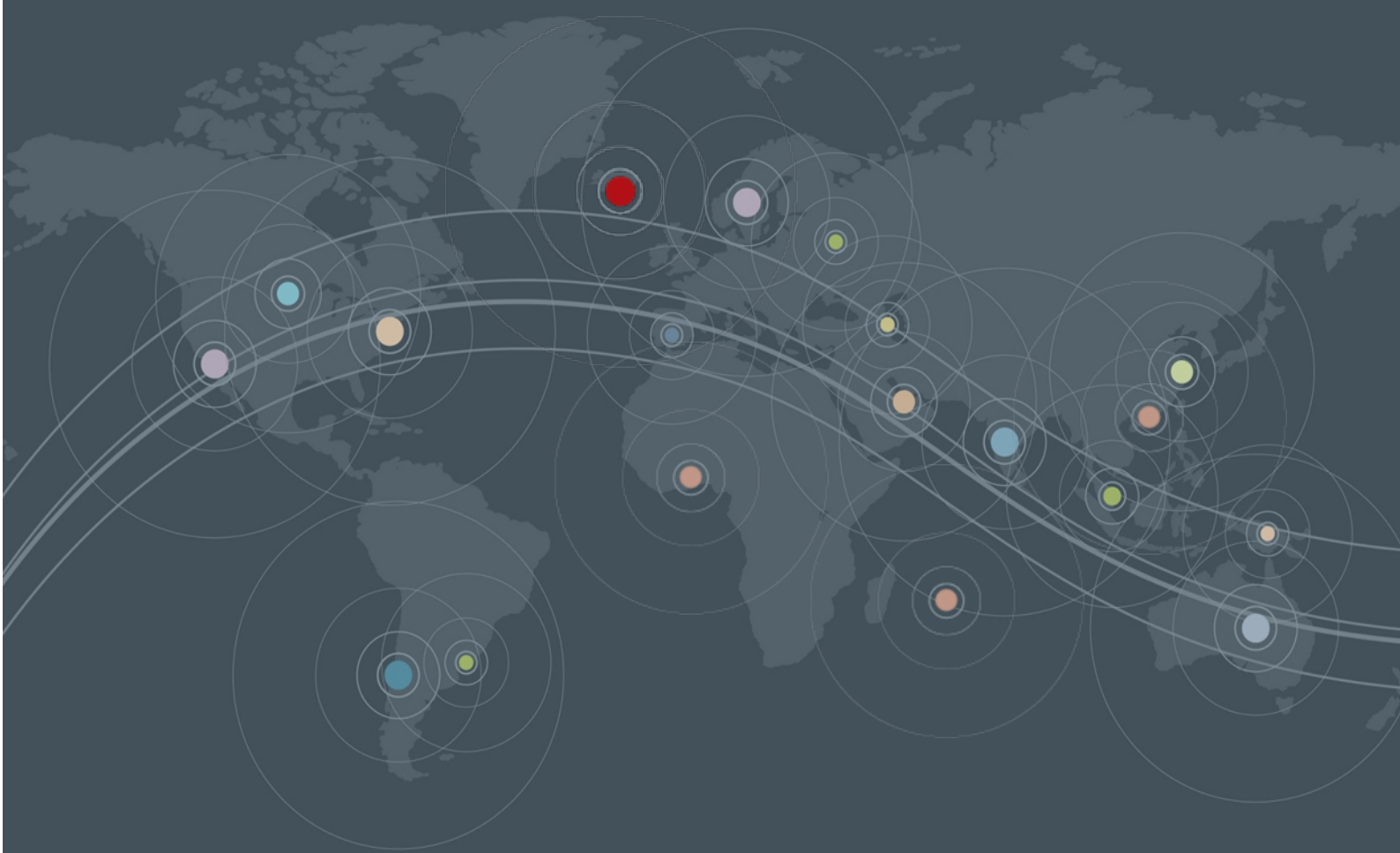


# Economic Impact of the Iceland Film Production Incentive

Final Report to the Ministry of  
Culture and Business Affairs by  
Olsberg•SPI



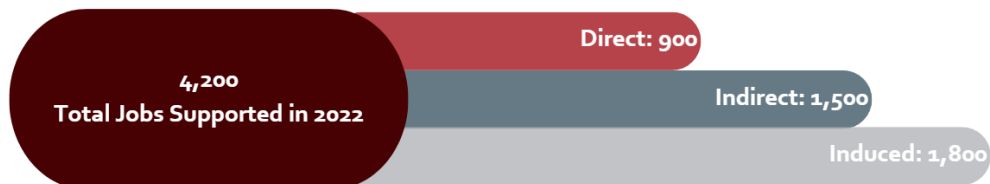
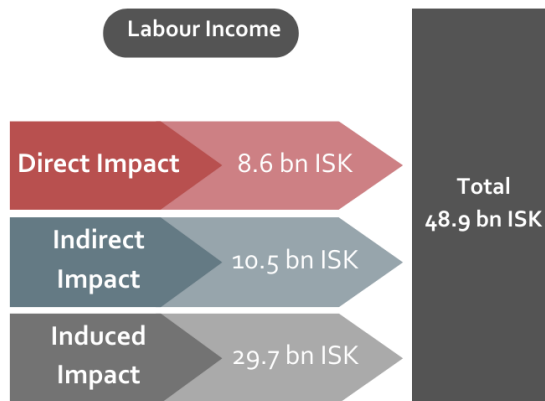
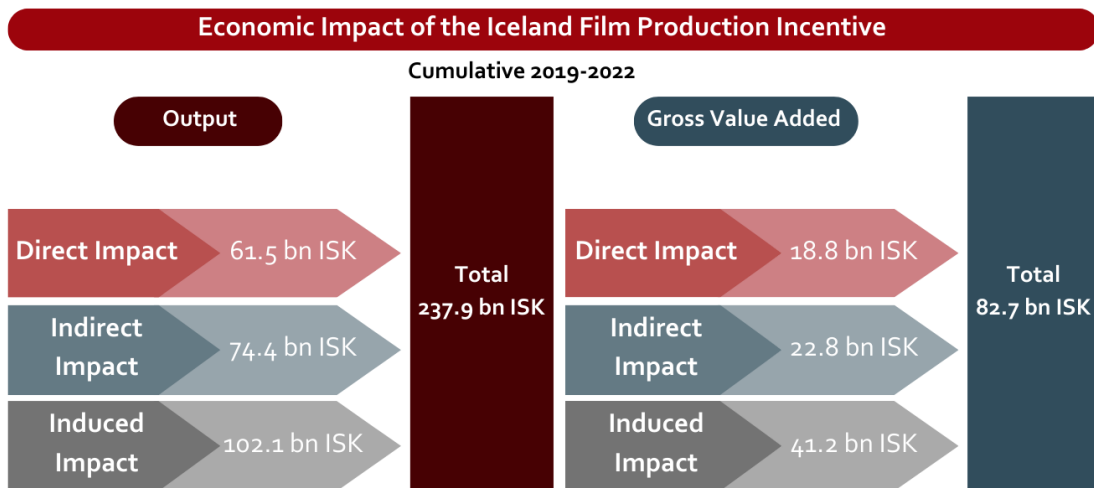
5<sup>th</sup> April 2024

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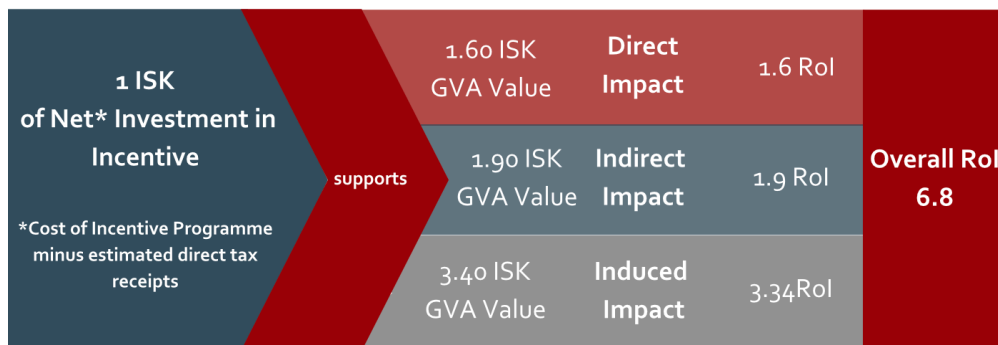
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**SUMMARY OF STUDY FINDINGS**



*Rounded to the nearest hundred*



Source: Olsberg•SPI (2023).

Note: all figures presented in 2023 prices where relevant. Jobs are defined as a contract between a person and organisation to perform work in return for compensation for a defined period.

Please refer to the Appendix for a sensitivity analysis of the GVA calculation.

## **1. EXECUTIVE SUMMARY**

### **1.1. About the Study**

In 2023, Olsberg•SPI (“SPI”) was commissioned by Iceland’s Ministry of Culture and Business Affairs to undertake a project (the “Study”) to assess the economic impact of Iceland’s Film Production Incentive.

The Study aims to quantify and describe the economic impacts generated by film and television (“Screen”) productions funded through Iceland’s incentive. Based on the data available, the Study focuses on the years 2019-2022. It is understood that the Study will be part of a regular impact assessment of the incentive going forward.

### **1.2. Key Findings**

Screen production is a major success story for Iceland on the world stage, with high levels of quality local and international content production. Productions such as *101 Reykjavik* (2000), *Everest* (2015), *Lamb* (2021), and *Beast* (2022) brought Iceland’s landscapes or talent to screens around the world.

In recent years, Iceland has become more competitive as a production destination due to its strong and easily accessible locations, an expanded film and television production incentive, and highly skilled talent base. Such major international productions as *True Detective: Night Country* (2024), *The Northman* (2022), and *Interstellar* (2014) were all shot in the country.

Iceland's unique locations have become powerful promotional tools, fuelling the country’s tourism market and associated businesses. Data from the Icelandic Tourist Board from 2018 shows that 39% of visitors to Iceland mentioned movies and television programmes showing the Icelandic landscape as one of the reasons why they came to visit the country.

#### **1.2.1. The Iceland Film Production Incentive**

In Iceland reimbursements are offered for film and television production costs incurred in the country. Producers can apply for reimbursements from the State Treasury of 25% of the costs incurred in the production of films and television programmes in Iceland.<sup>1</sup> The Iceland Film Production Incentive was expanded in 2022 to offer a 35% rebate for productions that spend at least 350 million ISK in Iceland and a minimum of 30 working days in Iceland. There is currently no cap on the total incentive a company can receive.<sup>2</sup>

Data from the Icelandic Film Centre (“IFC”) analysed by SPI show that there has been a steady upward trending growth in the number of projects supported by the incentive between 2019 and 2022.

In the years analysed, the total value distributed through the incentive was split equally between domestic and foreign productions; in volume terms, this translates to a few large-scale international productions and a higher number of smaller domestic productions. Most projects supported were classified by the IFC as ‘television productions’ as opposed to ‘films’.

#### **1.2.2. Economic Impact of the Incentive**

Screen production activity undertaken through the incentive is generating a significant economic impact for Iceland. SPI estimates that, between 2019 and 2022, film and television productions supported by the incentive spent between 9.7 billion ISK and 28.9 billion ISK in

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<sup>1</sup> *Film- Reimbursement of Production cost*. Government of Iceland. Accessible at: <https://www.government.is/topics/business-and-industry/creative-industries/film-reimbursement-of-production-cost/>

<sup>2</sup> *Incentives to Film In Iceland*. Film in Iceland. Accessible at: <https://filminiceland.com/incentives-to-film-in-iceland/>

Iceland per year. The Study also provides evidence that 86% of this expenditure would not have taken place in Iceland if there were no incentives in place.

Between 2017 and 2021 the wider film and television sector's operating income nearly doubled.

Between 2019 and 2022, the Iceland Film Production Incentive generated 237.9 billion ISK in economic output (2023 prices). This figure excludes productions which would have happened in Iceland in the absence of the incentive.

Between 2019 and 2022, the Iceland Film Production Incentive generated 18.8 billion ISK in direct gross value added ("GVA"), 22.8 billion ISK in indirect GVA and 41.2 billion ISK in induced GVA – totalling 82.7 billion ISK in additional value generated.<sup>3</sup>

Between 2019 and 2022, total cumulative labour income for those working in Iceland on incentivised production is estimated to be 48.9 billion ISK. This comprises 8.6 billion ISK in direct labour income, 10.5 billion ISK in indirect and 29.7 billion ISK in induced labour income.

In 2022, direct jobs supported by the incentive were estimated to be 890. A further 1,480 jobs were supported in the supply chain and 1,830 jobs were supported due to induced effects.<sup>4</sup>

Overall, the production incentive has a positive and significant economic return on investment ("RoI"). Between 2019 and 2022, the overall GVA RoI is 6.8, meaning that for each ISK invested through the programme, the benefits to the Icelandic economy are 6.80 ISK in terms of additional economic value from direct, indirect, and induced effects.

Production undertaken through the incentive is also having significant impacts on components of the Icelandic economy outside of the Screen production sector. The analysis of a high-budget drama series shot in Iceland shows that 70% of the below-the-line production expenditure that occurred in Iceland was distributed across various non-Screen-specific sectors including travel and transport and hospitality and catering. Analysis of spending undertaken by another medium-budget drama series shows that production activity and linked spending occurs across multiple locations across Iceland.

### **1.2.3. Wider Impacts**

Evidence gathered in the context of the Study shows that Iceland's Film Production Incentive has had a positive impact on the domestic production market overall, benefitting local crew, suppliers, and infrastructure, and boosting the potential for international investments in the sector. In particular:

- The incentive has had a positive impact on skills, talent, and workforce development. Icelandic crew have also become more professionalised as an indirect result of the incentive in general.
- The increased filming activity in Iceland has led to more demand for infrastructure and had positive impacts on service and equipment businesses.
- The incentive has generated an increase in productions filmed in Iceland, which in turn have generated increased interest in the country – with impacts on the country's image and tourism.

While the impact of the incentive on the domestic production sector has been positive overall, some points of concern for smaller, independent producers have been reported through the

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<sup>3</sup> Please refer to the Appendix for a sensitivity analysis for the GVA calculation.

<sup>4</sup> In this context, 'jobs' refers to the total number of contracts that were made in one specific year (full-time or part-time, freelance or permanent). Please note that the number of people employed may be lower than the number of jobs as people might work across multiple jobs.

Study's primary research. This is linked to the effect of increased incoming production on crew availability, wages, and costs, which has created challenges for smaller, independent producers to meet given budgetary constraints in the sector. There have also been concerns about the revised incentive not entirely benefitting more experimental productions and documentaries (which often fail to reach the minimum expenditure threshold required to qualify for the 35%), despite the incentive being a key element of financing for such productions. The domestic independent Screen production sector is a critical element of Iceland's success in the sector and it should continue to be strongly supported, including through the work of the IFC.

In terms of incentive structure and administration, Iceland's incentive is straightforward and easy for national and international producers to navigate. Those accessing the incentive reported that they would benefit from an increased level of communication in the administration of the incentive (i.e. regular updates on amount of funds available), and some consultees suggested that the incentive could also be utilised to deliver environmental and social outcomes (e.g. by including an uplift for those productions that act in an environmentally sustainable way).

#### **1.2.4. The Expanded Iceland Film Production Incentive**

The Iceland Film Production Incentive was expanded in 2022 to incentivise larger scale film and television productions shooting in Iceland. The government now offers a 35% rebate for productions that spend at least 350 million ISK in Iceland and spend a minimum of 30 working days in Iceland.

IFC data analysed by SPI for the purpose of this Study referring to 2019-2022 show that only 5% of productions (19 out of 349) were supported by the increased incentive uplift introduced in 2022. This is linked to the availability of data at the time of analysis, but also to the production slowdown in 2023 due to labour actions in the US.

Given these factors, it is not yet possible to robustly isolate the impacts of the incentive uplift or to undertake comparative analysis. However, in a context where production incentives are a cornerstone of international production flows, it is clear that the revised incentive is creating opportunities for Iceland to solidify and expand its position as a key global film location. While incoming productions have in the past typically utilised Iceland for specific locations-based scenes, Iceland has become more competitive as a destination to undertake longer and more valuable component of the production process due to its expanded production incentive.

