backs both majority and minority co-productions.

In the global TV sector, co-productions form the basis of a range of productions which have achieved international success in recent years. Almost all major Nordic TV content – exemplified by *The Bridge* – is co-produced, with the Nordisk Film and TV Fund playing a role in facilitating work between its five member states. In this context, RTE and TG4 have also been successful in encouraging international coproduction participation in some programming areas, including TV drama.

As we note above with regard to independent drama production, this kind of co-production requires the commissioner to share or give up control, an area in which Irish broadcasters can struggle.

Given the context of RTE's Public Service Statement – which sets its role as delivering Irish content to the Irish audience – this reticence is understandable. However, as the cost of producing TV drama to an international standard continues to increase, it is difficult to conclude this reflects the most efficient use of resources. Putting in place a structure to encourage co-production would likely generate more value for the audience, provide greater opportunities for Irish creative talent and enjoy a greater cultural value for the market in the long term.

8.7. Facilities and Regionalisation

The availability of suitable locations for business – whether studio facilities or affordable business premises – represents a challenge for the screen sectors in Ireland in common with many other industries. Allied with this, the lack of regionalisation which is seen in many parts of these industries is also an obstacle for growth, given the opportunities outside Dublin-Wicklow, and the costs associated with the capital's market.

8.7.1. Production Facilities

Studio capacity in Ireland is lower than necessary to maximise potential inward investment opportunities from the US and other major production markets. Ireland has a range of studio facilities of varying sizes and locations, but they all either booked for returning productions, too small for the scale of modern production, or not presently served by local crew.

This shortage also hampers domestic productions, which struggle to access the facilities which are already built, and for whom the shortage of stage space increases costs. Adopting a plan to address this shortfall is, consequently, of importance to the future growth prospects of the sector.

8.7.2. Affordable Business Premises

Finding affordable business premises is also a challenge for smaller companies, particularly those working in the Animation, VFX, and Games sectors. Despite EI supporting such facilities, consultees note a distinct lack of suitable cluster or accelerator spaces, meaning many of these companies end up with employees working from home, which has a major impact on productivity.

In other markets, investment in such facilities has been shown to generate networking and agglomeration effects, magnifying the impacts of public support for these industries. Hamburg exemplifies this, with the GameCity cluster assisting growth from around 800 employees in the industry in 2003, when the intervention began, to 4,524 in 2015. Despite this – and regular EI calls for proposals – no specifically creative-sector cluster premises have been established in Ireland, though some tech-sector equivalents serve games companies.

8.7.3. Metro-centricity

In common with many creative sectors, the Irish industry is highly metro-centric, with much production activity based around the Dublin area. Such a growth pattern is not unusual, and is also seen in London, New York, and Los Angeles, but within the Irish political context, and in the push for attracting greater inward investment, this represents a challenge for the industry.

From a film and TV production point of view, having a single base for the industry is likely to limit growth. This reflects the fact that if all production crew are based in Dublin, the costs of travelling to shoot in other parts of the country are increased, as productions will be required to pay transport, accommodation, and subsistence for people working on the project. Such a setup increases the marginal costs of producing in Ireland, for those looking to shoot in its regions.

However, in order to generate a wider workforce, those working in the sector need the opportunity to build a sustainable career. As the example of TG4 in Galway shows, while a very successful cluster can be created around a supplier, without sufficient scale, people will be forced to migrate to find sustainability. Whereas the baseline of production which TG4 funds in the region underpins the development of talent, various consultees highlighted that to secure higher paying jobs, working some of the year in Dublin, if not moving entirely, was necessary.

This metro-centricity presents three challenges for Ireland – firstly, the growth track of Dublin's economy means production in the capital is likely to become ever more expensive. As independent producers already struggle to get projects made, this will result in a smaller volume of culturally Irish production being made, or greater cost having to be borne by public funders to secure the future of such production.

Secondly, providing for regional resources also recognises the variety of voices and culture which exists across a country. No part of a nation has a monopoly on creative talent, and ensuring proximate funding and facilities is a helpful way to maximise the chances of successful projects being made. At present, the opportunity for this in Ireland is limited.

Finally, the development of regional capacity in Ireland would be helpful not only to provide alternatives to Dublin-based production, but also to maximise the Inward Investment capacity of the country. Ireland has a multitude of attractive scenery for inward productions, and providing the opportunity for this investment to be used easily across the country will increase the overall amount which can be brought into the country. This reflects the fact that content makers look for diverse scenery, and the visual demands of one project will be very different to that of another.

8.8. Other

8.8.1. Definitional Challenges

The definition of various issues within the creative sectors continues to create challenges within Irish Government departments and agencies, though progress has been seen in these areas in recent years. Full-Time Equivalent (FTE) labour and Special Purpose Vehicles (SPVs) are two particular issues, as governments around the world tend to frame inward investment targets in terms of PAYE employment and permanent company formation.

Our view is these are equally valid outcomes to public investment – both represent real value being generated in the economy, and Irish individuals being employed. Furthermore, freelance careers are becoming ever more normalised as a way for people to earn a living, and consequently adopting ways to value these approaches is – in a more general sense – desirable.

The Games industry has also faced a particular challenge in Ireland, as while it is properly a creative industry through which technology is used as a medium, it is accepted in the definitions of neither of these industries within the Irish public sector context. In order to support the growth of this industry, a path between these two presently discrete sectors needs to be drawn.

8.8.2. Brexit

Brexit is a major strategic challenge to Ireland as a whole, and represents an unknowable in the context of this study. This reflects the fact that the exact nature of the settlement between the UK and Ireland is unlikely to be apparent until shortly before it is finalised, and there are a wide range of potential outcomes at this stage.

Furthermore, we consider it likely that media is unlikely to be a major negotiating element in the negotiations – this represents a challenge for the industry, given European law such as the AVMSD governs much of how the European screen sector works.

From a theoretical perspective, Brexit could offer opportunities to the Republic of Ireland, as Ofcom will cease to be a recognised EU regulator, and thus companies wishing to avail of the Country of Origin rules of the AVMSD will have to relocate. As the only major English-language market left in the EU, there is likely to be an obvious attraction to major media companies, though a number of conditions in Irish law (for example Section 481, above) could inhibit this. The UK's film and TV production, animation, VFX, and games sectors are also heavily reliant on EU migrant labour – depending on the nature of the settlement regarding movement of people, this may become a ready source for the growth of Ireland as a production location.

This being said, the view of the vast majority of the sector consulted as part of this project is that Brexit will be a negative for Ireland. We believe this reflects the close ties between the two markets, as well as the large degree of business uncertainty noted above.

8.8.3. Competitiveness

Maintaining a competitive position within the very open and mobile market for screen content production is vitally important, and an area where constant vigilance is required. This includes the need to have a competitively priced labour and goods and services environment and as few restrictions as possible in the cost and availability of labour and services which are perceived to increase costs.

There have been perceptions that some labour relations arrangements in Ireland increase costs, but our research suggests that in the high-end film and TV drama space, satisfactory labour arrangements do exist. The forthcoming revisions to the shooting crew agreement will also help to address issues within the domestic production market. This said, with the weakness in sterling arising from Brexit and resulting competitiveness challenges those matters need to be kept under review and clear and transparent working arrangements promoted throughout the live action production sector in particular.

9. POLICY RECOMMENDATIONS

This chapter presents Olsberg•SPI's proposed policy measures to address the issues we have noted above. Our focus in this chapter has been to focus on the major challenges the screen sector faces, which will inhibit the goals of the Creative Ireland programme – as a result of this focus, some areas, not least the Irish Language, do not attract recommendations of their own.

Despite this, we would anticipate further industry growth will support this and other parts of the market, and note that such content – and the companies which make it – will still be able to access many of the interventions proposed below.

9.1. Section 481 Film Tax Relief

Section 481 is a critical tool for the Irish audiovisual sector, without which the competitiveness of the Irish screen sectors would be significantly damaged. At present, the incentive works relatively well – and makes a small, positive fiscal impact to the Government – but various reforms are required to maintain this status.

9.1.1. Extension of Section 481

As we note above, major international productions – and the infrastructure projects which are required to support the growth of the sector – plan many years in advance. In order to seriously consider investing in Ireland, ensuring confidence in the fiscal incentive is vital. As such, an early sign from the government Section 481 will be extended – ideally on an indefinite basis, leveraging the communication style adopted by other markets around extension – is highly desirable to maintain confidence.

