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**Government Policy and the Irish Audio-Visual Industry**

## Introduction

In the 2012 budget  Michael Noonan extended the Film Tax Relief Scheme(Section 481) to 2020, and also decided on some other reforms which would move the to a tax credit model, so as to ensure better value for tax payers money. Changes to Section 481 have been the cornerstone of the government's policy towards the film and television industry since it was introduced in 1989. This essay will look at the effect of Irish government policy on the audio-visual industry. The Creative Capital report drew a roadmap for the audio-visual industry which it claimed would double the revenue and the jobs in the sector within five years. In their own review of Section 481 published in 2012 the Irish Film Board proposed their own recommendations for the future of the industry. This paper will explore the recommendations of both of these reports for the development of a sustainable audio-visual industry in Ireland. The creative capital report proposed Screen Australia as a model for a re-mandated Irish Film Board which would oversee the development of the whole Irish audio-visual industry. The essay will also examine some of the initiatives undertaken by Screen Australia which could be used in an Irish context.

## The Irish Film Industry Pre 1990

Before the 1970's films made in Ireland were American or British productions such as The Quiet Man (1952), during the 70's however indigenous Irish film production began to take hold as an increasing number of Irish art students began to make short films, older generation documentarists and former RTÉ personnel began to make films independently. This group banding together as the Association of Independent Producers began to lobby the government to help fund film production, after various Arts Council grants awarded, in 1980 the then minister for industry and commerce Des O'Malley finally set up the Film Board specifically to fund indigenous production. The first film funded was Neil Jordan's Angel (1982), launching the career of one of Ireland's most successful contemporary filmmakers. However much of the other films were low budget productions with indigenous casts and funding decisions were not driven by commercial considerations, a difficulty exacerbated by a lack of understanding and a lack of contact with the international market. While some of the films were considered experimental and avant-garde and were critically acclaimed they did not fare well at the box office. In 1987 with the country in a period of economic gloom, the Fianna Fail government closed the Film Board feeling that it was not becoming self-funding as had been the intention, casting the independent film sector into despair. Ironically coinciding with this Section 35 was introduced as a tax relief for companies (not individuals) investing up to £100,000 per annum in the production of qualifying films. This meant that a company who invested up to £100,000 in a film produced in Ireland could write off all the tax they would normally have pain on this money. In 1989 relief was increased by increasing the amount to £200,000 and permitting investments of up to £600,000, provided the investment was into a single qualifying production company for the making of one film only(Flynn: 2007, 63-65).

**The Irish Film Industry 1990-2012**

In 1991 a report commissioned by the IDA and Temple Bar properties on opportunities for film-related job creation was published. At around the same time another report was published by Film Makers Ireland on the development of the independent television sector in Ireland. Both of these reports came to similar conclusions and were written in hard-nosed financial language, placing an emphasis on audiovisual production as an industrial or job creating enterprise. Critical of the previous Irish Film Board, the reports emphasized the need for the sector to become more market driven. The reports recommended that the IDA be the key body to drive future development of the sector, and also that the IDA actively promote Ireland as a location for off-shore production. Both of the reports recommended that Section 35 tax relief be made more accessible to investors. A key point in both of the reports was the suggestion that any state investment in the sector would be more than compensated by the tax returns from the exchequer from increases production activity. The arrival of Michael D Higgins as the minister at the newly established Department of Arts, Culture and the Gaeltacht gave some impetus to putting structures in place to develop the film industry but things still moved slowly until in March 1993 Niall Jordon won an Oscar for his screenplay of The Crying Game. The euphoria generated by the Oscar success gave Michael D political capital and he secured cabinet approval to re-establish the Film Board without need for legislation. This was the genesis of the film board as we know it today. In the budget of 1993 Bertie Ahern extended Section 35 to cover projects where as little as 10% of the production work took place in Ireland, the investment ceiling was increased up to 350,000, and individual investors were permitted to avail of the tax breaks by investing up to 25,000 in a project. Another key policy decision in the development of the audio-visual industry in Ireland was the amendment of the Broadcasting Act that required RTE to spend a minimum amount of the license fee on independently commissioned programs(Flynn: 2007, 66-67).

The policies introduced by Michael D. proved hugely successful and saw the value of indigenous and off-shore production shot in Ireland rise from £50.5 million in 1993 to £133.1 million in 1994 with 480 full time jobs in independent audiovisual production in 1993 rising to 1,291 in 1994. Typical of this was the shooting of Braveheart in 1994 lured by Section 35 finance and the promise of FCA soldiers as extras. Higgins was a canny political operator and pragmatically used economic rather than cultural arguments in favor of state intervention in the audiovisual sector. IBEC produced yearly reports on the industry and Higgins consistently associated himself with these reports. These reports calculated whether the money spent on the Film Board and lost by the Revenue Commissioners through Section 35 was outweighed by the income generated by the increase in audio-visual production(Flynn: 2007, 67-68).