## 2. INTRODUCTION

This section provides an overview of the Study, SPI's approach to undertaking the analysis, and the structure of this document.

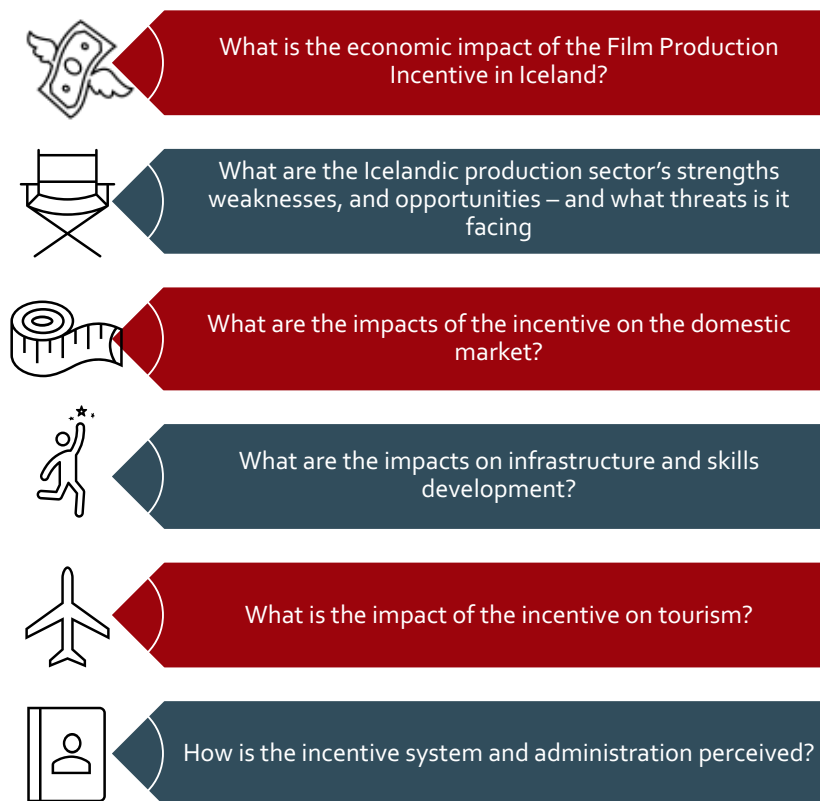
### 2.1. Objectives of the Study

The aim of the Study is to quantify the economic impacts generated by Screen productions that access Iceland's Film Production Incentive. SPI understands that the Study will be part of a regular impact assessment of the incentive going forward.

This document presents key findings on the economic impact of the incentive programme. In addition to economic impact, the Study also considers the following wider social and cultural impacts of the incentive in Iceland.

The key research questions for this research are summarised in Figure 1.

**Figure 1 – Research Questions**



Source: Olsberg•SPI (2023)

### 2.2. Study Approach

The findings presented in this Study are the result of analysis of data and intelligence from the following sources:

- Review of existing industry research, data and policy reports, articles and datasets. To build an evidence base for this Study, SPI has analysed data such as:
  - Figures on economic activity and employment in the Screen production sector produced by Statistics Iceland
  - Detailed information on the list of productions supported via the production incentive, the amount distributed, and linked expenditure from the IFC
  - Previous economic reports and studies on this matter, and on the wider Screen production sector in Iceland

- Press coverage and articles covering the film and television production incentive, as well as linked considerations such as infrastructure development, film funding, skills, tourism, and training and education.
- Confidential consultations with more than 15 domestic and international stakeholders across industry, education, and government.
- An online survey of key domestic producers and service companies which applied to the incentive, and major international investors. The survey gathered feedback from 19 key production companies, responsible for 73% of production expenditure in Iceland between 2019 and 2022.

### **2.3. Study Structure**

The remainder of the Study sets out:

- An overview of the Screen production sector in Iceland
- An outline of Iceland's Film Production Incentive and the projects that benefitted from it between 2019 and 2022
- The economic impact of the Film Production Incentive, including an estimate of the direct, indirect, and induced effects, reporting on three key indicators: economic output, GVA, and employment
- Consideration of the micro impacts of incentivised Screen production activity, including the ripple effect of Screen production spending on other sectors of the Icelandic economy, and the geographical spread of production spending
- Additional spillover impacts of incentivised Screen production activity, including infrastructure and skills development, and screen tourism.



### 3. ICELAND'S SCREEN PRODUCTION SECTOR AND THE FILM PRODUCTION INCENTIVE

The Icelandic creative industries – and the Screen production sector in particular – are internationally well known and regarded for their high artistic quality.

Film production is regarded as a major success story for Iceland on the world stage, with considerable levels of local and international content production. Productions such as *Lamb* (2021), *The Northman* (2022) and *Interstellar* (2014) brought Iceland's landscapes and talent to screens around the world. Between 2017 and 2021 the sector's operating income nearly doubled.<sup>5</sup>

Recent years have seen substantial expansion in Iceland's Screen production sector, driven by incoming productions. While incoming productions typically travel to Iceland to shoot specific scenes, Iceland has become more competitive as a destination to undertake larger portions of the production process due to its expanded production incentive<sup>6</sup>. Similarly, local projects and co-productions are consistently recognised by critics and audiences worldwide and celebrated at awards events and festivals – such in the case of the recent *Fár* (2023) which received a Special Mention at the Cannes film festival in 2023. This success demonstrates a strong national film culture and a highly skilled talent base.

This section provides an overview of the Screen production sector in Iceland.

#### 3.1. Screen Production in Iceland

The establishment of the Icelandic Film Fund in 1978 encouraged regular production in the country. Since then, Iceland has produced a variety of films, often distributed in many international territories. In the early 1990s, Fridrik Thor Fridriksson's *Children of Nature* (1991) was nominated for an Academy Award, marking the start of international interest in Icelandic Screen production. From that year, the country started to engage in international co-productions and financing.

In the early 2000s, the government introduced a new film law with increased public investment for the sector, allowing filmmakers to produce an average of six feature films per year<sup>7</sup> and establishing the IFC. This allowed the sector to develop even further, and to support the work of key directors such as Baltasar Kormákur, known for *101 Reykjavik* (2000), *Everest* (2015), and *Beast* (2022), Dagur Kári, known for *Noi the Albino* (2003), Ragnar Bragason, director of *Children* (2006) and *Metalhead* (2022), and Benedikt Erlingsson, director of *Of Horses and Men* (2013). Between 2019 and 2022, Icelandic features, documentaries, television series and shorts won 193 awards in international film festivals, including *A White, White Day* (2019), *Lamb* (2021), and *Beautiful Beings* (2022).<sup>8</sup>

The artistic quality, the use of internationally known Icelandic music and literature in films, and the strong narratives and visual appeal of Icelandic films have driven international recognition. This growth not only underlines Iceland's commitment to fostering its creative potential and preserving its cultural identity but also underscores the sector's pivotal role in shaping the nation's cultural identity and contributing to its global influence.

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<sup>5</sup> *Rekstrartekjur í menningu og skapandi greinum 126 milljarðar árið 2021*. Statistics Iceland, May 2023. Accessible at: <https://hagstofa.is/utgafur/frettasafn/menning/uppfaersla-a-meningarvisum/>

<sup>6</sup> A production slowdown in 2023 due to labour action in the US means that the impact of this increase has not been fully seen yet

<sup>7</sup> *A Brief History of Icelandic Cinema*. Birgir Thor Möller, March 2013. Accessible at: <https://www.icelandicfilmcentre.is/media/skjol/Icelandic-Cinema-BTM.pdf>

<sup>8</sup> *International Awards*. Icelandic Film Centre, 2022. Accessible at: <https://www.icelandicfilmcentre.is/facts-and-figures/international-awards/>

In recent years, the establishment of RVK Studios, and the increased number of international productions shooting in the country is further expanding the sector. In recent years, Iceland has hosted the production of major films and television programmes such as *True Detective: Night Country* (2024), *The Northman* (2022), *Eurovision Song Contest: The Story of Fire Saga* (2020), selected episodes of *Succession* (2018-2023), *Star Wars: Episode VII – The Force Awakens* (2015), and *Interstellar* (2014).

### 3.2. Employment and Turnover in the Icelandic Film and Television Sector

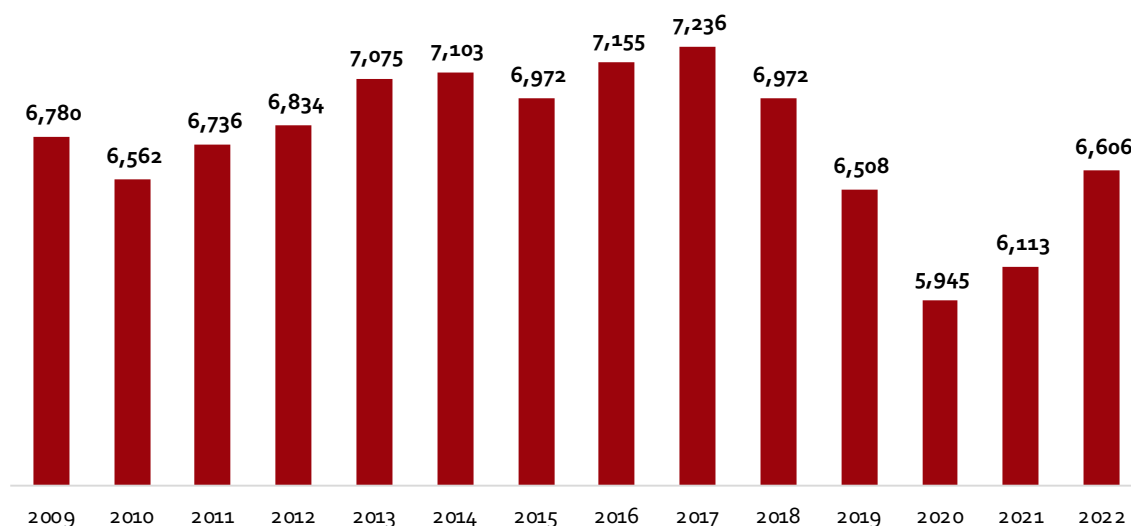
Data from Statistics Iceland offer clear insights into the growth of the Icelandic Screen sector.

While the overall cultural and creative industries appear to have been heavily impacted in 2019-2020 by the COVID-19 pandemic (see Figure 2) the Film and Television sub-sector has increased regularly in the past years– growing from 530 employees in 2019 to 769 employees in 2022 (see Figure 3). This includes workers in the whole value chain.

In 2019, employees active in the Film and Television sub-sector represented 8% of the total cultural and creative workforce in Iceland; by 2022 this had increased to 13%, and it was the third largest sector by employees after Design and Architecture (1,033 employees) and Media (907).

The limited impact of the COVID-19 pandemic on the Icelandic Film and Television sector was most likely the result of policy initiatives sustaining the sector and allowing producers to continue their work with limited impact on their activities. For example, Iceland was one of the first territories to publish guidelines designed to enable Screen production to restart under certain conditions by introducing a modified quarantine for filmmakers<sup>9</sup>. The increased international production taking place in Iceland, stimulated by the Film Production Incentive, has also played a pivotal role in the development of the sector.

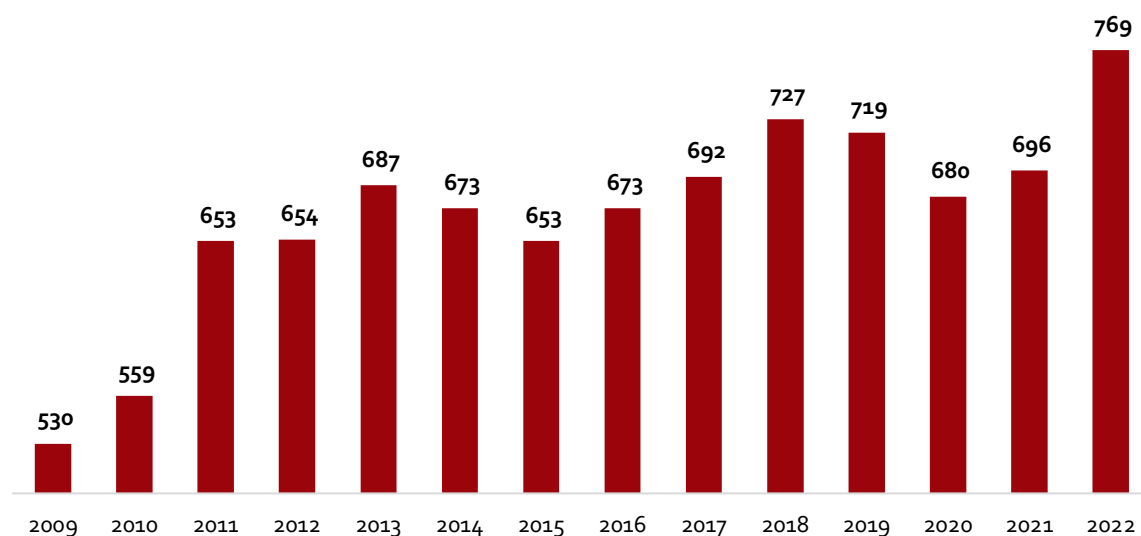
**Figure 2 – Total Employees in Iceland’s Cultural and Creative Industries, 2009 – 2022**



Source: Statistics Iceland, analysed by Olsberg•SPI (2023). Cultural and Creative Industries include: Advertising, Literature, Media, Design and Architecture, Film and TV, Cultural Education, Cultural Heritage, Visual Arts, Printing, Performing Arts, Music, Computer Games

<sup>9</sup> *Global Screen Production –The Impact of Film and Television Production on Economic Recovery from COVID-19*. Olsberg•SPI, June 2022. Accessible at: <https://www.o-spi.com/projects/economic-impact-studies-research-and-evaluation-lyglh>

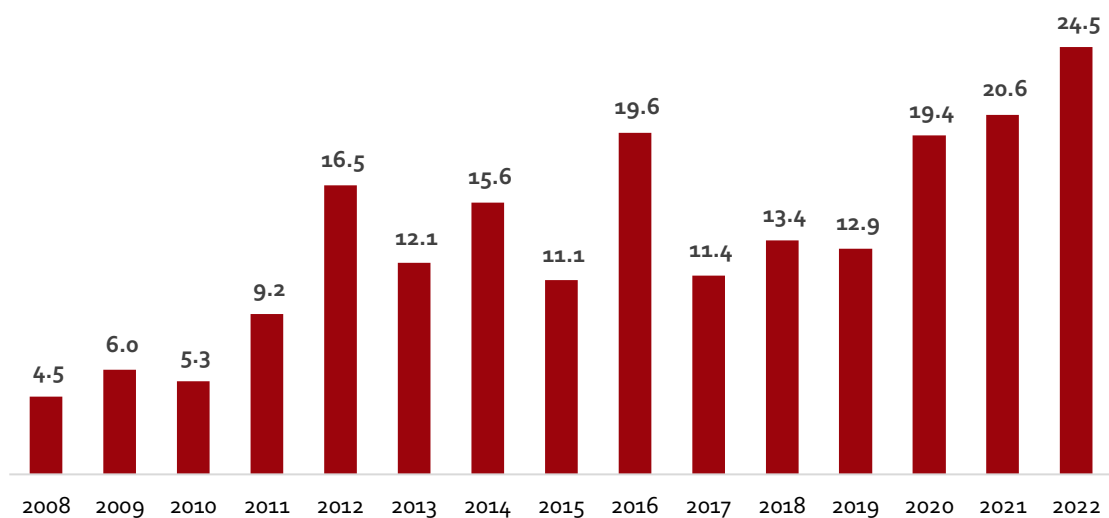
**Figure 3 – Employees in Iceland's Film and Television Sub-Sector, 2009 – 2022**



Source: Statistics Iceland, analysed by Olsberg•SPI (2023). Note that 'Employees' corresponds to employees receiving a taxable wage, and not jobs

The growth of the Icelandic film and television sector is further evidenced by figures on the turnover declared by businesses registered under *Motion picture, video and television production activities*, according to VAT returns. The total turnover of the sector increased from 4.5 billion ISK (US\$34 million) in 2008 to 24.5 billion ISK in 2022 (US\$188 million).