In order to achieve this, a legislative amendment has to be made in a Finance Bill, as the present legislation underpinning the incentive only allows it to run to 2020. Following this, the Government will be required to extend the incentive, per the requirements of EU State Aid law.

Recommendation 1 – Irish Government Announce its aim to Extend Section 481

Section 481 is a critical support for the Irish production sector, generating jobs, and providing a strong value proposition for the public purse; as such, we recommend that the Irish Government signal its intention to extend the scheme as soon as possible	
Responsibility for Implementation	DCHG in consultation with the Department of Finance

9.1.2. Increase Section 481 Expenditure Ceiling

In line with the extension of Section 481 we also recommend increasing the expenditure ceiling of "eligible expenditure" per project under Section 481 from €70m to €100m. There are significant opportunities for Ireland in attracting larger scale productions which by virtue of their size will provide enhanced benefits to the sector. Other developments such as improved infrastructure and the development of creative and technical skills will be incentivised as a result of the increase in the cap and will as a result contribute to significant increases in turnover and job creation.

Recommendation 2 – Increase Section 481 Expenditure Ceiling

In order to maximise the opportunities to attract higher budget productions, we recommend an increase in the cap per project on "eligible expenditure" under Section 481 from €70m to €100m.	
Responsibility for Implementation	DCHG in consultation with the Department of Finance

9.1.3. Review Section 481 Regulations

As part of the process of extending Section 481, a review of certain provisions of the incentive should be undertaken. These would include:

- a review of the paperwork requirements in relation to applications for Section 481, including requirements to file full chain of title documentation even where the Irish part of the project is post production and/or VFX; and,
- a review of the cashflow arrangements, including adding an interim funding approach in addition to the 90% up front funding which remains an unusual and attractive element of the scheme, so that the cashflow arrangements can accommodate the needs of certain types of production where part only of the project is undertaken in Ireland.

There are also a number of specific provisions of the Section 481 legislation which should be reviewed to establish whether they are fulfilling the policy purposes for which they were originally designed. These include (i) the broadcaster exclusion and (ii) the "21-month" rule.

The broadcaster exclusion derives from the policy goal of incentivising broadcasters to commission projects from the independent sector (as opposed to producing in-house). It was designed to enhance the competitiveness of the sector, and to encourage the growth of an indigenous independent production sector and is common elsewhere particularly in the EU. The broad nature of the exclusion could, however, be seen as inhibiting companies connected with broadcasters from setting up in Ireland. Such companies include the new more highly integrated content creation businesses in the USA and UK studios which might seek to relocate in the context of Brexit.

The "21-month" rule was introduced as part of the changes to Section 481 in 2015 and was designed as part of the overall restructure of Section 481 as a corporation tax rebate. This requires that a company has traded as a producer company for at least 12 months and has filed a corporation tax return by the 9-month deadline after the year end before it can apply for Section 481. When a production company applies for Section 481 and is approved, the previously filed corporation tax return is amended and a tax rebate paid if applicable as a result.

The 90% interim payment is also relevant in this context, as the Revenue Commissioners need to be satisfied the production company has already traded and filed a corporation tax return in the State in advance of making such payments. The "21-month" rule could be seen as inhibiting companies from being established and immediately availing of Section 481 – which is permitted in the UK for Film Tax Relief, among other jurisdictions – particularly from an inward investment point of view.

All of these matters raise questions of policy for the Irish government in the context of how it sees the development of the sector going forward.

Recommendation 3 – Revision of Section 481 Regulations

There are a number of particular provisions and requirements relating to the way Section 481 operates which should be reviewed in the light of the underpinning policy considerations and the vision for the growth of the sector. This review should be undertaken by Government in consultation with the sector so that there is an integrated strategy for growth which balances the promotion and development of the sector in Ireland, efficient and effective support for inward production into Ireland, and the necessary protections for the ongoing operation of the incentive.	
Responsibility for Implementation	DCHG in consultation with the Department of Finance, and sector input

9.1.4. Extension of section 481 to the games sector

At present, the games sector in Ireland does not have access to a fiscal incentive. This presents a problem for the industry as it shares a border with the UK, which has VGTR, and inhibits any push for greater investment from major games development studios.

Extension of section 481 to the games sector is therefore desirable to provide a symbol of Ireland's aims for the industry. While we do not anticipate any significant use of such an incentive by Irish developers over the short-to-medium term, it will provide them with access to a guaranteed funding stream for eligible projects which they presently lack. Such an extension would also allow them to take projects with some funding to the international marketplace, maximising Irish developers' ability to hold onto elements of IP they create.

An interim certification model will be a required element of this – as we propose for the broader incentive – as games companies tend to continue work on a project long after release, reflecting market demand for patching and downloadable content. This also presents a better balance of risks for the Irish state than the current 90% up-front model, given the limited scale and balance sheets of many Irish games companies.

In order to identify suitable requirements for such a funding scheme, a working group is proposed, bringing together government stakeholders, Imirt, and the major Irish games companies which are not part of this group. We suggest evidence is sought from groups including Ukie, which have been heavily engaged in the development and evaluation of the UK's Video Games Tax Relief, in relation to best practice and lessons learned.

Once legislated for, the system should be managed alongside the present Section 481, with expert advice for the Revenue Commissioners provided through a games-focused arm of the Steering Group. This reflects our broader proposals for games funding, below. Additional exchequer funding will be required to deliver this.

Recommendation 4 – Extension of Section 481 to Games

The development of Ireland's games sector is inhibited by the lack of access to reliable funding, which is available in neighbouring nations; the extension of Section 481 Tax Relief to the games sector will support the development of the sector	
Responsibility for Implementation	DCHG in consultation with the Department of Finance, and supported by other agencies as appropriate

9.2. Strategic Review

In their 2016-2020 strategy, the Irish Film Board proposes a root and branch review of how feature film is funded in Ireland, drawing on alternative and innovative approaches from other

EU countries and elsewhere. Given the difficulties noted throughout this study in the funding of Irish feature film, we endorse this recommendation.

Recommendation 5 – Root and Branch Review of Feature Film Funding

In order to identify alternative and innovative approaches to feature film funding, the IFB should undertake a root and branch review of how the sector is funded in Ireland, as proposed in its five-year strategy.	
Responsibility for Implementation	IFB

9.3. Selective Funding

Outside of the present Section 481 arrangements, there are a variety of other financial issues which will inhibit the growth and success of the sector, and which we address below.

Whereas a number of our proposals in relation to corporate finance (below) would be expected to allow companies to address some of these areas themselves in future, few are strong enough to achieve this at this point in time. As such, state intervention is required to foster the development of a vibrant sector.

These recommendations will all be underpinned by the restoration of IFB funding at least to its position prior to the recession, as its present resources are insufficient to cover the areas noted.

Recommendation 6 – Increase IFB Funding

In the aftermath of the recession, the funding settlement for the IFB was cut by a significant amount; restoration of this funding will allow the IFB to invest further in the sector	
Responsibility for Implementation	DCHG in consultation with the Department of Public Expenditure and Reform

9.3.1. Co-production funding

Whereas co-production is already a key part of the strategy for larger Irish film productions – and is consequently an area the IFB actively supports and promotes – it is also a part of the film and TV sector where additional support should be granted.

This being the case, we propose that a discrete co-production funding stream be adopted as part of a broader increase in funding. While it is envisaged that the day-to-day operation of the scheme would be managed by the IFB, the broad parameters of how the support scheme would operate should be developed by the Steering Group to ensure that the scheme is set-up to support both TV and Film projects, optimises the use of co-funding where possible and is aligned with the broader market and networking support proposed below.

Additional exchequer funding is likely to be required to deliver this proposal.

Recommendation 7 – Co-Production Funding

In order to increase the volume of film and TV co-productions being made in Ireland, additional funding should be granted to the IFB to support the development and production of such projects	
Responsibility for Implementation	DCHG, with input from the Steering Group

9.3.2. Increased film and TV development funding

One of our key findings is many Irish film and TV projects are underdeveloped when they go to market, inhibiting their chances of downstream success.