**Figure 4 – Turnover of Motion Picture, Video and Television Programme Production Activities (NACE no. 5911), 2008 – 2022, billion ISK**



Source: Statistics Iceland, analysed by Olsberg•SPI (2023)

### 3.3. SWOT Analysis of the Icelandic Screen Production Sector

Qualitative data, including consultations with national and international stakeholders, were used to produce an analysis of the strengths and weaknesses of the Icelandic Screen production sector, as well as opportunities and threats. These are summarised in the figure below.

Figure 5 – Summary SWOT Analysis of Iceland’s Screen Production Sector



Source: Olsberg•SPI (2023)

In terms of key **strengths**, Iceland is a country with a strong national brand and identity, internationally known for its artistic production and creativity. The Screen production sector, in particular, showcases Iceland’s cultural identity and unique locations internationally. Iceland was an early adopter of a Screen production incentive, and the system is stable – and was recently expanded, increasing its competitive edge. There is also a supportive policy landscape for the sector in Iceland, as shown by the policies quickly implemented to support the continuation of Screen production during the COVID-19 pandemic. Iceland is also characterised by attractive and highly unique landscapes, a highly-skilled workforce and environmentally-sustainable sound stages. Despite their otherworldly looks, many of Iceland’s locations are accessible for productions and Icelandic crews are experienced at working in the country’s outdoor conditions. Locations, in particular, are a key motivator for incoming international productions.

At the same time, there are some **weaknesses**. The pool of crew members is generally small but currently sufficient, and production costs are generally high, if compared to other competitors. Despite the high number of productions shooting in Iceland, producers tend to choose Iceland only for a portion of a project rather than the full production process.

Consultees also flagged some clear **opportunities**. There is a growing film production infrastructure, with additional stages being built and with an increased volume and quality of equipment located in these production premises and in associated equipment rental

companies. The high number of international productions that are shooting in the country also means that crews are introduced to new methods of working, and have the opportunity to increase their knowledge and experience even more. The expanded incentive and growing infrastructure also provides an opportunity for Iceland to attract more significant elements of projects.

In terms of **threats**, consultees flagged the international competition from other jurisdictions. There are over 100 automatic production incentives at country, state, and province level globally and this competitive landscape is constantly developing. Some key competitors for the type of productions that would consider Iceland are Spain's Canary Islands, Canada, Norway, Scotland, and Northern Ireland. Moreover, current market insecurity and fluctuating levels of investment – in part due to economic headwinds facing the Screen sector and US labour action in 2023 – can hinder sustained production. Producers, especially those active in national or independent productions, also flagged their concerns linked to the increasing rates for national crews, mostly due to incoming productions in the country.

## **4. THE ICELAND FILM PRODUCTION INCENTIVE**

With its incentive, unique locations and talent base, Iceland is well established as a hub for large international productions as well as high-quality domestic film and television.

This section provides an overview of the Iceland film production incentive and the productions supported by the system.

### **4.1. Overview**

Until 2022, Iceland offered a film production incentive of 25% rebate on eligible production expenditure, with applications processed by the IFC.

In 2022, the system was expanded to offer a 35% rebate for those productions that spend at least 350 million ISK in Iceland. Projects supported must also undertake a minimum of 30 working days in Iceland, consisting of production days or post-production working days. Of the 30 working days, a minimum of 10 principal photography days in Iceland is always required. The number of crew must be 50 at a minimum, and their work must amount to at least 50 working days taxed in Iceland. Both salary and payments to contractors must be taxed in Iceland. If more than 80% of the total cost of producing a film or television programme is incurred in Iceland, the reimbursement is based on the total production cost incurred in the European Economic Area. There is currently no cap on the total incentive a company can receive.

The incentive has been very successful in driving activity in Iceland, with major international productions including the fourth series of HBO's *True Detective* (2014-2024), *Succession* (2018-2023), *The Northman* (2022), *Game of Thrones* (2011-2019), *Captain America: Civil War* (2016), *Rogue One: A Star Wars Story* (2016), *Star Wars: Episode VII – The Force Awakens* (2015), *Noah* (2014), *Interstellar* (2014), and *The Secret Life of Walter Mitty* (2013).

### **4.2. Applications to the Incentive**

Producers undertaking projects in Iceland are guided by the IFC's reimbursement process, aligned with Act No. 43/1999 and Regulation No. 131/2001 (summarised in Figure 6).

Applicants submit reimbursement requests before production commences through an online system, including essential details such as applicant information and supporting documents like a production plan, budget, and project description.

Applications are accepted throughout the year, and projects must meet cultural and production criteria to secure a letter of intent for reimbursement, followed by a final assessment after production. These guidelines aim to establish a transparent and supportive framework, encouraging a vibrant audiovisual industry in Iceland.<sup>10</sup>

Once an application is submitted, it is first reviewed by the IFC which ensures that all basic requirements are met, along with administering a cultural test. If the application satisfies all the basic requirements and passes the test, the application is then sent to the Committee on Reimbursement for Film. This committee is made up of representatives from the Ministry of Culture and Business Affairs, the Ministry of Finance and a third member appointed without nomination to chair this committee.<sup>11</sup>

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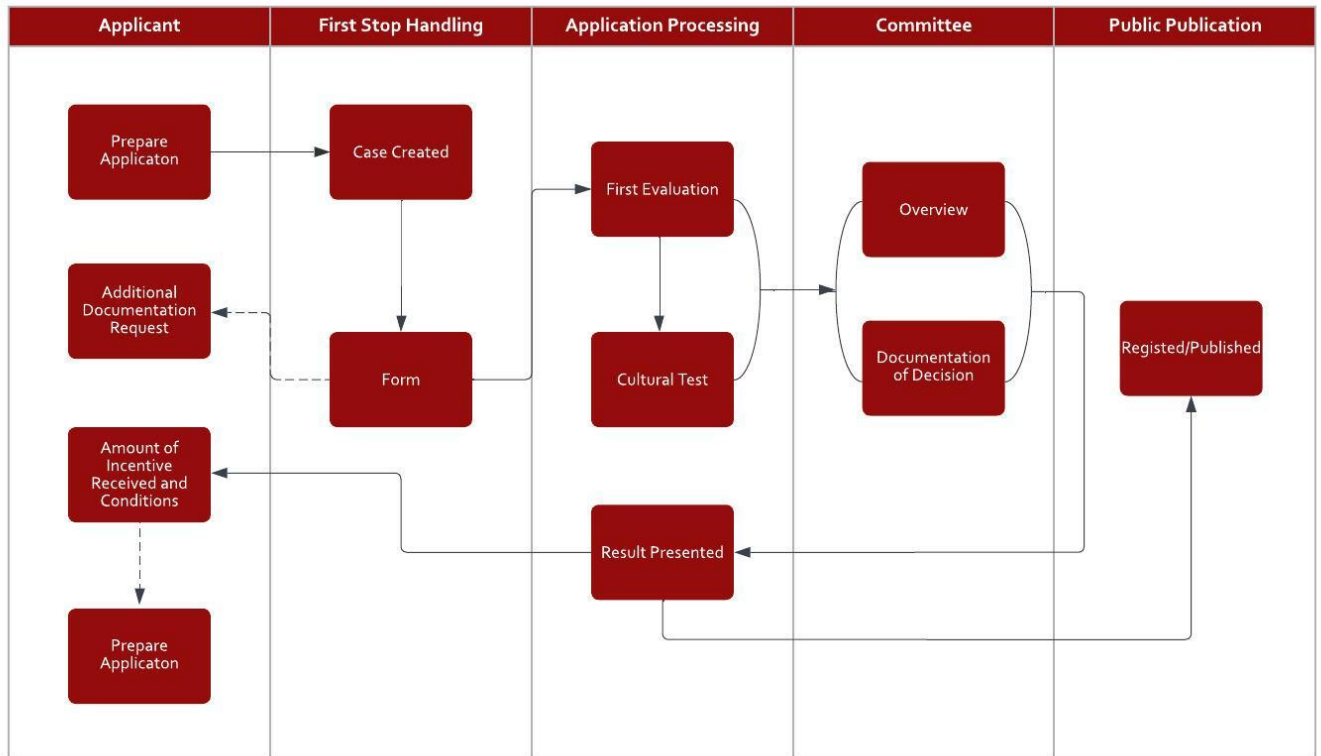
<sup>10</sup> *Instructions for Applicants*. Film In Iceland. Accessible at: <https://filminiceland.com/how-to-apply/>

<sup>11</sup> *ACT on Temporary Reimbursements of Film Production in Iceland*. Icelandic Parliament, 22<sup>nd</sup> March 1999.

Accessible at: [https://www.stjornarradid.is/library/03-Verkefni/Atvinnuvegir/LoG-enskar-Thydingar/170523%20Lo%CC%88g%20um%20ti%CC%81mabundnar%20endurgrei%C3%Boslur%20vegna%20kvikmyndager%C3%Boar%20a%CC%81%20l%CC%81slandi\\_ENSKA.pdf](https://www.stjornarradid.is/library/03-Verkefni/Atvinnuvegir/LoG-enskar-Thydingar/170523%20Lo%CC%88g%20um%20ti%CC%81mabundnar%20endurgrei%C3%Boslur%20vegna%20kvikmyndager%C3%Boar%20a%CC%81%20l%CC%81slandi_ENSKA.pdf)

If the application is approved by the committee, then the applicant will be notified of the amount of incentive approved, along with the terms of the incentive. This would then be followed by a public release by the IFC that the applicant has been approved for the incentive.

**Figure 6 – Iceland Film Production Incentive Application Process**



Source: Olsberg•SPI (2023), using Icelandic Film Centre documents and insights

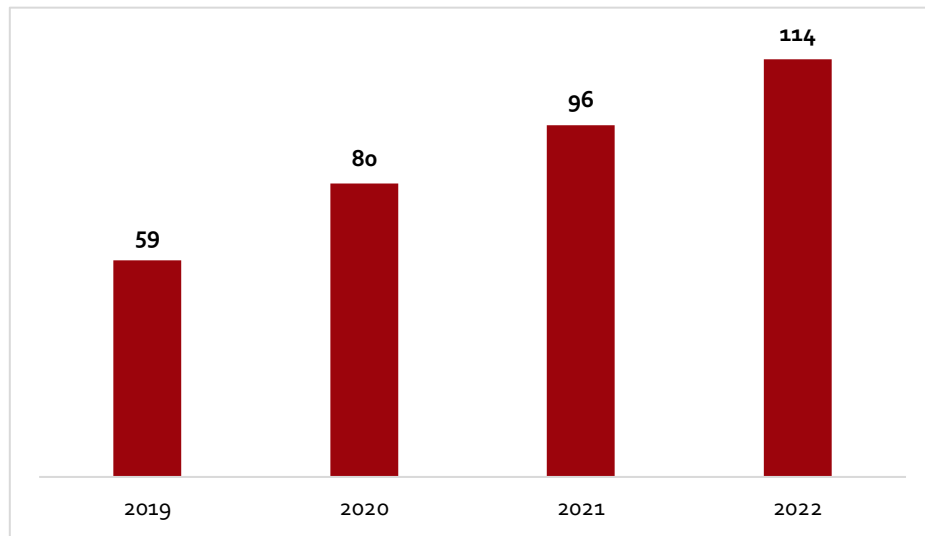
### 4.3. Numbers and Characteristics of the Productions Supported by the Incentive

The IFC administers the Film Production Incentive on behalf of the Icelandic Government. As part of the application process, the IFC collects a variety of data about productions. These data have been improving in scope over time. For the purpose of this Study, SPI allocated projects by the year of the start of principal photography. When not available, this has been estimated.

**Data from the IFC analysed by SPI show that there has been a steady upward trending growth in the number of projects supported by the incentive between 2019 and 2022.** Film and television projects supported by the incentive in 2022 are more than double the volume of projects supported in 2019, increasing from 59 to 114 projects (Figure 7).

Data also show that project numbers increased gradually, meaning that the COVID-19 pandemic had only a limited impact on production activity.

Figure 7 – Number of Incentivised Projects by Year, 2019-2022



Source: Icelandic Film Centre data as of December 2023, analysed by Olsberg•SPI (2023).  
Year based on start of principal photography

**This growth in incentivised projects by year also means an increase in production expenditure.** SPI analysis of IFC data shows that between 2019 and 2022 film and television productions in Iceland spent between 9.7 billion ISK (US\$78.9 million) and 28.9 billion ISK (US\$ 222.1 million) (Figure 13).

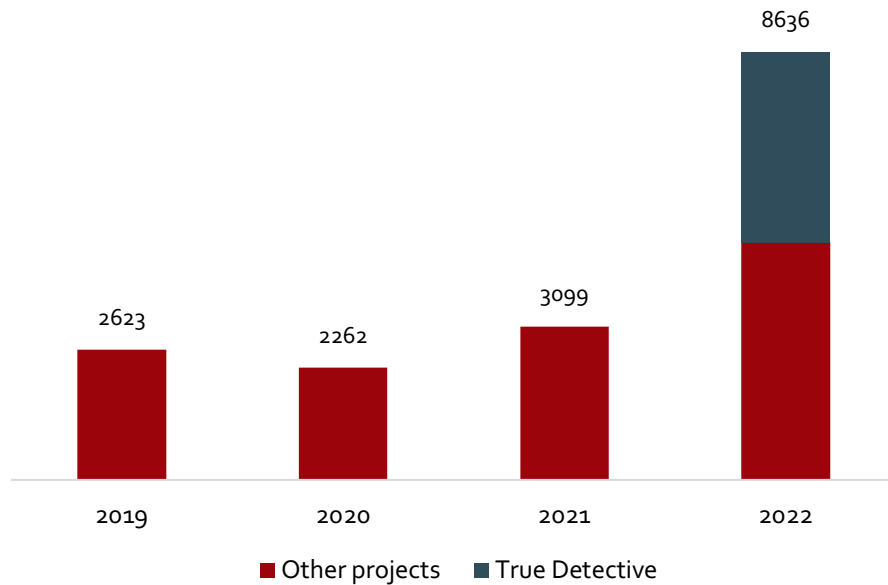
**The total amount of payments distributed through the incentive has increased by nearly three-fold in 2022 compared to the previous years.** This increased from 2.6 billion ISK (US\$22.5 million) in 2019 to 8.7 billion ISK (US\$66.2 million) in 2022 (Figure 8).

It is important to note that 2022 was characterised by a large-scale production – season four of HBO’s *True Detective* (2024). However, even when not considering this specific production, incentive payments between 2019 and 2022 nearly doubled.

Unlike the analysis of the number of projects supported by the incentive, data on amounts distributed show that in 2020 projects received 14% less compared to 2019. This indicates that despite the industry that year continuing to be active, it was characterised by projects with slightly smaller budgets. This was most probably linked to the general slower rate of production during the Covid-19 pandemic.



**Figure 8 – Incentive Payments to Projects Starting in 2019-2022, with a Focus on HBO's True Detective, million ISK**

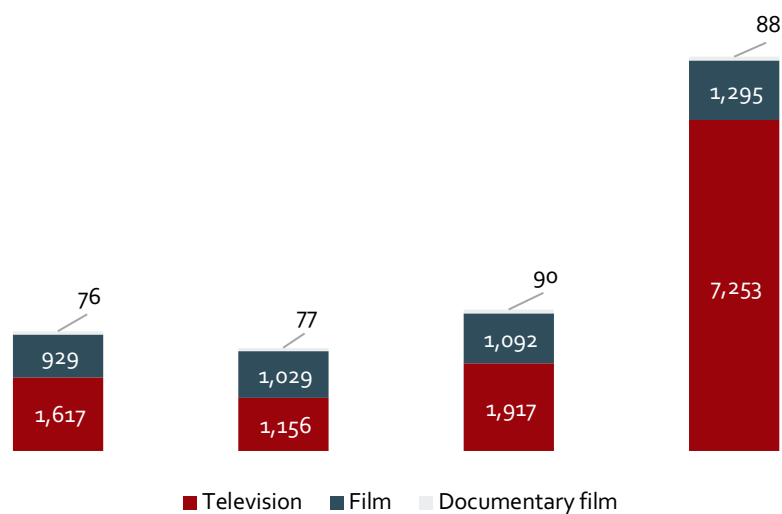


Source: Icelandic Film Centre data as of December 2023, analysed by Olsberg•SPI (2023).  
Year based on start of principal photography.