Increased development funding for film and TV projects should be made available. We propose such funding is available for the development of indigenous Irish formats, given the difficulty producers in this sphere face, and the downstream value which indigenously developed formats could generate on the international market.

Such funding should be carefully managed – paid in stages to production companies as projects or slates reach specific, agreed goals. This would help to ensure projects remain on track, rather than funding the company's work in other areas, as has happened in the past. Production companies in receipt of this funding should also be required to engage other key creatives – in particular writers and directors – early and with appropriate remuneration and IP rights in the project.

This funding should be held by the IFB, reflecting the needs of the fund holder to take a hands-on role in the process. As in Recommendation 5, the Steering Group might usefully provide input as to the broad parameters governing the scheme's operation. Additional exchequer funding is likely to be required for this proposal. This will be in addition to the BAI Sound and Vision Fund, which will continue to provide funding, based on 7% of the Licence Fee.

Recommendation 8 – Development Funding

To increase the value of Irish productions in the marketplace by ensuring they are fully developed before entering production, a specific fund for the development of films, TV drama, and TV formats is proposed	
Responsibility for Implementation	DCHG, with input from the Steering Group

9.3.3. Increased funding for TV drama production

TV drama production is an area of particular growth worldwide at present but the limited spending of Ireland's PSBs on independent drama production has limited the degree to which production companies can benefit from this. We propose a specific TV drama production fund be created to allow TV drama production to be funded directly through an independent production company.

This funding should be placed through a fund outside the PSBs, but the engagement of a suitable broadcaster – including domestic and international VoD platforms – should be required at an early stage of the project. Such an arrangement will ensure the programme has a place in the market, and reflects international comparators. Projects should come to the table in a well-developed position – an alignment with the development fund is required – and must be required to apply with a clear sales, marketing, and international funding plan

Engagement with the co-production market should be allowed as part of this funding model, though we recommend that Irish creative involvement – not just post-production or VFX – should be a condition of acceptance. Projects looking solely to post-produce or use Ireland's VFX houses should be supported through revisions to the Section 481 model, as above.

In order to strengthen the production companies that develop projects made by this fund, IP from these projects relating to public investment should be treated as producer equity. In keeping with the present Code of Fair Trading Practice, sales to broadcasters should be limited to first run and initial VoD rights (on a broadcaster platform only), with any format rights, downstream rights, and international sales held by the production company.

Responsibility for the implementation of this fund should be given to the IFB in parallel to the co-production and development funding schemes. The broad parameters of how the support scheme would operate could however, be developed by the Steering Group to ensure that the scheme optimises the use of co-funding where possible and is aligned with the broader market and networking support. Additional exchequer funding will be required for this element. This will be in addition to the BAI Sound and Vision Fund, which will continue to provide funding, based on 7% of the Licence Fee.

Recommendation 9 – TV Drama Funding

As Irish domestic TV productions have been limited in recent years, inhibiting success in a growing international market, we recommend that a specific TV drama production fund to support the production of new Irish TV drama content	
Responsibility for Implementation	DCHG, with input from the Steering Group

9.3.4. Prototype funding

Alongside a fiscal incentive for games companies, a selective funding solution is desirable to help build up the indigenous sector. Such a fund would support the development of a games prototype to take to market for further investment, forming a sectoral equivalent to the development funding proposed for the linear content sector (above). The UK's Abertay Prototype Fund is the model recommended to achieve this.[21]

This fund – now rebranded as the UK Games Fund – provided up to £25,000 (currently €28,800) in funding to teams to develop the prototype of a game. Such a prototype, once developed, was to be taken to the international market, allowing the development company to pitch for market funding to complete the project.[22]

This differs from existing interventions – for example the EI Competitive Start Fund – as it is a specifically creative-focused endeavour, and companies applying for the funding are unlikely to be able to guarantee the jobs and sales targets required of EI's approach, given the small scale of the present sector.

Given the relatively limited experience of many companies in the Irish games sector, firms applying for this should be assisted by business skills support, as we outline below.

As a further safeguard, any application made to the fund should be required to include both creative details and a business plan for the game, including how it is expected that finance is recouped on the project. Such plans should be judged by sector experts (including foreign consultants if required), who might also be made available to assist the development of plans through the business development scheme. As with film and TV development funding, money should be remitted to successful applicants in tranches when companies hit agreed goals.

As this is a new area, no obvious agency exists to run this funding stream, and as such we recommend the Steering Group work together to determine the correct location, whether this is a single agency or a consortium. Additional exchequer funding will be required to deliver this.

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[21] Although this find has been evaluated in the UK – and we are advised this was positive – this review covered a range of different financing schemes, and has not been published

[22] In the games sector, development is the term for the process through which the entire game project is completed; this is equivalent to the development, production, and post-production processes for linear content such as films and TV programmes

Recommendation 10 – Games Prototype Funding

Ireland's games companies struggle to find funding for the development of projects; the introduction of a prototype fund is recommended to support companies to generate a prototype game, to take to the market for further funding	
Responsibility for Implementation	Steering Group

9.3.5. Business Development Funding

With the exception of the Animation industry, many Irish screen sector companies are presently weakly capitalised, and overly reliant on the production of content to generate revenues.

In order to support the development of sustainable content companies in Ireland, we propose business development funding – tailored to the specific needs of the screen sectors – is made available. Such funding should be provided to companies who are able to apply with a realistic business plan, and should be given in tranches, as the company meets specific targets within this plan. EI's funding streams have been used by some elements of the sector, particularly animation and some games companies, but others report that such funding is inaccessible to their businesses, given a lack of alignment between funding requirements and the SPV-based production model.

Given the proposed business plan focus, alignment with the business skills training programme we note below is a necessity. This reflects the model adopted in Australia, where the Enterprise Tasman business skills workshops preceded the provision of funding provided through Screen Australia's Enterprise investment model.

Whereas such a programme is traditionally considered to be difficult to align with the demands of State Aid, consultees have highlighted soft loans are a legitimate approach, while other elements should fall within the *De Minimis* element of funding.[23] Provided through a mixture of soft loans and preference shares, our view is this will be feasible within the State Aid rules, particularly given the continuing weakness of the private sector funding environment in Ireland.

The Steering Group should determine the correct location for this scheme, as it works across the competences of a number of agencies presently operating in Ireland.

Recommendation 11 – Business Development Funding

Businesses in the creative sector are under-capitalised, limiting their ability to hold onto IP, and inhibiting the downstream cultural impact of projects; introducing a business development funding stream would help to address this	
Responsibility for Implementation	Steering Group

9.3.6. Clear map of available finance

Various consultees highlight that whereas additional finance for business development may be required in some areas, in others it is already thought to exist, but is difficult to identify and access. A clear map of existing funding is needed to facilitate companies working through the possible funding which they are eligible to access.

[23] Presently, €200,000 of funding or equivalent support, provided over a rolling three-year period

It would signpost which funds are open to different companies, allowing them to maximise the use of existing policy interventions. It should be implemented across the agencies engaged in this research, together with EI which runs a number of possible models of interest.

Recommendation 12 – Clear Map of Available Finance

Companies operating in the sector struggle to navigate the funding available to them; generating a clear map of available finance will help to address this	
Responsibility for Implementation	Steering Group

9.3.7. The IFB Screen Commission

Ireland has a major opportunity to attract additional production from the US which might historically have gone to the UK, reflecting the uncertainty caused by Brexit (particularly around access to skills), and the fact the UK appears to be at capacity. Given the quality of production crew in Ireland, the depth of locations, and the attractive incentive, Ireland could be securing much more production.

The Screen Commission – part of the IFB's remit – already does elements of this, but has recently been underfunded as a result of cuts to the Board's budget, and has therefore had a limited impact on the sector. This is also reflected in the misinformation around issues such as Section 481, which consultees have noted as being prevalent in the US production community.

In order to address this, increased investment should be made in the IFB Screen Commission, building on the recent hiring of a new inward Production Manager. Funding should be provided to allow additional time to be spent in Los Angeles and New York, building and managing relationships with the US' major studios and content producers, informing them of the opportunities available in Ireland, and identifying upcoming portable productions which could shoot in Ireland, allowing the Irish government to pitch for these.

Better infrastructure should also be supported on the ground in Ireland, including links with locations and facilities, location managers and production professionals, and engagement with national and local authorities to facilitate issues like permits and troubleshoot where needed. Additional funding should be also provided to maximise the value of 'fam' trips, and thought should be given to helping selected Irish producers and companies to access decision makers on these trips.

Though we do not consider the Irish games sector sufficiently developed to warrant inclusion in the IFB Screen Commission at this moment in time, given the development of the global industry and the Irish sector, this should be subject to a watching brief.

The IFB should be resourced to expand this role.

Recommendation 13 – Increase Screen Commission Funding

The IFB Screen Commission plays a valuable role in informing potential inward investment partners of the opportunities in Ireland, but has been under-resourced since the crisis; providing additional funding to support the reintroduction of a permanent US establishment, additional 'fam' trips, and a more integrated communications strategy is proposed	
Responsibility for Implementation	IFB

9.3.8. Development of a Regional Fund

The metro-centricity of the film and TV production sector represents a challenge to the development of a sustainable, balanced industry in Ireland. As a consequence of this, regional funding – which was historically available – should be reintroduced to defray some of the additional costs of filming in the regions.

Providing funding would unlock access to a wider variety of locations than presently exist, as well as ensuring production is available to developing crew within the regions of Ireland, providing work they can access without themselves travelling. Such funding should be available for all forms of production, but controls are required to ensure projects leverage local talent, and provide additional spending.

Consultees have highlighted previous funding for regional production has focused on the interests of Dublin producers rather than the strategic aims of building an industry in other locations. In implementing a regional funding programme, this should be avoided, with funding requirements tied to the broader regional policy aims which this policy proposes.

The IFB should be tasked with the development and operation of this fund.

Recommendation 14 – Develop a Regional Production Fund

Ireland's production sector is highly metro-centric, with higher costs and limited crew outside of Dublin; introducing a regional fund to defray the costs of filming in the regions, and to form part of a strategic development plan for regional industry development, is proposed	
Responsibility for Implementation	DCHG and the IFB

9.4. Skills Development

Financing for the screen sector should be supported by skills development funding. Ireland is already well resourced in comparison to many international markets – with IFB/STI and Enterprise Ireland of particular value but a small range of gaps exist which could be usefully filled.

9.4.1. Business Skills

A gap exists between the generic SME business skills training and top-end screen sector training. A third approach would fill this and offer a tailored creative industries business programme to a larger group of companies than can presently access Screen Leaders. This would balance the basic SME training with the particular skills training seen in Screen Leaders.

Managing creativity and monetising IP are specific skillsets, but they are often developed through intuition and experience, rather than formal learning. However, training programmes can be implemented. In both of these areas.

Furthermore, generic business skills are often highly desirable in the screen sectors, but need tweaking to meet the reality of production and games development. The SPV model of IP ownership, for example, makes accounts look highly unusual to ordinary business investors – helping creative companies to plan their businesses and present accounts to non-sector specialists can therefore open up different avenues to investment. As we are proposing that – for a number of these interventions – a business plan is a required part of an application, it is also desirable that companies are assisted in generating this, if they do not already possess these skills.

IFB/STI already works in many of the areas in question for this element of the model, though other agencies such as Skillnets and Enterprise Ireland might also be helpfully engaged.

Recommendation 15 – Business Skills Development

A gap in the market exists between interventions, to develop a creative-focused business skills programme; the generation of a new business skills course, specifically focusing on the needs of creative sector companies, is recommended to address this	
Responsibility for Implementation	IFB

9.4.2. Ensure skills growth to match production growth

Taken as a whole, our expectation is the elements presented in this plan will grow the production sector in Ireland, with the target of doubling employment in the Irish screen sectors over the next five years. In order to achieve this, a structure to support skills generation and growth is a necessity – the alternatives will be cost inflation, or the need to import skills, both of which will make Ireland less competitive.

Crowe Horwath's recent work for IFB/STI should provide a basis for this, allowing a skills plan to be generated. This should be based on closing the gaps between the present state of skills provision in Ireland, and the anticipated future size and shape of the industry, as defined by consultation with those working in the sector.

Alongside this, efforts should be made to clear a path for ATL and BTL trainees to enter the production workforce. Many 'trainees' have been considered to be at that grade for up to a decade, and that there is no clear definition of where such an apprenticeship begins or ends. Ensuring such people are able to move up the skills ladder is, nonetheless, vital, as greater work volume will lead to greater demand for experienced workers at all elements of the screen sectors.

IFB/STI provides a clear home for this part of the model, and should be charged with creating and implementing such a plan – which should be updated on a regular basis – in conjunction with representative bodies for the sectors.

Recommendation 16 – Ensure Skills to Match Production Growth

The growth of the production sector as a result of our proposals is likely to lead to the demand for greater numbers of crew in the sector; ensuring there is a clear plan is available to close the gaps between the present status of skills in Ireland and the anticipated future shape of the industry is therefore recommended	
Responsibility for Implementation	IFB

9.4.3. Greater alignment of third level with sector

Although formal education is not the only route into the screen sector in many cases, for those working in the VFX, animation, and games industries, it tends to be the main model. This has created a major issue in Ireland, as the shape of these courses – in terms of the skills they teach, and the numbers of students they graduate – are increasingly misaligned with the needs of the sectors.

Greater engagement with the industry is desirable to ensure graduates have the ability to easily enter jobs relevant to their field of study. The Regional Skills Fora provide a route towards this, and should be engaged to ensure that the challenges raised in this Report for the screen sectors are addressed.

For the games sector, there is also a lesson to learn in terms of over-provision of capacity, which could be addressed were industry and the third level to be better aligned.

In addition to this, the present teacher licencing requirements in Ireland inhibit the ability of sectoral companies to provide guest lecturers for courses. Helping actual practitioners access the classroom would offer students two major benefits. Firstly, they would be able to understand any differences which exist between the classroom and the industry. Secondly, they could start to generate a network to identify work opportunities.

The Departments of Education and Skills, should be tasked with addressing these challenges, potentially within the context of the National Skills Council framework.

Recommendation 17 – Greater Alignment of the Third Level and Sector

VFX, animation, and games sector consultees have highlighted a misalignment between the current outcomes of third level education providers and the needs of their industries; engaging third level providers within a framework to ensure the quality of courses, number of students being produced, and access to classrooms for sector practitioners is suggested to address this	
Responsibility for Implementation	Department of Education and Skills, supported by other agencies and industry as appropriate

9.4.4. Intellectual Property

The creation of screen content entails the generation of Intellectual Property, whether this is the final production or game, or the concept which underlies it. Irish companies have, however, historically struggled to maximise the benefits of their IP.

Our research in building sustainable companies in the screen sector underlines the need for multiple revenue sources to build successful companies, and the leveraging of owned IP is a key part of this. It is therefore highly desirable Irish screen content businesses are helped to hold onto their Intellectual Property, and supported to leverage its inherent value.

In order to achieve this, content creators must (through the business skills courses proposed in Recommendation 15) be helped to generate business models which empower them to exploit IP they hold, both formats and finished content.

All funders and their supporting departments are recommended to implement this goal, with the support of the Steering Group.

Recommendation 18 – Ensure Irish Companies are able to leverage IP

Irish companies struggle to hold and exploit the IP within the projects they develop and produce; to address this we recommend that business skills courses ensure that creators understand how to manage and leverage IP	
Responsibility for Implementation	All funders and their supporting departments

9.4.5. Networking opportunities and training

While having IP to sell is a key part of success at markets, ensuring companies are able to maximise their presence through training and domestic networking should also be made available.

From a training perspective, this should form part of the business skills training noted above. Meanwhile, opportunities for domestic networking would be structured through the 'fam' trips noted as part of an enhanced IFB Screen Commission, and possibly also facilitated through the cluster spaces, both of which are proposed below.

Given this wide range of potential opportunities, ownership should be given to IFB/STI for training aspects.

Recommendation 19 – Networking Opportunities and Training

Training support would be a useful adjunct to maximise the value of market attendance, to address this, we propose that the IFB: - Ensure training on the use of markets is part of the overall business skills training course - Provide increased networking events at home as part of 'fam' trips	
Responsibility for Implementation	IFB

9.5. Regulatory Reform

Outside of the issues noted above, there are a small number of wider regulatory issues which could usefully be addressed to support the development of the Irish screen sectors.