The incentive payments include both estimated and actual payment values.

**On average, television series or shows account for 58% of all incentive payments for projects starting in 2019-2021, while films account for 39% and documentaries for 3% (Figure 9). When considering 2022, the percentage of the incentive payments allocated to television series or shows is higher due to the presence of HBO's *True Detective* (2024). In that particular year, the amount going to television series or shows was 84% of the total.**

**Figure 9 – Incentive Payments to Projects Starting in 2019-2022, by Production Type, million ISK**



Source: Icelandic Film Centre data as of December 2023, analysed by Olsberg•SPI (2023).  
Year based on start of principal photography.

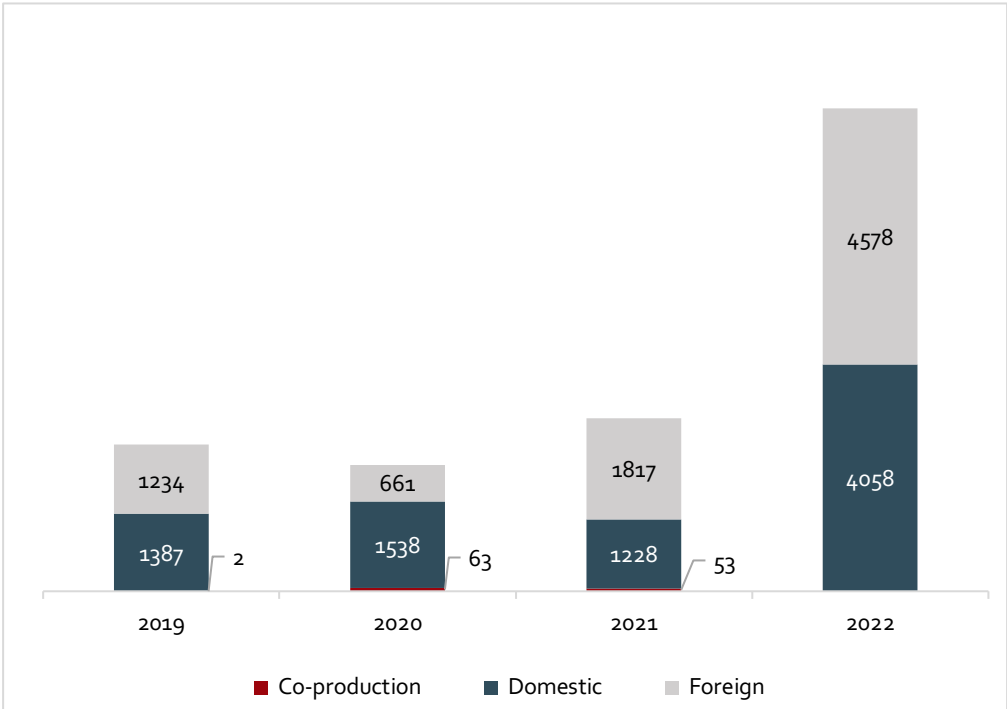
The incentive payments include both estimated and actual payment values

In the years analysed, the total value of the amount distributed through the **incentive was split equally between domestic (50%) and foreign (50%) productions.**

When looking at the number of projects supported by the incentive, the large majority of productions were domestic productions (82%). This means that in project volume terms the incentive is supporting fewer large-scale international productions and many smaller domestic productions.

In addition, data show an **increase in the number of projects and payment amounts** distributed to both domestic and international productions. In fact, while in 2019 the incentive supported 50 domestic and eight foreign projects, in 2022 the size of the system doubled, by supporting 100 domestic and 14 foreign projects. Most domestic projects were television shows.

**Figure 10 – Incentive Payments to Projects Starting in 2019-2022, by Origin, million ISK**



Source: Icelandic Film Centre data as of December 2023, analysed by Olsberg•SPI (2023).  
 Year based on start of principal photography.  
 The incentive payments include both estimated and actual payment values

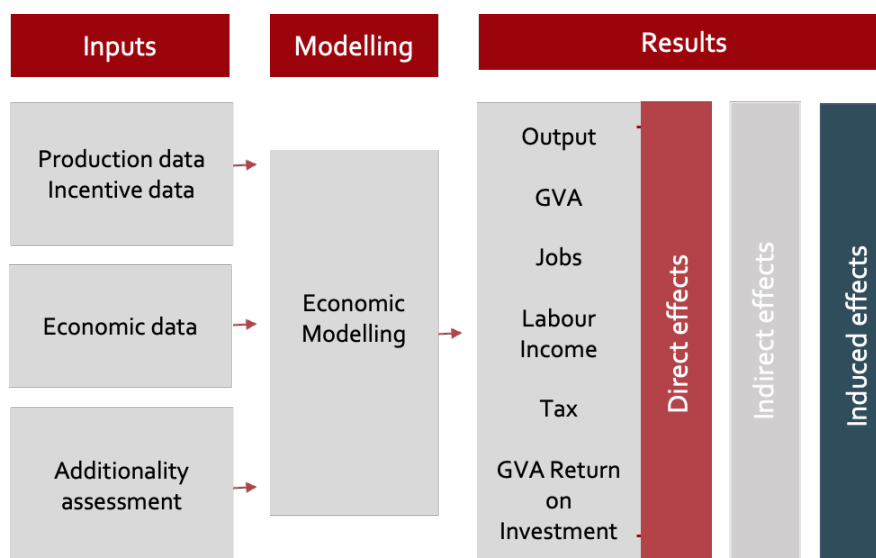
## 5. THE ECONOMIC IMPACT OF ICELAND'S FILM PRODUCTION INCENTIVE

### 5.1. Introduction

This Study uses an Input Output (I-O) approach to economic impact modelling. This approach uses economic data to build a picture of the interconnections between the Screen production industry and other industries, and the relationships between key metrics such as output, GVA, and jobs.

For this project, SPI built a bespoke economic model and the main data inputs and results are summarised in Figure 11. The methodology is based on a large number of studies that SPI has undertaken around the world, and it is consistent with international best practice, including studies in the UK, a number of US states, New Zealand, Australia, and Europe. A full detailed methodology can be found in Appendix 2 – Methodology.

**Figure 11 – Summary of Economic Impact Methodology**



Source: Olsberg•SPI (2023).

Jobs or employment can be measured in a variety of ways. Work opportunities in film and television production are typically contract based, lasting from a few weeks to several months for larger productions. SPI's normal approach to estimating jobs is based on a year-round and 'permanent' definition of jobs which adjusts for the nature of much of the employment and makes the employment measure comparable to other sectors in the economy. However, given some questions around the underlying data to express employment impact in this way, this report expresses impact in terms of jobs<sup>12</sup>.

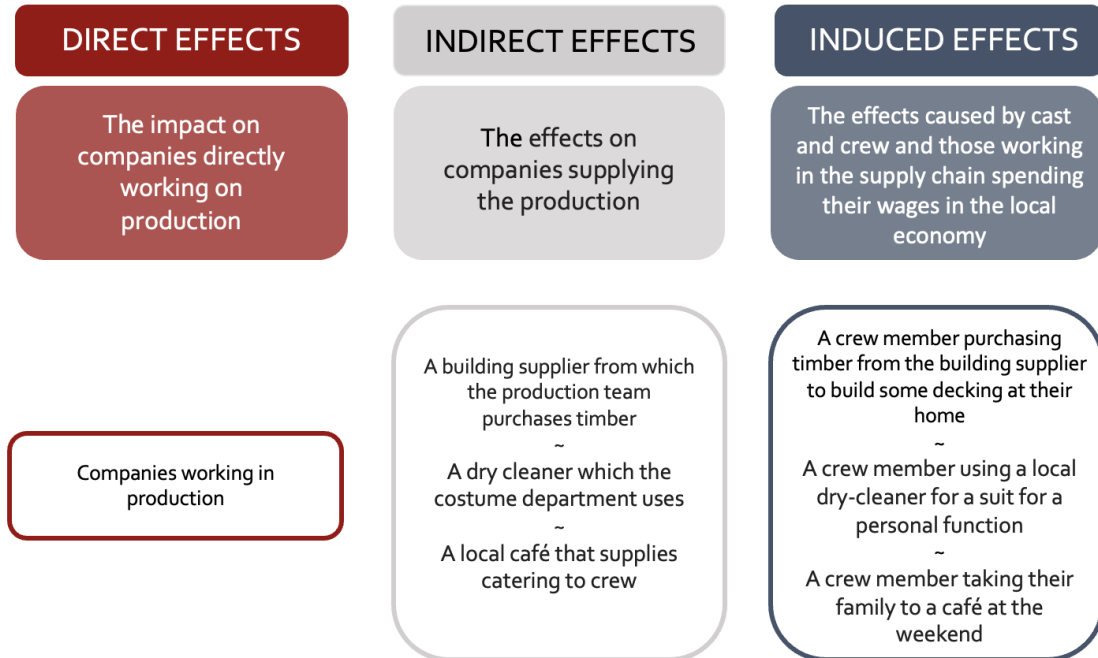
The total economic impact is the sum of the following three effects (also described in Figure 12):

- **Direct impacts** are the economic uplift in terms of the output, value created (GVA), and jobs in companies directly engaged in incentivised production
- **Indirect impacts** are the economic uplift in terms of the output, value created (GVA), and jobs effects observed in companies that supply goods and services to incentivised production

<sup>12</sup> To reiterate the previous point, jobs are defined as a contract between a person and organisation to perform work in return for compensation for a defined period.

- **Induced impacts** are the economic uplift in terms of the output, value created (GVA), and jobs uplift created because of the wage effects of those working on incentivised production (direct) and its supply chain (indirect).

**Figure 12 – Definition of Direct, Indirect and Induced Effects**



Source: Olsberg•SPI (2023).

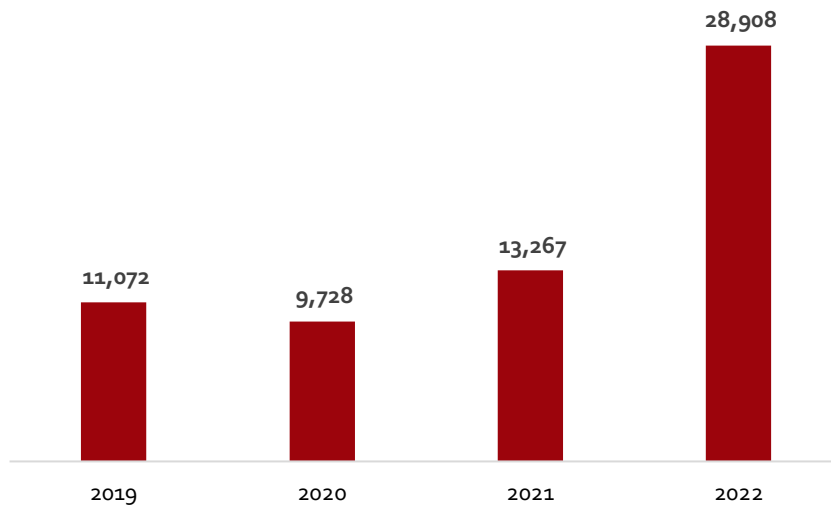
## 5.2. Expenditure

SPI analysis of IFC data<sup>33</sup> shows that in 2019, around 11.1 billion ISK (US\$94 million) was spent by incentivised productions in Iceland. This fell slightly in 2020 to 9.7 billion ISK (US\$78.9 million), reflecting COVID-19 causing relatively short-lived travel restrictions. Production expenditure recovered well to over 13.3 billion ISK (US\$104.7 million) by 2021 (Figure 13).

The last full year for which data are available is 2022 and this shows a significant rise in expenditure to 28.9 billion ISK (US\$ 222.1 million). It should be noted that most of the uplift between 2021 and 2022 is the expenditure from one international production which started filming in Iceland in 2022. In relatively small markets around the world, it is not uncommon for production expenditure to vary up and down year to year, reflecting the impact of large projects.

<sup>33</sup> As flagged earlier, please note that for the purpose of this report, the SPI team allocated projects by the year of the start of principal photography. When not available, this has been estimated. Years correspond to both financial and calendar years.

Figure 13 – Estimated Incentivised Production Expenditure in Iceland, 2019-2022 (million ISK)



Source: Icelandic Film Centre data as of December 2023, analysed by Olsberg•SPI (2023).  
Year based on start of principal photography

### 5.3. Additionality

As part of this Study, a survey was undertaken involving both domestic and international production and service companies which have applied to Iceland's Film Production Incentive. The objective was to gain insights into the impact of the incentive in terms of attracting production to Iceland. The survey gathered feedback from 19 respondents. This represents 73% of expenditure in Iceland between 2020 and 2022.

**The results indicate a very high level of additionality – meaning that the incentive proves highly effective in attracting a substantial amount of production expenditure that would not have taken place in Iceland without the presence of the incentive.** This underscores the incentive's significant role in stimulating and encouraging Screen production activities within the country.

When asked specifically about the importance of the Icelandic Film Production Incentive in deciding to undertake production in Iceland, 84% ranked it as "Very Important – without the incentive most of our productions would not have gone ahead" and the remaining 16% ranked it as "Important – without the incentive, some of our productions would not have gone ahead or would have gone ahead with a smaller budget". Some respondents also provided some additional feedback which further underline the importance of the incentive (see below).

*"The Incentive has allowed us to produce Icelandic content for an international market, build up the industry, build experienced crew and build up the tourism industry. It is vital for the health of this industry."*

Icelandic producer, as reported via survey by Olsberg•SPI (2023)

*"Incentives are among the most significant factors in decision-making for foreign productions coming to Iceland. Bringing large foreign productions to Iceland is the base for building up know-how for the crew and is the ground for Icelandic companies investing in equipment for the film industry"*

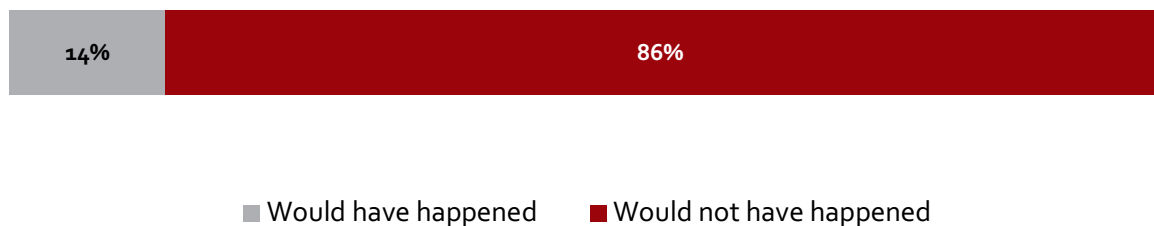
Icelandic Service Provider Executive, as reported via survey by Olsberg•SPI (2023)

In addition to assessing the relative importance of the production incentive, an analysis was conducted to understand the potential impact of not having the production incentive on expenditure in Iceland. To gauge this impact, production companies were asked about their estimations regarding the proportion of the project that would still have been produced in Iceland in the absence of the tax credit. Respondents were asked to provide estimates rounded to the nearest 10%, offering insights into the perceived influence of the incentive on the decision to produce in Iceland (where 100% indicated the exact same expenditure in the country and 0% indicated no expenditure in Iceland would have been made at all).

The results of the survey have been weighted based on the production expenditure each respondent incurred in Iceland from 2020 to 2022. According to the weighted results, it is indicated that **86% of the expenditure would not have taken place in Iceland if there were no incentive in place. In contrast, only 14% of the initially planned expenditure would proceed in Iceland without the incentive** (Figure 14)

This 86% can be considered as additional activity directly attributable to the Icelandic Film Production Incentive. This figure is crucial for the economic analysis as it is used to calculate the 'net' impact of the incentive, providing a quantitative measure of the incentive's influence on stimulating additional production activity in Iceland.