9.5.1. Sign up to European Convention Revisions

Many co-productions are made through bilateral co-production treaties, but Ireland is also a party to the European Convention on Cinematographic Co-Production. This Council of Europe treaty allows for official bi- and multi-lateral co-productions to be made between states party to it, even where they do not have a separate bilateral agreement.

The Council of Europe has recently agreed revisions to the Convention, containing various modernisations including lowering the minimum state participation in a treaty production. Ireland has yet to sign up to these revisions, and this is recommended as a straightforward way of facilitating potential co-productions which would otherwise not be feasible.

Recommendation 20 – Sign up to European Convention Revisions

In order to facilitate Irish participation in European film co-productions, Ireland should sign up to the recently-made revisions to the European Convention on Cinematographic Co-Production	
Responsibility for Implementation	DCHG and the Department of Foreign Affairs and Trade

9.5.2. Revisions to Licence Fee Collection Model

RTE's funding has reduced dramatically since the financial crisis began, reflecting the subsequent very soft market for TV advertising. At around €40 million per year, the value of production lost to the independent production sector as a consequence of a reduced RTE budget is roughly equivalent to the €40-50 million leakage which is estimated for the current licence fee model. Closing this gap through revisions to the licence fee is therefore highly desirable, so long as this money is directed to original production in the independent sector.

We recommend the Department of Communications, Climate Action and Environment prioritise reforms to the Licence Fee to limit this leakage. This could take one of several approaches, including:

- An improved collection model for the present system;
- Collection through a ring-fenced, progressive tax charge, as seen in Finland with the "Yle Tax"; or,
- The adoption of a Household Media Charge, as previous reports on the subject have recommended.

Whichever model is taken, we propose the Licence Fee should cover a broader definition of TV to include the online elements of the PSBs, recognising the increased role these play in the market. This would require changes to Order SI 319 of 2009, which exempts non-TV devices from such payments.

A more efficient licence fee model – combined with a solution to the retransmission fees issue below – may also allow more of TG4's funding to be gathered through the licence fee. This being said, we recognise that a plurality of such funding is likely to come directly from government under any such future scenario. We also recommend the BAI Sound and Vision Fund continue to receive 7% of the Licence Fee.

Recommendation 21 – Revise the TV Licence Fee Model

The present licence fee model has significant elements of evasion, creating a challenge for RTE at time when they are already struggling due to the fall in advertising revenues. The licence fee collection model should be revised to tackle evasion and the current statutory exemption for devices other than traditional TV should be removed	
Responsibility for Implementation	DCCAE

9.5.3. Satellite and cable rebroadcasting fees

In addition to the licence fee, we recommend the government reconsider the provisions requiring RTE to offer its channels to satellite and cable services operating in the Republic of Ireland without receiving fees for this. Whereas "Must Offer" and "Must Carry" have historically been very useful pieces of public policy, given the location of many major broadcasters outside of Ireland, this leads to a loss of value for the Irish content sector.

Even where subscribers pay for other services, such channels remain a major driver of viewership, and in many cases revenues paid by subscribers leave the Republic of Ireland as broadcasters are based elsewhere. RTE has previously estimated the fees they forgo at €30 million per annum, a similar amount to the License Fee shortfall.[24]

Allowing a market negotiation would therefore enable more money to be held in Ireland, and invested in Irish content, and we recommend that the Department of Energy, Natural Resources, and Communications consider the revision of the present rules to allow for this.

Recommendation 22 – Satellite and Cable Rebroadcasting Fees

The current model of "must offer" and "must carry" in respect of free to air channels carried by satellite and cable companies operating in Ireland causes significant leakage in value. Legislation should be revised to allow RTE and other free-to-air channels stations impacted by this obligation to undertake market negotiations to realise the value of the content they currently provide for free.	
Responsibility for Implementation	DCCAE

While we have also considered the restoration of government funding to the PSBs which was cut in the aftermath of the financial crisis, at this stage we do not bring forward any recommendations in relation to this. Our view is that the impact of the various market-driven mechanisms proposed – as well as specific models such as the Drama Fund – should be allowed to develop before any more general funding is restored.

[24] "Sky and Virgin 'should pay RTE €30m to carry its TV channels'", S. McCaughren in *Irish Independent* (5th February, 2017)

9.6. Marketing

Ireland is well known as a production destination, but in a number of areas further support to market Ireland and its screen sector companies is desirable.

9.6.1. "Irish Games" branding at events

In common with the Irish stands at Film and TV markets, national agencies increasingly provide branded stands at games markets. They provide a base for the developers and companies using these markets to take meetings and network and help to tell a story about the sector they represent.

Although it is likely too soon for Ireland to adopt this model as the domestic games sector remains small, if development happens fast, such a stand would be a helpful way to reinforce this in the international market.

This should be kept under ongoing review by the IFB, Enterprise Ireland, and IDA Ireland.

Recommendation 23 – "Irish Games" Branding at Events

Ireland provides branded stands at film and TV events, but no equivalent is presently provided at international games markets; the potential for this in the game sector should be kept under observation, being ready to implement if the growth of the sector demands	
Responsibility for Implementation	IFB, supported by EI

9.6.2. Actively target games development from international studios

In games sectors around the world, the development outposts of major studios such as EA and Ubisoft have formed the core of growth sectors. They offer a way for graduates to move into the sector and offer training which often leads to people setting up their own firms, through which domestic IP is generated and exploited. Attracting such a studio to work in Ireland would solve an issue that the current educational setup has created - Irish third level educational providers have generated more graduates with games sector skills than there are jobs to fill in Ireland.

If the Section 481 incentive is expanded to games as we propose, this base of experience – combined with Ireland's excellent broader international trade reputation – should make Ireland an attractive place to put a games studio outpost.

Once the incentive is in place the operating agency should be supported to attract a major studio to open an Irish branch, along the lines of the work presently being undertaken by the IFB Screen Commission.

Recommendation 24 – Attract a Major Games Studio to Ireland

Ireland should attract a major games studio to open a local branch; such studios form the core of many successful games sectors, and the recommended implementation of Section 481 for games will make Ireland a much more attractive destination for such an establishment	
Responsibility for Implementation	Steering Group

9.6.3. Limited support to visit markets

Prior to the 2008 financial crisis, the IFB supported Irish producers to visit some of the major markets, and it is proposed this returns in limited form to support the international market-related elements of this strategy. There is significant cost related to attending certain markets but that large benefits to the broader sector can be generated if companies correctly use them. EI also provides support in this area to its client base of companies that are targeting international markets.

However, given the cost of attendance requirements should be put in to ensure public money is not misused. No company is fully funded to attend any market – partial funding from the company should be required to ensure they are invested in the success of attendance. Similarly, specific plans for how the company plans to utilise the event should be provided as part of their application, including the IP they plan to leverage during the market, and their strategies for achieving sales or investment.

As consultees were mostly unaware that EI offered support for this, consideration should be given to the effectiveness of advertising. Co-working between EI and the IFB to ensure that suitable companies and productions are aware of such funding is recommended to ensure that Irish companies have the ability to visit markets where appropriate.

Recommendation 25 –Support to Visit Markets

Creative sector markets provide an opportunity for content creators to generate contacts, financing, and sales, but are expensive to access and use; the provision of limited support to visit markets, for companies with content to sell and a clear strategy for using the event is proposed, if current provision is insufficient	
Responsibility for Implementation	IFB, supported by EI

9.7. Other Supports and Reforms

9.7.1. Intellectual Property

In other markets – including Australia and the UK – supporting the holding of IP within creative companies has had transformative effects on the sustainability of such firms, whilst also supporting the success of indigenous productions and formats internationally.

Despite this, various consultees have highlighted that the requirements of funding interventions within Ireland can require production companies to make decisions which inhibit the holding or leveraging of IP. As such, we recommend that all funders in Ireland consider whether the outcomes of the requirements in the schemes – many of which were well-intentioned – are aligned with this goal.

All funders and their supporting departments are recommended to undertake this, with the support of the Steering Group.

Recommendation 26 – Ensure Irish Companies are able to hold onto IP

As Irish companies struggle to hold and exploit the IP within the projects they develop and produce, we recommend that funders ensure that interventions do not inadvertently inhibit this	
Responsibility for Implementation	All funders and their supporting departments

9.7.2. Affordable Business Premises

Finding affordable business premises is a major challenge for companies in the creative sectors in Ireland, despite the present support in this sector from EI. This leads to inefficiencies in the market, as companies work across multiple locations – often at home – or do not form at all.