**Figure 14 – Expenditure Estimates in the Absence of the Iceland Film Production Incentive**



Source: Olsberg•SPI (2023)

This high rate of additionality is in keeping with studies of impact of film and television production in other jurisdictions. In the UK, a spend-weighted rate of additionality was found for the UK tax reliefs to be 92% for film and 84% for high-end television, although for incoming productions the additionality rate was higher.<sup>14</sup> This is also consistent for competing markets such as Norway, where without the incentive, 92.2% of the production expenditure would not have occurred.<sup>15</sup>

It is important to note that the self-reporting nature of this survey raises the possibility of response bias, where respondents might exaggerate the significance of the incentive, potentially influenced by anchoring bias or a desire to mitigate perceived risks of loss. To address this concern, the survey was designed to mitigate the risk of bias by ensuring that various decision factors are considered before assessing the impact of the incentive. This approach aims to provide a more nuanced and accurate representation of the incentive's effects.

<sup>14</sup> *Screen Business*. SPI, December 2021. Accessible at: <https://www.bfi.org.uk/industry-data-insights/reports/uk-screen-sector-economy>

<sup>15</sup> *Study of the Norwegian Film and Series Incentive Scheme*. SPI, February 2023. Accessible at: <https://static1.squarespace.com/static/5f7708077cf66e15c7de89ee/t/63f8f5a0616cf81edcc63f90/1677260205669/Norway+Incentive+Impact+Study+-+FINAL+REPORT+2023-02-24.pdf>

Moreover, efforts were made to achieve a high expenditure coverage rate, minimizing the likelihood of other types of responses that could skew results. The point here is to prevent results from smaller producers disproportionately impacting overall results through weighting responses based on expenditure.

The most robust method to assess the additionality of policy is a quasi-experimental approach which identifies a 'control' jurisdiction or company and tests results against this control. However, it is not possible to undertake such an experiment in this case as incentives are common across Screen production markets and activity in any control jurisdictions without an incentive offer would be highly impacted by incentives offered by other jurisdictions, given the prevalence of incentives and the industry's high sensitivity to them.

The methodological approach employed aligns with international best practices for similar studies, drawing parallels, for instance, with practices observed in the UK.<sup>16</sup>

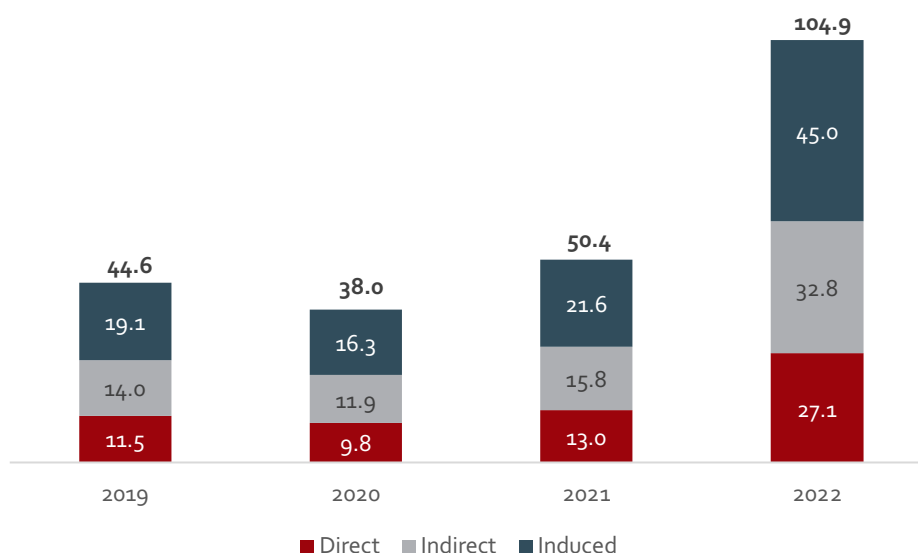
#### 5.4. Economic Impact Results

**Between 2019 and 2022, the Iceland Film Production incentive has generated 237.9 billion ISK in economic output (2023 prices) (Figure 15).**

This includes the direct effect within the Screen production industry (61.5 billion ISK), the indirect effect in the supply chain (74.4 billion ISK) and the induced effect caused by those working in the industry spending their wages in the country (102.1 billion ISK). This figure excludes productions which would have happened in Iceland in the absence of the incentive.

The pattern of economic output is directly related to the expenditure pattern, with economic output being particularly strong in 2022 due to the presence of one particularly large international production.

**Figure 15 – Economic Output Supported by the Iceland Film Production Incentive 2019-2022 (ISK, billion, 2023 prices)**



Source: Olsberg•SPI (2023)

<sup>16</sup> Screen Business. Ibid.

**Between 2019 and 2022, the Iceland Film Production Incentive generated 18.8 billion ISK in direct GVA, 22.8 billion ISK in indirect GVA and 41.2 billion ISK in induced GVA – totalling 82.7 billion ISK in additional value generated.**

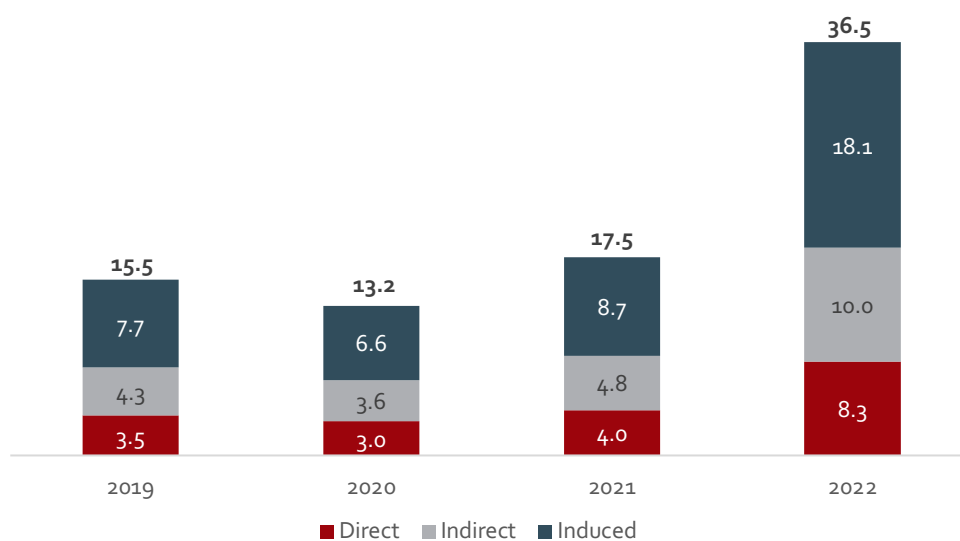
Figure 16 shows the impact on a yearly basis. In 2022, direct GVA supported by the Iceland Film Production Incentive was estimated to be ISK 8.3 billion. For comparison, the value added of sectors such as the agricultural sector was ISK 26.1 billion in 2022, the telecommunications industry ISK 37.3 billion and other creative, arts and entertainment activities (excluding sport) ISK 23.5 billion.

GVA is a key measure of the additional economic value generated by a particular activity, sector or region. Broadly it is the difference between gross output and intermediary inputs, and it is aligned to the concept of GDP.

The modelling is based on an assumed GVA: output ratio of approximately 30.5%. This ratio has been derived from two sources – Statistics Iceland and OECD Stats for the ISIC sector '58\_60 – Publishing, audiovisual and broadcasting activities'. Both sources broadly corroborate. However, it is important to note that this GVA: output ratio is lower than in other comparable countries and many other sectors within the Icelandic economy. For example, across a sample of countries for which data are available via OECD Stats (encapsulating 33 countries, including both OECD and non-OECD members) the average (mean) GVA: output ratio for the same sector is 45.9%. Iceland is an outlier in this derived ratio.

The reasons for the low GVA to output ratio for the Publishing, Audiovisual and Broadcasting sector in Iceland are not entirely clear. It may represent a structural difference in Iceland's ability to capture value creation activities (such as higher profit, higher wage activity) compared to other markets. In addition, it is lower than other sectors within Iceland. For example, for the whole Icelandic economy has a GVA: output ratio of 40%-49% (dependent on source). For the modelling in this Study, we have adopted the 30.5% ratio. In effect, this derives a relatively lower GVA impact. Therefore, it is appropriate to test a higher GVA: output ratio through sensitivity analysis. This is discussed and results presented in the Appendix.

**Figure 16 – GVA Supported by the Iceland Film Production Incentive 2019-2022 (ISK, billion, 2023 prices)**



Source: Olsberg•SPI (2023)



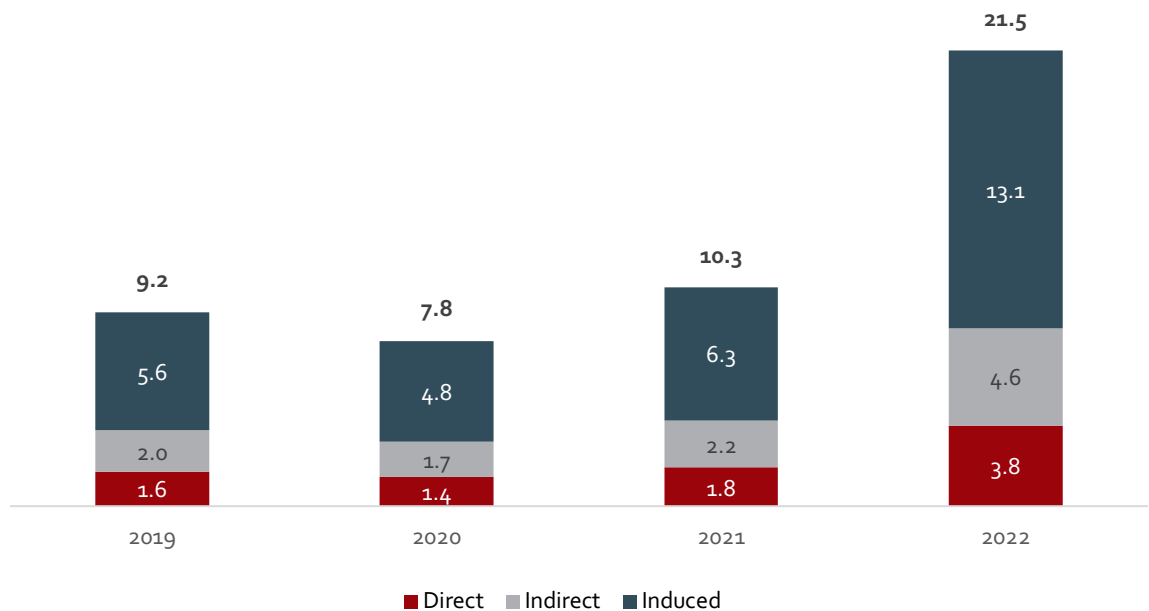
**The total cumulative labour income for those working in Iceland on incentivised production is estimated to be 48.9 billion ISK between 2019 and 2022.** This comprises 8.6 billion ISK in direct labour income, 10.5 billion ISK in indirect and 29.7 billion ISK in induced labour income.

This Study uses employee compensation to measure labour income. Employee compensation is the primary financial income for individuals supporting their standard of living. It incorporates the earnings of full and part-time employees, as well as self-employed contract workers. It also includes the values of other benefits such as employer pension contributions and taxation contributions from employers.

The impact of the production incentive on labour income is summarised in Figure 17.

Given there is a fixed relationship in the modelling between output/production expenditure and labour income, the increase shown in 2022 is commensurate to the increase in incentive-supported production expenditure.

**Figure 17 – Employee Compensation Supported by Iceland Film Production Incentive 2019-2022 (ISK, billion, 2023 prices)**



Source: Olsberg•SPI (2023)

Film and television production provides highly skilled, relatively well-paid jobs. In Iceland, specific wage data for the audiovisual sector is not available, however the average (mean) monthly wage within the Information and Communication sector (of which film and television forms part) in 2022 was 783,000 ISK, compared to an average in the wider economy of 609,000 – 28.5% higher.

The published data indicates that in 2022 there were 1,039 jobs in the field of films, videos and television content (NACE industry code 59.1), which included 631 jobs in the production of films, videos and television content (NACE industry code 59.11) and 62 jobs in post-processing of films, videos and television content (NACE industry code 59.12)<sup>17</sup>.

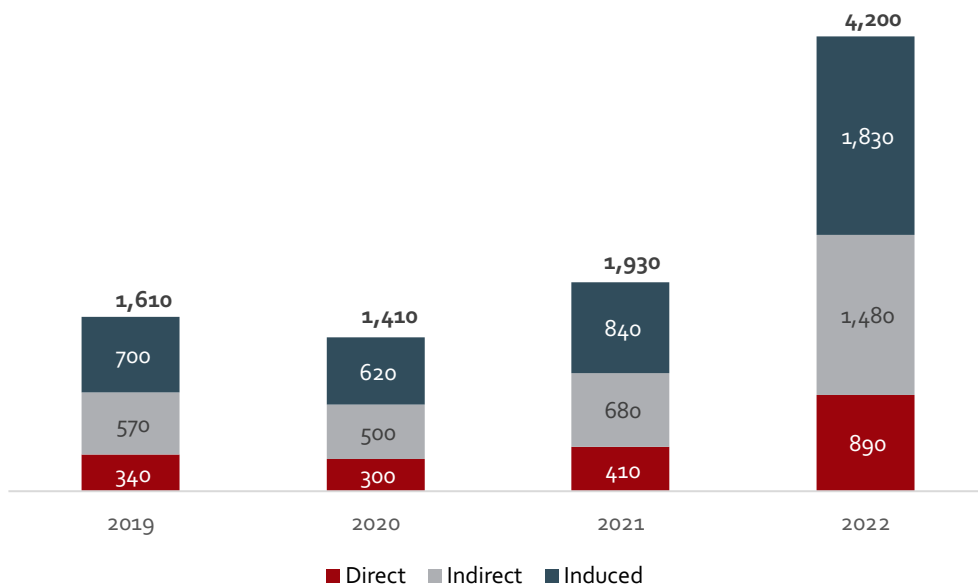
<sup>17</sup> NACE 58\_59 Value Added Employment 2010-2022. Provided by Statistics Iceland August 2023.

The bespoke sector economic impact model built for this project, provides estimates for the jobs supported by the production incentive within the production industry (direct), the supply chain (indirect) and caused by those working in production and the supply chain spending their wages in the economy.

**In 2022, direct jobs support by the incentive were estimated to be 890. In the supply chain a further 1,480 were supported and 1,830 due to the induced effects<sup>18</sup> (Figure 18).**

Based on SPI estimates, the direct jobs supported by the incentive are estimated to contribute the majority (nearly 90%) of the jobs in the film, video and television content industry overall – as represented through official statistics.

**Figure 18 – Jobs Supported by Iceland’s Film Production Incentive 2019-2022**



Source: Olsberg•SPI (2023) Jobs are defined as a contract between a person and organisation to perform work in return for compensation for a defined period

### 5.5. Return on Investment

Economic RoI is a measure of how much economic value is created per one ISK of investment in production incentive by the Icelandic Government. The cost to the government is estimated to be the value of the production incentives allocated minus the estimated direct tax receipts generated as a result of the uplift in activity.

**Overall, the incentive has a positive and significant economic RoI.**

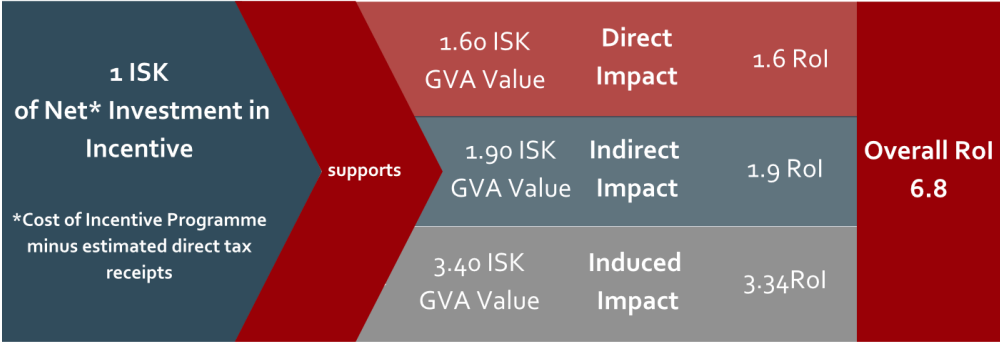
Between 2019 and 2022, the overall GVA RoI is 6.8 meaning that for each ISK invested through the programme, the benefits to the Icelandic economy are 6.80 ISK in terms of additional economic value from direct, indirect, and induced effects.

This measurement takes into account the estimates of taxation that directly flows from the production expenditure. In effect, the GVA generated is compared to a net cost of the incentive scheme considering an estimate of direct tax revenues.

<sup>18</sup>Jobs are defined as a contract between a person and organisation to perform work in return for compensation for a defined period

As set out in the Appendix, an output-to-tax revenue ratio is used to estimate the direct tax revenues associated with the incentive. The direct RoI is 1.6 which means that for each 1 ISK invested in the programme, 1.6o ISK of additional value is generated within film and television production. A further 1.9 ISK is generated in the supply chain from the initial 1 ISK investment by the government in the programme and a further 3.4o ISK of additional value in the wider economy through induced (wage spend) effects.

**Figure 19 – The Return on Investment of the Iceland Film Production Incentive, 2019-2022**



Source: Olsberg•SPI (2023)

## 6. MICRO IMPACTS

In addition to examining the influence of the Screen production industry on economic indicators such as GVA, output, and employment, this Study also underscores its localized impact through services and activities beyond the Screen production sector.

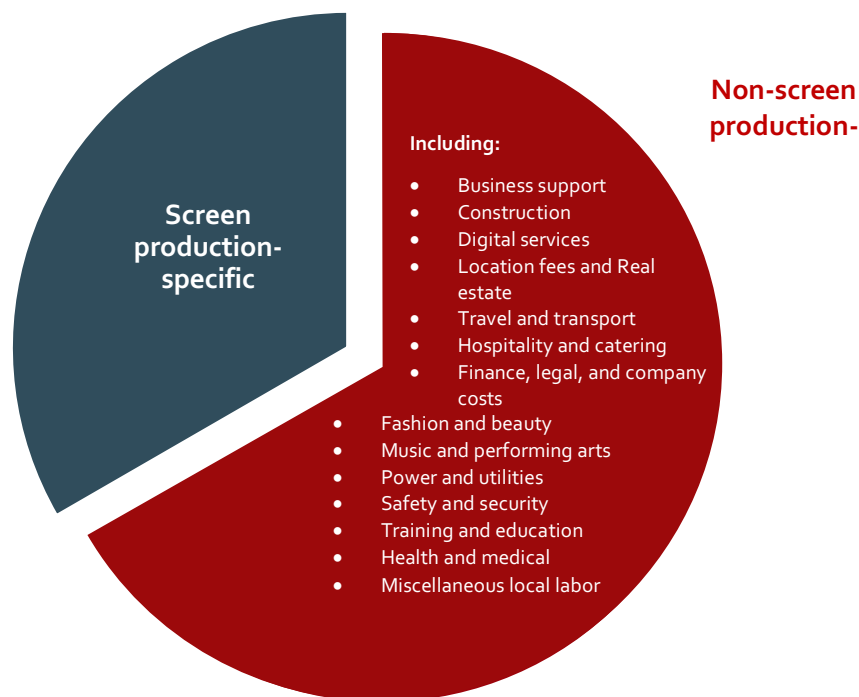
The analysis focused on production and vendor expenditure data from two anonymised productions filmed in Iceland. The data was used to illustrate the allocation of expenditures among various business sectors and geographic locations.

### 6.1. Impacts of Production Expenditure on Ancillary Sectors (Ripple Analysis)

Film and television production involves unique processes which require a range of inputs and a large number of workers – varying in creative, technical, logistical, and support roles – as well as equipment, facilities, infrastructure, and services. While a portion of a production’s expenditure is directed towards Screen production-specific vendors, significant spend is also directed into other areas of the economy, such as real estate and hospitality services, that do not solely service the Screen production sector.

To understand this impact, a project’s expenditure (i.e. direct spending) is analysed and categorised according to several business industries that typically supply goods and services to productions. The business industry categories included in non-Screen specific expenditure are detailed below in Figure 20.

**Figure 20 – Ripple Analysis Division of Screen and Non-screen Specific Business Sectors**



Source: Olsberg•SPI (2023).

SPI analysed a high-budget television drama series which successfully applied for the Iceland Film Production Incentive. **The analysis shows that 70% of the below-the-line production expenditure that occurred in Iceland was distributed across various non-Screen specific**

**business industries.** The remaining 30% was retained in the Screen sector – i.e. to individuals and businesses who only work in Screen production (Figure 21).

When compared to similar analysis SPI run in other countries and jurisdictions, it can be noticed that this portion of non-screen specific spend is on the higher end of the spectrum, showing significant local spend occurring as a result of this production.

Analysis shows that **Travel and Transport** has been a significant spend for this production (16% of the below-the-line spend). This included the cost of camera cars, car rentals, ground transportation and insurance. A higher percentage in Travel and Transport often has multiple strains of impact. As an example, the total expenditure allocated to one crew member's transport would include the car rental (usually from a local car rental franchise), the fuel for that vehicle for the duration of the production (often this can also include part of pre-production and/or post-production) and car cleaning (usually provided by local service providers).

Another category that in the case of this specific production took a relative proportion of the below-the-line spend in Iceland was **Hospitality and Catering** (12%). This category includes services related to accommodating and feeding the substantial numbers of talent and crew employed by a production. Hospitality may include accommodation such as local bed and breakfasts, part-time apartment rentals or hotels, as well as any additional events that are required for press or marketing. Due to the longer production timelines of television series, normally between 40% to 60% of the cast and crew could require accommodation, which would result in up to five various hotel and accommodation providers being used across that timeframe.

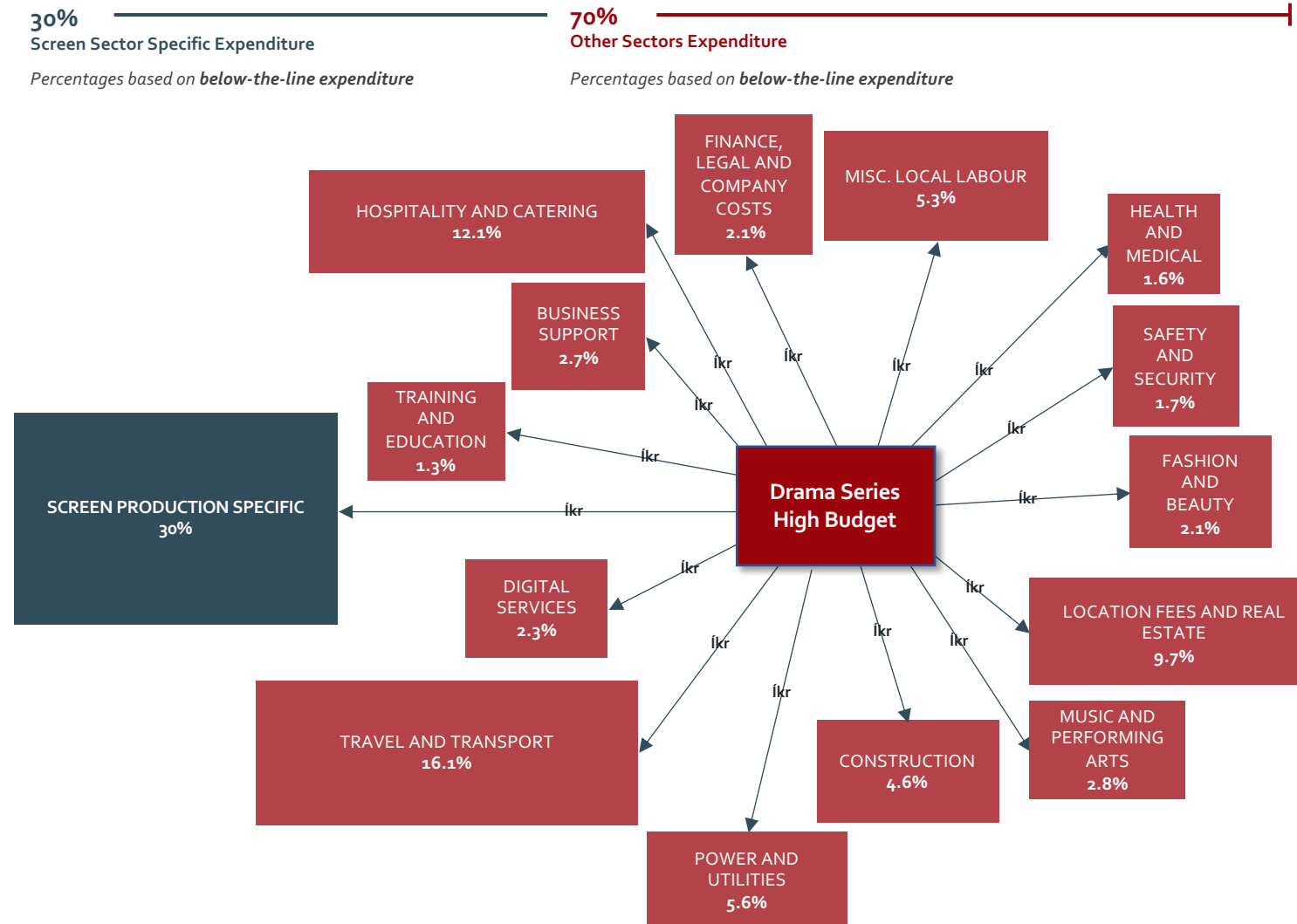
The high portion of spend allocated to **Location Fees and Real Estate** (10% of the below-the-line spend in Iceland) is indicative of a production completing a significant portion of shooting at existing locations that serve other purposes outside of the production (i.e. non-soundstages). This well reflects the characteristics of the Icelandic film production sector, which often relies on natural landscapes and natural settings for production.

**Miscellaneous Local Labour (5%)** includes all labour that could not be allocated to a specific business industry section. This is considered a supportive indicator of the impact a production can have on local employment, beyond the hiring of cast and crew.

The remaining below-the-line costs for this production were spread among Power and Utilities (6%), Construction (5%), Business Support (3%), Music and Performing Arts (3%), Digital Services (2%), Finance, Legal, and Company Costs (2%), Health and Medical (2%), Safety and Security (2%), Fashion and Beauty (2%), and Training and Education (1%).

For a fuller description of each of these spending lines, please see the Appendix.

Figure 21 – Ripple Analysis of High-budget Drama Series in Iceland



Source: Olsberg•SPI (2023)

## 6.2. Impacts of Production Expenditure by Geography (Vendor Heat Map Analysis)

In addition, data on vendor expenditure was analysed to provide insights into the distribution of costs and show the geographical reach of expenditure.

To create vendor heat maps, production expenditure is collected. Typically, these data are sourced from financial records and invoices provided by the vendors. Although specific postcode level data – which would have provided a highly detailed analysis by location – could not be obtained, SPI sourced high level data and information on expenditure in specific areas. SPI has also received the number of days the production spent in each location. The spend was graphically represented on a map of the region. In this case, this map displays three jurisdictions where production expenditure occurred (Figure 22).

For this specific production, over half of the production's expenditure occurred in Reykjavík, with over 724 million ISK (US\$5.1 million) spent. Although most of the expenditure was in the capital city and the surrounding region, the analysis demonstrates that the economic impact of this production went beyond that area. In fact, the crew for this production spent 30 days in Stykkishólmur, incurring 482 million ISK (US\$3.4 million), and spent 10 days in Þorlákshöfn spending 241 million ISK (US\$1.7 million).

The production team also underlined that the crew spent a total of 147 million ISK (US\$1 million) in meals and accommodation outside of Reykjavík – excluding any personal expenditure the 50-70 crew members incurred.

**Figure 22 – Vendor Heat Map of a Medium-budget Drama Production, Iceland**



Source: SPI Analysis (2023).

## **7. THE SOCIAL AND CULTURAL IMPACT OF THE FILM PRODUCTION INCENTIVE**

### **7.1. Impact of the Incentive on Domestic Production Market**

**Evidence shows that the Iceland Film Production Incentive is delivering its policy objectives.** The aim the incentive is and has consistently been to support domestic film production, grow the industry, increase its competitiveness, and attract foreign productions.<sup>19</sup> Separately, another objective of the increased 35% incentive was to improve the scale and duration of projects in Iceland, with the further aim of fostering the domestic film industry, as stated by Iceland's Minister of Tourism, Culture and Trade in a media interview.<sup>20</sup> Research conducted during this Study revealed that many of these benefits either have been<sup>21</sup> or currently are in the process of being delivered, prompted by the increase in new, bigger budget, longer-term inward productions. Similarly, industry consultees have reported that the incentive is indeed supporting local productions, growing the industry, and fuelling its competitiveness.

**The incentive has been found by this Study to be having a positive impact on the domestic production market overall, benefitting local crew, suppliers, infrastructure, and boosting the potential for international investments in the sector.** Icelandic crew have developed professionalism and various soft skills due to new, bigger and longer-term productions being brought into the country through the incentive. Further, experience levels of Icelandic crew has improved, with various occupations being developed and businesses being set up. Local vendors and rental businesses have also grown, benefitting from the increased scale and consistency of incoming production activity. Increased incoming production activity for longer periods of time has meant that existing studio infrastructure is at capacity, prompting more investments into increasing studio spaces in the country. Finally, the impact of increased production activity and related increased expenditure on the country's economy has been seen to benefit Iceland overall, including its local municipalities. Several of these impacts are explored in detail in the following sub-sections.

**While the impact of the incentive on the domestic production sector has been positive overall, some points of concern for smaller, independent producers have been reported** through this Study's primary research. To highlight one such issue – increased incoming production has led to an increase in crew wages and rising costs, which has proven difficult for smaller, independent producers to compete with as their budgets remain the same. Further, this also has sometimes resulted in independent productions having to work with crew from outside Iceland, given the limited depth of Icelandic crew. There have also been concerns about the incentive not entirely benefitting smaller, artistic productions, including documentaries, despite the incentive being a key element of financing for such productions. This Study found local productions had sometimes had to wait until bigger productions get financed by the incentive, due to the way the incentive process is structured, which can aggravate the impact on smaller productions.

### **7.2. Impact of the Incentive on Infrastructure**

**Existing studio infrastructure in Iceland primarily includes RVK Studios and studio infrastructure at Truenorth.**

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<sup>19</sup> Act No. 43/1999 on Temporary Reimbursements for Film Production in Iceland. Accessible at: [https://www.icelandicfilmcentre.is/media/skjol/Lög-um-t%C3%ADmabundnar-endurgreislur-vegna-kvikmyndagerdar-á-Íslandi\\_ENSKA.pdf](https://www.icelandicfilmcentre.is/media/skjol/Lög-um-t%C3%ADmabundnar-endurgreislur-vegna-kvikmyndagerdar-á-Íslandi_ENSKA.pdf)

<sup>20</sup> Iceland Hopes to Offer 35% Rebate for Bigger Productions (exclusive). Screen Daily, 24<sup>th</sup> May 2022. Accessible at: <https://www.screendaily.com/news/iceland-hopes-to-offer-35-rebate-for-bigger-productions-exclusive/5171045.article>

<sup>21</sup> Competitiveness of the Icelandic Film Industry in the Light of Increasing Reimbursements Abroad. Truenorth.



RVK Studios is currently Iceland's primary studio offering, with three sound stages (a main stage and a second stage of the same size split into two), totalling over 6,500 sqm.<sup>22</sup> Facilities include offices, dressing rooms, make up rooms, and storage spaces, among other things. The studio also offers post-production services, with six editing suites, and a 4k screening room with surround sound.