To address this, a more detailed evaluation of needs within the sector should be undertaken to establish why companies are not using the EI-supported facilities. In many cases, this may be down to an information deficit – which would be easily addressed through engagement with collective sectoral agencies. If companies feel existing facilities are inappropriate, however, it may be desirable to make changes to provision.

EI will be bringing a further call for proposals on this issue forward in Q1 2018, so such engagement may also increase the likelihood of audiovisual sector proposals being received in response to this. Should this not succeed, identifying a different model may be necessary.

As there is no immediate parallel to this structure within the other agencies in Ireland we have looked at during this project, the Steering Group should identify the best home for such a scheme.

Recommendation 27 – Affordable Business Premises

Companies operating in the creative sectors in Ireland struggle to find affordable or suitable business premises, inhibiting growth and innovation; the Government should therefore consider interventions for the sector, and make changes if required	
Responsibility for Implementation	Steering Group

9.7.3. Review Factors that Inhibit Support for FTE Jobs

As is common in many countries, primary legislation in Ireland can lead to PAYE jobs and permanent company formations attracting greater support than the FTE and project approach used in the screen industries. While these more traditional measures are very much simpler to identify and measure, we do not accept permanent jobs inherently generate greater value than those that are related to project work.

Ensuring Irish government departments and agencies are empowered to recognise the value the screen industries generate, and that their primary legislation and targets do not inhibit engagement with them, is desirable to ensure potential investments are not undervalued or inhibited.

Recommendation 28 – Review factors that inhibit support for FTE jobs

Review factors that may inhibit the audiovisual sectors from accessing some public supports, and identify any required changes, to ensure that a suite of supports remain fit for purpose for both the cultural sector and for newer forms of work not necessarily based on permanent employment	
Responsibility for Implementation	Steering Group

9.7.4. Promotion of Irish Language Production

There are 200,000 Irish people, of all ages, who speak Irish on a daily or weekly basis outside of a school environment. This core audience and a wider national audience expects TG4 to deliver a similar range and depth of programming that habitual English speakers expect from RTÉ, or British viewers expect from the BBC. In this context, TG4 commissions a significant amount of new, high-quality and innovative programmes from the Irish independent production sector.

As a publisher broadcaster, TG4 spends over 90% of its budget commissioning content from independent production companies throughout Ireland. Its Irish language soap *Ros na Rún*, now in its 21st year of production, creates a significant level of direct employment and contracted personnel in the local economy around Galway. The channel, furthermore, helps to raise finance for the independent production sector by working with it to secure Sound & Vision funding from the BAI, ILBF funding in Northern Ireland and EU funding from the European Media Programme. It also delivers a range of co-productions by working with international partners such as S4C and BBC ALBA. These arrangements bring significant added value to the production sector in Ireland.

As the success of the cluster around TG4's production base in Connemara shows, the support of Irish Language production can be a critical step in supporting the generation of a production sector outside of the urban core. This being the case, the further promotion of Irish Language content will help to ensure a diverse range of voices have the opportunity to build careers and companies in the sector.

Despite TG4's investment, the Irish language independent production sector remains fragile and the sector is finding it difficult to sustain operations and employment levels. Constraints on the level of public funding provided to TG4 in recent years has compounded this. However, with additional sustainable funding there is an opportunity for TG4 to drive innovation and growth in the creative economy and support the development of the Gaeltacht and regional areas. This will in turn deliver social and economic benefits for Ireland in terms of jobs, skills and income growth. It will also serve to engage more people (particularly younger people) with the Irish language, helping to stabilise and grow Irish language communities throughout Ireland

Recommendation 29 – Promotion of Irish Language Production

Irish language content production can be an important source of economic activity especially in regional and rural areas. There should be further promotion of the Irish language in the audiovisual sector in Ireland	
Responsibility for Implementation	Steering Group

9.8. Oversight

An issue that we have identified within the implementation of prior strategic plans for the Irish screen sectors has been the lack of an agency – or group of agencies – charged with the implementation of strategic plans. A working committee should be formed at a senior level within the government and civil service to ensure the agencies noted within this plan are supported to implement the recommendations.

In order to achieve this, it is proposed that the Steering Group is continued, and expanded to include other relevant Government Departments and Agencies.

Recommendation 30 – Clear Ownership of Implementation Plan

Previous strategic plans have lacked an agency or group responsible for implementation, as such we recommend the present Steering Group is continued, adding other agencies as required, and charged with implementation	
Responsibility for Implementation	Steering Group

10. APPENDIX 1 – LIST OF CONSULTEES

Alan Duggan	Tribal City Games
Alan Esslemont	TG4
Andrew Lowe	Element Pictures
Annie Doona	IADT
Bill Malone	TV3
Birch Hamilton	Screen Directors Guild
Brenda Romero	Romero Games
Brendan McCarthy	Fantastic Films
Cathal Gaffney	Brown Bag Films
Catherine Tiernan	Metropolitan Film
Celine Curtin	Galway City of Film
Christopher Colston	Pulse College
Ciaran Kissane	Broadcasting Authority of Ireland
Ciaran Murray	Near
Clare O Sullivan	Broadcasting Authority of Ireland
Colm Larkin	Gambrinous
Conor Sweeney	RTÉ
Dave Burke	Piranha Bar
Dave Quinn	Windmill Lane
David Colson	Peripheral Labs
David Kavanagh	Writers Guild
Dearbhla Walsh	Director
Declan Gibbons	Galway City of Film
Declan Recks	Director
Dee Forbes	RTÉ
Dermot Horan	RTÉ
Dhurbu Banerjee	Strike Films
Eibhín Ní Mhunghaile	Creative Europe Antenna Galway
Eileen Bell	Enterprise Ireland
Elaine Geraghty	Screen Producers Ireland
Elaine Gill	Clancy Associates
Emma Gorman	Tourism Ireland
Emma Scott	Irish Film Board
Fionnuala Sweeney	Arts Council of Ireland
Fran Keavney	Irish Film Board

Gary Shortall	Egg
Gerry Shirren	Cartoon Saloon
Glen Killane	Eir
Irial Mac Murchú	Nemeton
James Flynn	Metropolitan Film
James Hickey	Irish Film Board
James Morris	Windmill Lane and VFXAI
Jane Kelly	Big Mountain
Jennifer Kennealy	Screen Producers Ireland
Jim Duggan	Screen Scene
Joe Devine	Ion Equity
John Brady	Danú Media
John Concannon	Creative Ireland
John Gleeson	Grant Thornton
John Mac Namara	Enterprise Ireland
John McDonnell	Fantastic Films
John Phelan	Animation Ireland
Jonathan Kelly	Philip Lee
JP Canning	IMRO
Karan O'Loughlin	SIPTU
Larry Bass	Shinawil
Lís Ní Dhálaigh	TG4
Mark Byrne	Element Pictures
Mark Carpenter	Sky
Mary Uí Chadhain	TG4
Maurice Sweeney	Director
Michael Moore	Pulse College
Michael O'Keefe	Broadcasting Authority of Ireland
Michale Hyland	RTÉ
Morgan O'Sullivan	World 2000
Naoise Barry	Pinewood Ireland
Niall Gibbons	Tourism Ireland
Olivier Masclef	Black Shamrock
Ossie Kilkenny	Mazars
Paddy Breathnach	Director
Patrick Tobin	GMIT

Paul Conway	Doom Cube
Paul Cummins	Telegael
Paul Young	Cartoon Saloon
Richard Barnwell	Digit Games
Ronan McCabe	Animation Ireland
Rory Coveney	RTÉ
Ross Keane	Irish Film Institute
Sarah Glennane	Music Supervisor
Sean Donegan	IMRO
Siobhán Ní Ghadra	Danú Media and Eó Telfis
Siún Ní Raghallaigh	Ardmore Studios
Stephanie O'Callaghan	Arts Council of Ireland
Stephen Kelly	Studio Pow Wow and Imirt
Stuart Switzer	Coco TV
Tania Banotti	IAPI
Teresa McGrane	Irish Film Board
Torlach Denihan	IBEC
Trevor Burke	Howling Hamster
Vernon Crowley	Piranha Bar

11. APPENDIX 2 – HOW THE FILM AND TV PRODUCTION SECTOR OPERATES

11.1. How the Market Works

In a simple market, where content is made for an investor or group of investors – who in return acquire the rights to the underlying intellectual property in the production or concept – returns for the company will be made through the production fees and overhead associated with the project. For inward investment projects, the entirety of the production company's revenue is likely to be generated in this way, as the commissioning producer will retain the underlying IP.