The second studio space at Truenorth in Fossa has two sound stages, spanning 6000 sqm.<sup>23</sup> In the past, key projects such as the Icelandic television show *Katla* (2021), and the film *Against the Ice* (2022) have been produced by RVK Studios. Some of the latest projects serviced by Truenorth include *Murder at the End of the World* (2023), *Heart of Stone* (2023), *The Midnight Sky* (2020), among others.

**Existing studio infrastructure is generally considered to be solid and of good quality.** Importantly, industry stakeholders reported that although studio infrastructure largely exists and continues to expand in and around Reykjavik, filming often happens across the country, given the highly desirable shooting locations.

**The increased filming activity in Iceland has led to increased demand for infrastructure.** Recent cases of longer-term inward production activity happening in Iceland driven by the increased incentive has increased confidence on the sector being an important economic driver for the country. This is leading to more investment in new or expanded infrastructure. RVK Studios and Truenorth have entered in a collaboration to build a new studio in Gufunes, which will house up to seven stages and include a full range of production services. Media reports note that the site will be approximately 8,800 sqm in total size. Construction on the site is scheduled to begin in 2024.<sup>24</sup> Importantly, consultees noted that this expansion in infrastructure would not been possible in the absence of increased incoming production driven by the incentive.

**The incentive has also had positive impacts on service and equipment companies,** benefitting Iceland's local production sector. This Study's primary research found that the steady stream of projects attracted by the incentive had led to service and rental companies operating at full capacity. Consultees reported that this has only recently slowed down due to the SAG-AFTRA strikes in 2023. Increased production activity has also meant that the industry's equipment offering has improved in terms of scale and quality. This has meant improved efficiency in the sector's equipment offering, for instance, bigger projects attracted by the increased incentive often leave behind props that can be used for future productions instead of the sector having to build or create new ones.

### **7.3. Impact of the Incentive on Skills**

**Iceland has a strong base of audiovisual creators and skilled local crew and technicians.** Industry stakeholders have noted the high literacy rates in Iceland being a significant advantage for crew. Further, Icelandic crew are known to be well trained, professional, and well versed in filming and working in extreme conditions.

**Due to the size of the country and its Screen production sector, however, the pool of crew available is relatively small. There are also some reported skills shortages in post-production and visual effects.** This has prompted some industry stakeholders to work towards developing more training opportunities and pathways for these areas, including the set-up of

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<sup>22</sup> *About RVK Studios.* RVK Studios. Accessible here: <https://rvkstudios.is/about/>

<sup>23</sup> *Baltasar Kormákur and Truenorth team up to double studio space in Iceland.* Nordisk Film & TV Fond. Accessible at: <https://nordiskfilmogtvfond.com/news/stories/baltasar-kormakur-and-truenorth-team-up-to-double-studio-space-in-iceland>

<sup>24</sup> *Baltasar Kormákur and Truenorth team up to double studio space in Iceland.* Nordisk Film & TV Fond. Accessible at: <https://nordiskfilmogtvfond.com/news/stories/baltasar-kormakur-and-truenorth-team-up-to-double-studio-space-in-iceland>

more formal educational offerings in this area. Some members of the industry see an opportunity in capitalising on the strong gaming community in Iceland in terms of the development of transferable skills relevant for the visual effects, post production, and AR/VR, thereby developing crew base in these areas.

**In Iceland, training and skills development for the film and television sector is enabled through formal education provision and on-the-job training.** Iceland's current educational offering for the sector includes an undergraduate course in film offered by Iceland's University of the Arts from 2022, a two-year diploma in film offered by the Iceland Film School, and relevant film based educational offering by Iceland Technical College. Film education is also provided at the secondary school level in Iceland. While the educational offering in Iceland is adequate and appreciated by industry, on-the-job training is typically seen as a key and at times more valuable source of training for the sector – particularly for technical crew, such as electricians, props, etc.

**The incentive has had a positive impact on skills, talent and workforce development.** The incentive has prompted an increase in jobs, through an expanded influx of inward productions. This Study found that an enhancement in the number of bigger, inward productions has meant more work opportunities and longer-term projects for Icelandic crew. This finding is supported by reports by key industry stakeholders: for instance, HBO's *True Detective*, which benefitted from the 35% incentive, reportedly created jobs for a consistent eight-month period, as noted by a senior Truenorth executive in a press interview.<sup>25</sup> As reported by consultees engaged for the purpose of this research, such opportunities for training on the job have proved to be valuable for the industry, as this is generally viewed as being a key mode of skills development and training in Iceland.

**Icelandic crew have also become more professionalised as an indirect result of the incentive.** For instance, large scale projects often have formalised rules and internal policies on, for example, working hours and processes, which enables crew to work more professionally and align to international practice. Professionalised crew can in turn further train new, local crew members, thus strengthening the domestic crew base. Aside from improving professionalism, Iceland's crew has had opportunities to further develop other soft skills such as building confidence, and leadership.

Importantly, the Icelandic production sector has seen a consistent improvement in the availability of skills, talent and crew over time. For instance, and as reported by a consultee, in the early 2000s a large-scale inward production would have needed to bring in crew and talent across all departments, whereas today, inward productions have only brought in key personnel, and have been able to fill all other requirements in crew with Icelandic crew.

**Iceland's industry is seeing new, streamlined talent pathways, despite some reported concerns amongst industry stakeholders about the impact of a possible brain drain of crew and talent to other jurisdictions.** Despite these concerns, the industry is also known to be an attractive choice for young Icelanders, providing a potentially steady pipeline of incoming talent. Further, industry stakeholders in Iceland also contribute to streamlining talent pathways to the sector. An example is Iceland's Truenorth Talent,<sup>26</sup> which is a talent representation company set up to work with handpicked writers, directors, and composers in

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<sup>25</sup> *Baltasar Kormákur and Truenorth team up to double studio space in Iceland.* Nordisk Film & TV Fond. Accessible at: <https://nordiskfilmogtvfond.com/news/stories/baltasar-kormakur-and-truenorth-team-up-to-double-studio-space-in-iceland>

<sup>26</sup> *Truenorth Talent.* Truenorth. Accessible at: <https://www.truenorth-talent.is>

the region. Reportedly, this initiative was introduced to plug the gap in talent representation in the country.<sup>27</sup>

#### **7.4. Impact of Incentive-Supported Productions on Tourism**

Iceland's natural landscapes have gained significant global recognition, making it an appealing setting for various international film and television projects. **This increased interest has not just showcased Iceland's natural beauty but is also fuelling its tourism market.**<sup>28</sup> This is contributing economically – as seen in the case of Kirkjufell where the filming of *Game of Thrones* (2011-19) has also supported local businesses active in the tourism sector.<sup>29</sup>

**Iceland's stunning landscapes and unique settings have become powerful promotional tools for the country's tourism sector.** Research has shown that a significant portion of visitors are drawn to Iceland due to the allure of film productions, such as *The Secret Life of Walter Mitty* (2013), *Game of Thrones* (2011-19), and *Eurovision Song Contest: The Story of Fire Saga* (2020) inspiring them to explore the featured locations. The production of *Eurovision* (2020) took place in the village of Húsavík on the north coast of Iceland. As a result of the film's popularity, a museum dedicated to Iceland's participation in the Eurovision contest was opened. The museum boasts exhibits showcasing both Iceland's participation in the contest in 2012 and 2016, along with an exhibit focused on the film released in 2020.<sup>30</sup> Aside from the museum, a bar dedicated to the film's hit song *Jaja Ding Dong* (2020) and companies that take tourists on *Eurovision Song Contest: The Story of Fire Saga* (2020) themed hikes have been established in Húsavík as a result of the film.<sup>31</sup> A survey conducted by the Icelandic Tourist Board (Ferðamálastofa) in 2018 asked foreign tourists to select where the idea for a trip to Iceland came from: 39.4% of respondents included movies and television programmes showing Icelandic landscape as one of the reasons to why they came to visit Iceland.<sup>32</sup>

**This mutually beneficial relationship between film productions and tourism, there are occasional instances of conflict.** While many local businesses are minimally impacted by screen productions, land usage and on-location filming can be demanding, often requiring exclusive access to specific areas to avoid disruptions for tourists.

SPI has recognised the potential for displacement and although it has not been possible to collect robust primary data on the full extent of this phenomenon, sensitivity analysis of the economic results to displacement assumptions based on best available data is explored further in Appendix 2.

**It is advised to develop further data on Screen tourism** to better understand the scale of impact, motivations of Screen-induced tourists in the post COVID era, and detailed profiles. This will help to comprehensively understand the motivations and behaviour of Screen-induced tourists, as well as future potential and effective management.

**Screen-led tourism is also benefitting local businesses which have evolved their offering to include visits to locations portrayed in films and television productions.** These companies

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<sup>27</sup> *To Hollywood and Beyond*. Reykjavik Grapevine, 23<sup>rd</sup> July 2023. Accessible at:

<https://grapevine.is/mag/interview/2023/07/23/to-hollywood-and-beyond/>

<sup>28</sup> *Icelandic Tourist Board Report: Second-Busiest Summer on Record*, Iceland Review. Accessible at:

<https://www.icelandreview.com/news/icelandic-tourist-board-report-another-record-summer/>

<sup>29</sup> *The Hollywood Sights of Iceland*. Visit Iceland. Accessible at: <https://www.visiticeland.com/article/famous-film-sights>

<sup>30</sup> *Eurovision Museum opens in Húsavík, Iceland*. Eurovision Song Contest, 27<sup>th</sup> October 2021. Accessible at: <https://eurovision.tv/story/eurovision-museum-opens-in-husavik>

<sup>31</sup> *Húsavík Capitalising On Eurovision Film's Success*. Reykjavik Grapevine, 16<sup>th</sup> July 2020. Accessible at: <https://grapevine.is/news/2020/07/16/husavik-capitalising-on-eurovision-films-success/>

<sup>32</sup> *Tourism in Iceland in Figures 2018*. Icelandic Tourist Board. Accessible at:

[https://www.ferdamalastofa.is/static/files/ferdamalastofa/talnaefni/tourism-in-iceland-2018\\_2.pdf](https://www.ferdamalastofa.is/static/files/ferdamalastofa/talnaefni/tourism-in-iceland-2018_2.pdf)

provide experiences for tourists to visit famous filming locations of the relevant production. Tourism companies that specialise in Screen tourism offer hikes along famous trails that were seen in films<sup>33</sup> such as the Golden Circle, which includes stops at Iceland's three most popular natural attractions: Thingvellir National Park, the Geysir Geothermal Area and the Gullfoss Waterfall, which are all shown in *Game of Thrones* (2011-19).<sup>34</sup> These experiences provide a dynamic and engaging way for the fans of productions to discover the real world allure of the filming locations.

#### **7.5. Feedback on the Incentive**

**The Iceland Film Production Incentive process and structure is administratively simple and easy for producers to navigate.** The Government also is known to reimburse projects generally relatively quickly once an application is successful, which is a significant positive.

**While the increased 35% incentive is viewed as being generally beneficial to the industry, some smaller, local productions reported having issues with meeting the minimum expenditure threshold.** During consultations with the local industry, the minimum expenditure threshold (350 million ISK, or US\$2.5 million) has been sometimes reported as too high for smaller, local productions.

**Those accessing the incentive reported that they would benefit from an increased level of communication in the administration of the incentive.** Primary research conducted during this Study found that there are no regular updates provided on the amount of funding left in the budget allocated to the incentive scheme. Although this is not causing any project to be excluded from the incentive scheme, as effectively there is no cap, this has sometimes created planning issues for smaller productions, as they may apply for a certain amount of funding that may not be available in the budget allocated by the government in that year. Some consultees noted that this process has prompted applicants to become more strategic in the timing of their applications submissions.

**There have been suggestions made amongst industry stakeholders about requiring that the incentive consider environmental and social sustainability considerations** before granting the incentive.

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<sup>33</sup> *Húsavík walking tour – The Story of Fire Saga – Netflix*. Travel North. Accessible at: <https://travelnorth.is/walking-tours/husavik-walking-tour-the-story-of-fire-saga-eurovision-netflix/>

<sup>34</sup> *GAME OF THRONES TOURS IN ICELAND*. Nordic Visitor Iceland. Accessible at: <https://iceland.nordicvisitor.com/tours/game-of-thrones-tours-iceland/>

## **8. APPENDIX 1 – GLOSSARY OF KEY TERMS**

**Above-the-Line (ATL)** and **Below-the-Line (BTL)** refers to film and television production workforce and the different types and seniority of roles across talent, cast, and crew. ATL refers to key talent, including directors, writers, and actors; BTL refers to other crew, for example in technical production roles.

**Gross Output** refers to the total value of goods and services produced by a producer, industry, or sector before accounting for any intermediate consumption. It can be thought of as the sales or revenue generated.

**Gross Value Added (GVA)** is the difference between gross output and intermediate consumption for an individual producer, industry, or sector in a given economy. It is the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used during the production process. GVA therefore measures the contribution to a given economy by an individual producer, industry, or sector.

**Gross Domestic Product (GDP)** measures the total value of all goods and services produced in a given economy, and is defined as GVA plus taxes (minus subsidies) on products.

**Direct impact** refers to the economic uplift in terms of the output, value created (GVA) and employment in companies directly engaged in incentivised film and television productions.

**Indirect impacts** refers to the economic uplift in terms of the output, value created (GVA) and employment in companies that supply goods and services to businesses engaged in incentivised film and television production.

**Induced impacts** refers to the economic uplift in terms of the output, value created (GVA) and employment created through spending of labour income by individuals working directly on incentivised film and television production, and those working in supply chains linked to businesses engaged in incentivised production.

## **9. APPENDIX 2 – METHODOLOGY**

### **9.1. Introduction**

This study employs an Input-Output (I-O) approach to economic impact modelling. This uses national and international data sources to build a picture of the interconnections between the film and television production industry and other industries, and the relationships between key metrics such as output, GVA and jobs.

I-O modelling determines the total economic impact of a particular investment or activity. This total is the sum of the direct, indirect, and induced effects. Across all areas, the I-O analysis produces multipliers which allow SPI to assess the impact of spending associated with the motion picture and video industries sector, reflecting the three phases of economic activity in a standard impact study.

### **9.2. Expenditure Data**

Production expenditure data is the key driver for the economic impact modelling.

The IFC administers the Film Production Incentive on behalf of the Icelandic government. As part of the application process, the IFC collects a variety of data about productions. These data have been improving in scope over time. For the purpose of this report, the SPI team allocated projects by the year of the start of principal photography. When not available, this has been estimated. This data has been used to calculate the production expenditure data for 2019-2022.

### **9.3. Key Data Sets and Sources**

The underlying assumptions within the economic model have been primarily informed by data from:

- Statistics Iceland National Accounts data<sup>35</sup>. The latest available data relates to 2022.
- Bespoke data request from Statistics Iceland covering GVA and employment data available at a more granular level than the standard published data. Covered period from 2010 to 2022.
- OECD Statistics publishes key sector data, including Input Output tables, tax and GVA data for Iceland and comparable data for other OECD countries. Data is available to either motion picture, video and television programme production activities, sound recording and music publishing' (sector classification 59) and 'Programming and broadcasting services' (sector classification 60).

### **9.4. Estimating direct impacts – output, GVA, labour income and jobs**

As is the basis for this type of economic impact modelling, direct **output** is assumed to be equivalent to production expenditure.

To calculate direct **GVA**, this model uses the relationship between output and GVA that has been derived from the Statistics Iceland National Accounts data and the I-O tables that are available via OECD Stats for the relevant sector. This has been derived by setting value added against output for the relevant sector (as noted above). The ratio of direct GVA to direct output that has been used in this analysis is on average 0.306. As described previously, using an international source (OECD Stat) it appears that this ratio is low compared to other countries. For example, covering a sample of 33 countries the mean average was 0.459, and in relatively small comparator countries such as Finland and Ireland the ratio was above 0.60. In other

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<sup>35</sup> Accessible at: <https://www.statice.is/statistics/economy/national-accounts/production-approach/>

Scandinavian countries such as Norway and Sweden the ratio was just below 0.50. Section 9.9 explores how varying the GVA: output ratio impacts the GVA results.