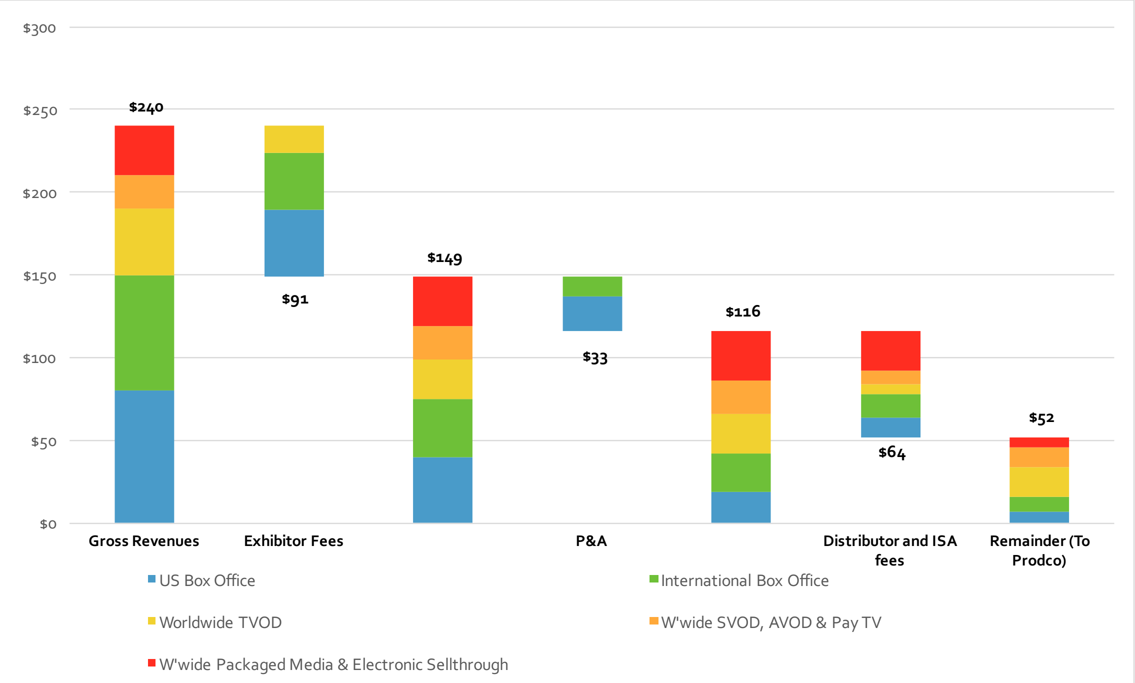
The majority of Irish film and TV production companies in operate in this way, despite attempts to diversify revenue streams, for example the introduction of the Code of Fair Trading Practice in the early 2010s. Animation companies, however, have generated a more diversified model, which generates additional revenue sources, and which as a result provides additional funding for new business ventures and the development of content. Such a model includes the exploitation of the IP in the project – not just in relation to sales of the finished production, but also underlying rights such as formats for TV content, and any merchandising associated with characters or themes.

Generating a model to exploit such IP is a challenge to production companies around the world, and is intimately tied into the financing mechanisms they are forced to use. As producers are often required to sell elements of IP in order to finance production itself, they are forced gradually further down the recoupment 'waterfall' – with a limited chance of generating returns, companies across the value chain are not motivated to generate value from IP.

For films, this will often involve a Sales Agent purchasing the right to sell the content from the original IP owner, further selling this onto distributors in agreed territories. Often, such deals for Irish films are not made with an expectation of significant profit – as such, agents will accept sales that allow them to cover their expenses and make a modest return, but don't work to the degree they might do in other markets to maximise revenues.

Such a return will fall through what is known as a waterfall, following a model similar to the one seen below for a high-budget US film:

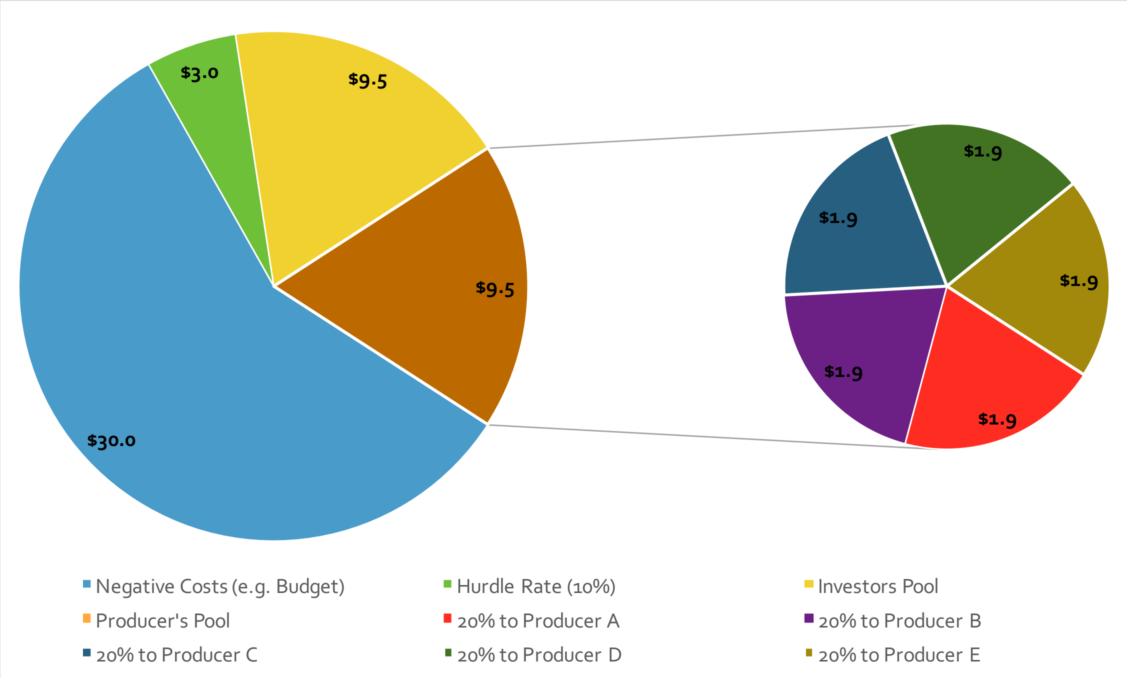
Figure 9 - Hypothetical Waterfall ($300 million US production)



Source: Olsberg•SPI, adapted from Producers Guild of America

Such a waterfall would return money to the production company as follows:

Figure 10 - Production Company Revenues from Waterfall



Source: Olsberg•SPI, adapted from Producers Guild of America

11.2. How this Impacts the Producer

As this shows, even where a production has a significant box office return, the vast majority of the revenues are deducted before getting back to the production company involved in financing and producing the project. When we also consider the difficulty which Irish production companies have in holding onto IP, it becomes apparent why so many focus on producer fees and overheads as their source of revenues – it is a logical response to a market which acts to limit the benefits of success.

In TV, the introduction of Terms of Trade has allowed for a greater IP retention than is seen in film, but this has occurred at a time when broadcasters have taken ever fewer risks, reflecting the straightened financial circumstances they face. Where this has allowed Irish producers to hold onto content – including that which reverts to them seven years after the original deal – few presently have the skills to exploit this.

Given the scale of the Irish market, generating returns from IP is always a challenge. Smaller films, for example, are unlikely to travel, and cannot therefore generate the foreign revenues which are required to generate a return – they hold a cultural, rather than an economic value, though, and generate value of a different kind.

This notwithstanding, providing production companies with the opportunity to retain their IP – and the toolkit to exploit it – could generate significant value for the Irish sector. A production company with sufficient access, IP to sell, and an ability to hold onto sales revenue is likely to be able to generate greater sales and viewership than in the present setup, this model will also increase the cultural impact of successful Irish content, as more people will be able to see it, both domestically and internationally.

12. APPENDIX 3 – COMPARISON OF IRELAND WITH SELECTED INTERNATIONAL TERRITORIES

12.1. Overview

This section of the study compares the current status of the Irish Screen Sector with others in the international market. Given the specific nature of audiovisual policy within the EU market, most of these comparators are European, but we have also looked at New Zealand, as a similarly-sized market with a growing minority-language production element, which is – like Ireland – next to a large cultural exporter.

As a result of this, our comparator territories are:

- Denmark;
- Finland;
- The Netherlands;
- New Zealand; and
- Scotland

Our analysis of these territories has built on published data, which have been analysed to ensure comparability with the Irish sector to the greatest possible extent. As an example of this, BBC Scotland's general accounts include spending on orchestras – as our analysis of RTE (presented above) excludes their similar spending, this has been removed from our comparison.

Overall, Ireland's present status – with which the countries below are compared – is as follows:

	Ireland
Total Film Production Spend	€40.8 million[25]
Average Budget	€2.15 million
Co-Production in This	n/a
Public Support for Film	€24.3 million
Workers in Sector	5,950 FTEs
PSB TV Spending	€246.5 million
Of which advertising	€101 million
Minority Language PSB spending	€24.2 million[26]
Per capita PSB spending	€53.2 million

[25] Excludes documentary
[26] TG4 only

12.2. Denmark

	Denmark	Comparison to Ireland
Total Film Production Spend	€71.4 million	75% greater
Average Budget	€3.4 million	58% greater
Co-Production in This	18 of 28 feature films	
Public Support for Film	€40.7 million[27]	67% greater
Workers in Sector	6,000	
PSB TV Spending	€922.9 million	275% greater
Of which advertising	DR - €57.85 million TV2 - €168.76 million	Overall, a smaller percentage, but TV2 has a higher advertising percentage than RTE
Minority Language PSB spending	n/a	
Per capita PSB spending	DKK 685 (€92.11)	73% greater

Denmark's screen sectors operate on a similar model to Ireland – while a number of films are made every year, the focus is on TV drama. This can be seen in the comparison between the film production budgets and total PSB spending, which shows a clear focus on the TV production element.

Drama has been a major component of Denmark's cultural success in recent years, with Danish productions like *Borgen*, and co-productions such as *The Bridge* selling well internationally, both as original content and formats. This reflected a specific decision by DR to focus on the production of a smaller number of higher-quality dramas, as well as the particular nature of tuition at Denmark's national film school, which developed a creative cohort able to thrive in such a market.

[27] Regional funding not included in this element

12.3. Finland

	Finland	Comparison to Ireland
Total Film Production Spend	€30.9 million (FFF Supported)	25% lower
Average Budget	€1.3 million	40% lower
Co-Production in This	3 majority and 5 minority from 23 feature films	
Public Support for Film	€11.5 million[28]	53% lower
Workers in Sector	7,150	17% higher
PSB TV Spending	€461.8 million (net of VAT)	87% higher
Of which advertising	n/a	
Minority Language PSB spending	n/a[29]	
Per capita PSB spending	€82	54% higher

Finland is presently at an interesting stage in the development of its media market, with an incentive having been introduced for 2017, reflecting the limited scale of film production in the marketplace. Yle cooperates and coproduces with other broadcasters in Europe, but the impact this to date are unclear.

12.4. The Netherlands

	The Netherlands	Comparison to Ireland
Total Film Production Spend	€105.9 million	160% higher
Average Budget	€1.89 million (feature films)	12% lower
Co-Production in This	61% of total productions	
Public Support	€44.7 million	84% higher
Workers in Sector	14,200	139% higher
PSB TV Spending	€664 million	169% higher
Of which advertising	c. €200 million	10% lower
Minority Language PSB spending	n/a	
Per capita PSB spending	€34	36% lower

The Netherlands has recently introduced a fiscal incentive for film production, which has had a dramatic impact on the volume of films being produced in the Netherlands. At €34 million per year, this represents a large percentage of total public support for the film sector.

[28] Finland have introduced a fiscal incentive for 2017, which is not included in this calculation
[29] We have not been able to identify the value of Swedish and Sami language production from the Yle accounts

Co-productions are a large part of this, representing a specific Dutch focus – the Film Fund considered the loss of skills after the closure of the former incentive too great to immediately attract international production, and has focused on co-production as a result.

PSB TV in the Netherlands is in an unusual position – the government has recently cut spending on the public subsidy to a large degree, and as a result NPO are trying to grow the advertising share of the market. This, alongside the likely economies of scale from working in a larger market, accounts for the low per capita PSB spending noted.

12.5. New Zealand

	New Zealand	Comparison to Ireland
Total Film Production Spend	NZ$483 million (€312.7m)	660% greater
Average Budget	n/a	
Co-Production in This	n/a	
Public Support	NZ$86.7 million (€53.1 m)	119% greater
Workers in Sector	14,000	143% greater
PSB TV Spending	NZ$385.4 million (€249 m)	1% greater
Of which advertising	NZ$315.2 million (€203.6m)	101% greater
Minority Language PSB spending	NZ$35.6 million (€23m)	5% less
Per capita PSB spending	NZ$85.45 (€55.32)	4% greater

New Zealand is a heavily film-focused territory at this moment in time – the success of productions like *Lord of the Rings* led to the introduction of a generous incentive scheme, which has supported the development of a large film cluster. The vast majority of this production is international in origin, though it appears that the domestic cluster is growing, exemplified by the success of *Hunt for the Wilderpeople* last year.

This part of New Zealand's sector also underlines the importance of individuals in driving production – in New Zealand, Peter Jackson has been critical in this, and together with his VFX studio Weta Digital, has driven a large percentage of New Zealand's film growth.

New Zealand's PSB sector is unusual in being almost entirely advertising funded – indeed, three-quarters of total public subsidy for the TV sector goes to Maori TV. This factor notwithstanding, the New Zealand broadcast sector is almost identical to that in Ireland.

12.6. The UK (Scotland)

	Scotland	Comparison to Ireland
Total Film Production Spend	£52.7 million (€60.3 m)[30]	
Average Budget	n/a	
Co-Production in This	n/a	
Public Support	£11 million (€12.6 m)[31]	50% lower
Workers in Sector	4,200 FTEs	30% lower
PSB TV Spending	£152.4 million (€174.5 m)	29% lower
Of which advertising	Zero	
Minority Language PSB spending	£10.4 million (€11.9 m)	51% lower
Per capita PSB spending	£28.22 (€32.31)[32]	39% lower

Scottish spending on the TV sector is much lower both in aggregate terms and per head than in Ireland. Partially, this is reflective of the greater efficiency which the BBC's scale provides, but it also feeds into a present perception in Scotland that the BBC underspends in the nation compared to the scale of licence fee collection.

Disambiguating Scottish film production spending has been a significant challenge in recent years, and we do not believe a valid comparison can be drawn from these data.

12.7. Conclusions

While these data underline that a range of factors come into play in every market, there are nonetheless interesting lessons which can be drawn from the various comparator countries we have identified.

New Zealand was the most similar market to Ireland in the TV sector, but has a much larger film industry than Ireland does at present. This is a partially a function of the TV focus of projects applying for Section 481 in recent years, but also underlines the importance of individual personalities in driving a sector. In New Zealand's case, Peter Jackson has taken this role, and has carried both the industry and politicians with him.

Denmark, meanwhile, shows the value of a greater focus on high quality drama from a broadcaster, which has generated a string of successful projects in the international space. Though the influence of the film school within this has been noted by commentators, the level of resource available to PSB TV services is also a key contributor to this.

Overall, Ireland sits towards the lower middle of many of these measures. It is – in general terms – a more TV than film-focused production market, though this is a result of market demands, demonstrated by productions such as *Into the Badlands*. Nonetheless, compared with many countries of similar scale, Ireland's public sector does put in less finance than expected, and undoubtedly this has a downstream impact on production – and therefore jobs – volumes.

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30 Includes TV production figures – Creative Scotland do not disaggregate these
31 Creative Scotland only, BFI or other national agency support not included
32 Includes network BBC productions shown on BBC Scotland

13. APPENDIX 4 – BIBLIOGRAPHY

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