It is important to note that this ratio is only applied for direct and indirect impacts – given it most closely relates to the sector and its related supply chain. For the induced impacts we adopt the GVA: output ratio for the wider economy – given that wage spend occurs across a whole myriad of sectors. For the induced effects we apply an GVA: output of 0.403.

To estimate the **labour income** effects of the Film Production Incentive scheme SPI has derived labour income: output ratio from National Accounts data on Statistics Iceland. Data is available for employee compensation at a detailed industry level, and when placed against gross output for the same sector a ratio can be derived. For the motion picture sector a ratio of 0.14. This is applied against both the direct and indirect impacts to derive the labour income estimates. Again, SPI has applied a different ratio for the induced impacts using the same derived ratio for the whole economy – 0.291.

The economic model also utilises key ratios and relationships that estimate **jobs** from direct output (production spend). SPI has derived this figure from data provided by Statistics Iceland data. For the motion picture sector (59.1) we have estimated that 0.036 jobs are supported per ISK 1 million of output. This is equivalent to approximately 5 jobs per US\$1 million.

It is SPI's normal practice to present these as annualised jobs which account for the short-term nature of some of the employment in film and television production sector. For example, a three-month contract would be normally be counted as 0.25 jobs. This enables comparison to other industries on a more consistent basis.

It is SPI standard practice in studies like this to estimate the full-time equivalent (FTE) job impact. This accounts for the extent of part-time workers within the total workforce allows comparison across sectors.

However, SPI has not estimated jobs as FTE jobs in this study due to queries over the robustness of the underlying data required to convert jobs into FTE jobs. The data (jobs and hours worked) for the motion picture sector suggests that the average number of hours worked in the sector appeared low, particularly when set against estimates used in studies elsewhere. In effect, this derived a low FTE conversion ratio which, in our view, could understate the employment impacts when viewed on an FTE basis. Therefore, this study represents jobs only.

To estimate the **tax impact** of the scenario-based production spend SPI has used data derived from the OECD. SPI has used the 3-year average in Iceland of overall tax revenue as a % of output (GDP). The 3-year average encapsulates the period 2019-2021. The ratio of tax income output that has been used in this analysis is on average 0.3454. The Iceland-O tables include data on sector-specific tax on production ('taxes less subsidies on products' and 'other net taxes on production'). However, these are considered on a net tax basis (i.e., they already take into account subsidies within the sector, including the incentive under consideration through this work). They do not include wider tax flows as a result of economic activity e.g., income taxes. Therefore, SPI has utilised data from the OECD on total tax as a proportion of output, which also includes income as well as production-based taxes. SPI recognise that this is a relatively wide definition of tax income, but it is consistent with the approach taken in other studies.

### **9.5. Calculating indirect and induced effects**

The Iceland I-O tables include a matrix of coefficients which are used to derive the Leontief inverse for each sector, from which sector specific multipliers can be derived. These tables provide data for the Publishing, Audiovisual and Broadcasting activities (ISIC Rev. Code 58-60) which combines film and television production sector into the wider sector. This is the best available data to calculate sector specific multipliers. From this data, SPI can calculate type I (indirect) and type II (direct + induced + induced) output multipliers (Figure 23).



**Figure 23 – Type I and Type II Output Multipliers for Publishing, Audiovisual and Broadcasting Activities**

	Type I	Type II
Output	1.210	2.870
Employment	1.66	3.720

Source: SPI Analysis (2023).

### 9.6. Deadweight and Additionality

Not all expenditure on film and television production happening in Iceland can be considered a direct consequence of the incentive. For this reason, in the context of the EIA, it is important to estimate the amount of production expenditure attracted and supported only by the incentive.

Using data collated from the survey of production/service companies and international investors (studios and streamers) engaged in the study, SPI estimated the proportion of production expenditure considered to be additional activity to Iceland – i.e. it would not have occurred without the incentive. More specifically, survey respondents were asked to estimate the proportion of their production expenditure that would have been undertaken in Iceland in the absence of the incentive. Respondents are asked to provide estimates rounded to the nearest 10%, with a value of:

- 100% indicating that the exact same level of production expenditure would have occurred in Iceland if there was no incentive, and
- 0% indicating that no production expenditure would have been made in Iceland without the incentive.

The survey responses indicated that 14% of activity would have happened in the absence of the incentive being available. Therefore, we have applied an additionality ratio of 0.86. The estimates of the economic benefit contained in this report all reflect the application of the additionality ratio.

### 9.7. Return on Investment (RoI)

The GVA RoI measure aligns with the economic development objectives of the incentive. The economic RoI compares the net cost of the incentive (total incentive net of direct tax receipts) with the GVA impact. To reiterate, this is based on the 'net' impact (i.e., taking account of the deadweight as reflected by the application of the additionality ratio).

### 9.8. General Limitations of Input-Output Approach

Input-Output Analysis is a commonly used method of establishing the economic contribution or economic impact of a particular firm, investment, or wider sector. It is used around the world by government and the private sector to communicate the significance of a sector and the effect of investments and policies. SPI's approach to undertaking economic impact studies is aligned to international best practice.

As with all modelling approaches, there are limitations to the approach. Specifically Input-Output Analysis makes the following assumptions:

- **No supply constraints.** I-O assumes there are no restrictions on inputs, raw materials, and employment. This means that modelling a change in the industry, needs to be undertaken sensitively given this assumption might not hold. In this study SPI has identified potential supply constraints and indicated where action is necessary to mitigate these.



- **The model is not dynamic.** There are no embedded feedback loops or price effects dampening demand. I-O does not account for the counteracting or balancing effects of a change being offset or counter acted by a change in another industry.
- **Constant returns to scale.** The same quantity of inputs is needed per unit of output, regardless of the level of production.
- **The input structure is fixed.** It is assumed that changes in the economy will affect the level of inputs and outputs but not the mix.
- **Type II multipliers - risk of double counting private consumption effects.** Household consumption is incorporated in GVA. Therefore, if Type II is not applied and the results interpreted correctly there might be a risk of double counting consumption effects. If induced impacts were calculated for all industries in a national economy, the total impact would exceed the national GVA. Type II multipliers should only be used to illustrate footprint effects of a particular industry or policy.

### 9.9. Sensitivity Analysis

Recognising that there is always implicit uncertainty in any modelling approach, SPI have also modelled two sensitivity scenarios. These are based on two aspects previously noted through this report:

1. Data from Statistics Iceland and OECD Stats suggests that there is a **relatively low level of value added** (as measured by GVA) as a proportion of Gross Output for the Publishing, Audiovisual and Broadcasting Activities sector. This low GVA to output ratio of 0.0306 has been applied in the main results of the study. This ratio is a 3-year average for the years 2020-2022. Olsberg SPI has analysed a wider sample of countries (encapsulating 33 countries) using the OECD Stats database, and the (mean) average for the same sector across this sample was 0.459. Therefore, it was felt appropriate to model this average GVA: output through our sensitivity approach. The results of this in terms of GVA Rol are presented below. However, it is important to recognise that the lower GVA: output ratio does illustrate a potential wider issue of the Icelandic sector not retaining as much value added in the value chain when compared to other countries. This may be represented as a flow of value added outside of the country.
2. There is also an argument that some level of **displacement** occurs in the local economy – especially when large productions occur resulting from there being limited capacity in the local economy in terms of accommodation and hospitality. The argument is that incoming productions use hotels and catering vendors that would otherwise be at capacity catering for tourists. It is difficult to gather reliable primary data on displacement as it would require a detailed vendor survey and even then it would be difficult to frame questions for vendors to get a clear sense of the extent of displacement.

Qualitative research indicates that stakeholders see the risk of displacement being focused only on accommodation and catering. Results of SPI's Ripple Analysis that forms part of this study indicates that 12% of below-the-line production expenditure is spent on hospitality and catering. Therefore, another sensitivity scenario excludes 12% of total production expenditure. Note that this is a strong assumption it is unlikely that in reality spend on accommodation and catering would displace tourist spend at a rate of 100% i.e. it is not necessarily a zero-sum scenario.

Given that the two sensitivity scenarios will have conflicting effects on the economic impact The results of the sensitivity scenarios are presented below in terms of the GVA Rol over the period 2019-2022, alongside our central estimates.

**Figure 24 – Cumulative Gross Value Added (2019-2022 ISK billion)**

	Central Estimate	Sensitivity 1 – higher GVA: output ratio	Sensitivity 2 – accounting for spend displacement
	82.7	103.5	66.2

Source: SPI Analysis (2023). Note: sensitivity 1 and 2 are not interdependent and are both based on the Central Estimate.

### **10. APPENDIX 3 – THE RIPPLE EFFECT ANALYSIS**

Film and television production is a manufacturing process that requires a range of inputs, including many workers – varying in creative, technical, logistical, and support roles – as well as equipment, facilities, infrastructure, and services. While a portion of a production's expenditure is directed towards screen production-specific vendors, significant spend is also directed into other areas of the economy, such as real estate and hospitality services, that do not solely service the screen production sector.

To demonstrate this impact, analysis of production budgets is undertaken. Here, production costs are allocated to the business sector into which the money is spent. The focus of the analysis is on below-the-line production expenditure to exclude the effect of payments to major creative talent that could imbalance the analysis.

The process of assigning expenditure involves evaluating each individual line item of spend and firstly determining if that spend is associated with a screen specific vendor or service provider (for example, a gear rental house, special effects make-up artist or production crew wage). If it is not, then that line item is categorized into one of the non-screen specific categories according to the vendors' role or function, such as Travel and Transport or Construction. This is to ensure that all possible non-screen specific activity can be captured. Those totals are then calculated into percentages of the overall budget.

The ripple analysis investigates production spend in the following business sectors:

**Screen Production-Specific.** The proportion of production spend on wages of crew and companies supplying services that exclusively work in the film and television production sector. These suppliers do not participate in other sectors of the economy and therefore do not contribute to the ripple effect.

**Business Support.** Like any economic activity, film and television production uses the services of general business equipment, services and supplies sector in many ways. This could involve purchases of office equipment, printing and copying services. Producers also purchase or rent a large number of miscellaneous items, such as storage containers and marquees, especially when a significant production goes on location, when producers will rely heavily on being able to access local supplies as they set up temporary bases.

**Construction.** Much of a production's construction expenses could be classified as screen production-specific; a film set is normally only of any use to a specific type of production. The construction department, however, will reach out to the wider construction sector to hire equipment and specialists, for example earth diggers and heavy lifting equipment; such costs have been allocated here.

**Digital Services.** This sector is heavily dependent on-screen production, and the bulk of such costs in most budgets will be allocated to the category specific to screen production. There is, however, some crossover of skills between this sector and the other key digital industries, in particular the video games sector, and the costs of such persons and suppliers have been allocated to this category.

**Location Fees and Real Estate.** The costs of renting space from purpose-built or adapted studios have been included in the screen production-specific category but, when productions are on location, they may rent buildings that also serve other sectors of the economy.

**Travel and Transport.** A key expense of production is the cost of bringing ATL and BTL personnel into and around where the production is located. Furthermore, a moving unit requires considerable transport back up – whether that is by road, train, or air. The spend is normally higher on location-based productions rather than largely studio-based shows.

**Hospitality and Catering.** These costs relate to accommodating and feeding substantial numbers of talent and crew, especially when a production is using locations at a distance from where the workforce is permanently based. Consequently, the hotel and accommodation sector is an important supplier to productions, regardless of whether they are largely studio-based or predominantly moving between different locations. Catering for the working unit is usually provided by mobile catering companies, but the quality and availability of restaurants are also important to those having travelled to the location of the production.

**Finance, Legal and Company Costs.** Like any business sector, screen production has many requirements for this expertise, with a plethora of standard and specialized contracts to be negotiated. The accounts department of a production also has a crucial role, especially as so many projects involve funding sources that require external audits.

**Fashion and Beauty.** For many contemporary productions, much of the on-screen costume requirement is simply purchased from retailers, while period or futuristic shows on the other hand will require considerable work by skilled cutters, tailors, and dressmakers. Specific costume hire spend has been allocated to the screen-production specific category. Equally, hair and make-up look to the general 'beauty' sector for both their products and skilled practitioners – wig makers are a good example of the screen production world interacting to mutual benefit with the broader fashion and beauty sector.

**Music and Performing Arts.** It is sometimes challenging to differentiate between these two sectors and screen production specific. Almost all the creative roles are filled with people who have either moved in the past or continue to move between theatre, musicals, and the visual arts. In the design area, for example, the 'concept' artists who bring the designer's work to life will also work in the exhibition field and in theatre. Actors move continuously between live theatre and screen. Producers are constantly looking to the live theatre scene for new talent, and writers often move between live theatre and screen. Musicians and singers who work in orchestras and opera companies will often be found in recording studios providing musical background for screen productions.

**Power and Utilities.** As with any major business sector, screen production is a considerable consumer of power and general utilities. While on location, production units will use generators to power their lighting rigs and location bases. However, the sector is increasingly looking to adapt to more environmentally responsible ways of consuming power and other utilities, and major financiers are constantly interested in mitigating their environmental impact.

**Safety and Security.** Risk assessments for screen productions can be very specific, so specially trained health and safety advisors are common and of more importance in recent years because of the COVID-19 pandemic. Stunt work, for example, calls for close co-operation between the production, the stunt coordinator, and health and safety officers. Security, particularly on location, can be coordinated by the production but will require considerable support from the local community, and close contact between the production and a local security operation is often a huge asset to both sides.

**Training and Education.** Many countries have adopted a variety of training initiatives, internships, and apprenticeship schemes to enable pathways for diverse kinds of training across many disciplines. All training and education has been considered to be within the screen specific component rather than taking place in other business sectors.

**Health and Medical.** This area includes medical staff attend sets and construction sites, providing immediate health cover. Screen production also relies on the medical community in several ways, including the health checks that all key staff undergo – this has increased substantially because of pandemic issues and protocols. Special training of such staff has become necessary across the industry since COVID-19, with considerably increased costs in

this category as a result. Given the specialized nature of this, it is likely to be included in the screen specific category.

**Miscellaneous Local Labour.** Labour costs where it was not sufficiently clear to which expenditure category they belonged. These costs have therefore been allocated to a miscellaneous category.

## **11. APPENDIX 4 – ABOUT OLSBERG•SPI**

SPI is an international creative industries consultancy, specializing in the global screen sector. The company provides a range of expert consultancy and strategic advisory services to public and private sector clients in the worlds of film, television, video games and digital media. Formed in 1992, it has become one of the leading international consultancies in these dynamic creative screen industries.

SPI's expert advice, trusted vision and proven track record create high levels of new and repeat business from a diverse group of companies and organizations, including:

- National governments, including culture and economics ministries
- National film institutes and screen agencies | Regional and city development agencies and local authorities
- Multi-national cultural funds and authorities
- National and regional tourism agencies
- Established studios and streamers
- Independent companies at all points of the screen business value chain
- National and international broadcasters
- Trade associations and guilds
- Training and skills development organizations
- Publishers and conference organizers.

With expertise in all areas of the fast-moving global creative sector, SPI offers a wide range of services, including:

- Analysis and strategic advice for building healthy and sustainable national and regional industries, and recommendations for public policies to support this
- Mapping and assessment of physical infrastructure, services and workforce
- Delivering economic impact studies of whole sector activity or of incentives
- Advice on the creation of fiscal incentives for screen productions
- Helping businesses and governments interpret the strategic implications of digital media innovations
- Business development strategies for content companies
- Feasibility studies, marketing and business strategies for small and large-scale studio facilities
- Evaluations of publicly-funded investment schemes
- Acquisition and divestment advice for owners or managers of SMEs
- International cost comparisons for small and large film and television productions
- Strategic advice on inward investment and exports for national and regional public bodies
- Analyzing and explaining the links between growth in tourism and a nation's film and television output
- Providing strategic advice for screen commissions, including business and marketing plans
- Keynote speakers at industry events.

Further information on SPI's work can be found at [www.o-spi.com](http://www.o-spi.com) and within the [SPI Company Brochure](#).

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