An Indecon report on Section 35 in 1996 issued a series of recommendations to ensure that the tax break made a net contribution to the economy. It recommended reducing the level of tax write from 100% of their investment to 80 per cent. Following on from this in the 1996 budget the amount of Section 35 money that could be raised for a given film capped at 7.5 million, with no more than 50% of the budget for a film allowed to be sourced through Section 35. Tax relief was also reduced from 100% of investment to 80%. The net result of these measures was that production levels fell and only an increase in independent productions brought about by the arrival of Telifis Na Gaeltacht slowed this decline. Michael D lobbied the Department of Finance and the amount of Section 35 funds that could be raised per picture was increased with the stipulation being that half of the funding must come from the corporate sector (having lower taxes than individuals).The years that followed saw tensions between the two departments (Arts and Finance), with the department of finance trying to squeeze the budget of the IFB and issuing various threats to end Section 481 or change the terms of reference on it. Finally in his 2002 Charlie Macreevy budget announced the termination of Section 481 on December 31 2004. This prompted the producers lobby group to start a campaign to reverse this decision. Two more reports were published in 2003 one by Screen Producers Ireland and one by Price Waterhouse Cooper. Both of the reports emphasised the need for retention of Section 481 for the purpose of attracting overseas production activity. Both reports argued that the net returns to the exchequer subsidised indigenous loss making activity and legitimised the retention of Section 481 on the basis of its contribution to national culture. The reports stressed how much the Irish film industry was dependent on Hollywood business which Section 481 was a critical factor in attracting. Both of the reports acknowledged that Section 481 attracted 150 million euro between 1999 and 2001. However since 1993 state support and direct subsidies for film making had become the norm international. The market for film production had become very competitive with different countries competing for film production business, thus the removal of Section 481 would put Ireland at a huge competitive disadvantage. It was also noted that these foreign productions were much more likely to make a positive return to the exchequer than their often loss making indigenous counterparts. Thus overseas productions were essential to the sustenance of the audio-visual sector as a whole. The report prompted Macreevy to review his decision and extend Section 481 until the end of 2008 and extend the ceiling per film to 15 million euro (Flynn: 2007, 69-74)

This acknowledgement of the Irish audio-visual sector's dependence on overseas productions rather than its own indigenous industry lead to a much more pragmatic approach to attracting these. The contingent nature of the industry and the influence by exchange rate, other competitor's policies (such as England's Section 42 and 48) and E.U. regulations such as the 1992 European convention on co-production has led to fluctuations in output in the industry. To counteract the government has tweaked Section 481, placed a fresh emphasis on promoting Ireland as a location. The film board restructured their marketing department focusing totally on attracting overseas productions and outsourcing their marketing which is related to indigenous products. Funding was also secured to fund a new category of international production loan which targets high quality international production that can demonstrate a strong connection to Ireland (Flynn: 2007, 74-78). Government policy towards the audio-visual industry has since largely been reactive to market trends, changes in legislation, changes in the legislation of Ireland's competitors in England and other EU countries. Section 481 was extended to include television co-productions after Ireland lost its competitiveness as a location for feature film production and in 2010 overseas television productions made up for 62% of overall production(Flynn: 2012).

**The Creative Capital Report**

The Creative Capital report was published in April 2011 and mapped out a strategy to double turnover in the industry from 500 million to 1 billion, and double jobs in the sector from 5000 to 10,000 within 5 years. The report, conscious of the fact that the majority of those working in film also work in TV production, on-line content and animation, focused on the audio-visual industry as a whole. The report recognised that sustainable growth can only be achieved by expanding into international markets through Irish content companies and content creators exporting successfully, and by Ireland expanding as a centre for international production. The report recognises how important Section 481 is in attracting international TV and film productions, and that Ireland must have an attractive and competitive tax incentive targeting the audio-visual industry. While the report recognises that the extension of Section 481 will be an important cornerstone for growth, it also stresses that the long term growth of inward investment for international production will require a longer term horizon and commitment for real gains to be made(Audio-visual Strategic Review Steering Group: 2011).

The report places emphasised that building strong Irish companies that create their own content and development international markets will result in high value employment. It identifies initiates around areas such as new innovation funding, content development tax credit, employment and investment schemes, addressing issues around rights ownership, supporting early stage project development, access to finance, promotion of companies of scale, and building new partnerships in the convergent space. Recognising that the audio-visual industry relies on research and development especially in areas such as model making, character creation, digital effects, visualisation and prototypes, format creation and pilot development, the report urges extending the Research and Development Tax Credit to include audio-visual content creation. Content creation relies on good project development, and requires good creative skills and access to sufficient project development funds. The report recommends that the IFB instigate multi project development funding for companies and individual content creators, and that broadcasters commission programs multi-annually (Audio-visual Strategic Review Steering Group: 2011).

The report suggests that building audio-visual exports would greatly benefit the growth of the Irish audio-visual industry and that a strategic plan should be developed by the relevant agencies (Enterprise Ireland, IFB, Culture Ireland and the Irish Film Institute) in consultation with the industry. The nurturing of skills and talent, allied to education and training are at the core of a successful industry strategy. It recommends that the IFB in consultation with the industry should take full responsibility for determining the essential creative and technical skills to sustain the industry. The report suggests that the Screen Training Ireland (STI) is repositioned to ensure that skills training is aligned with industry growth plan targets; that STI/SPI develop apprenticeships and graduate placements; business mentoring should be established; duplication and waste should be eliminated in third level training; and education and the developing of digital and media literacy programmes should be introduced for primary and post-primary education(Audio-visual Strategic Review Steering Group: 2011).

A key recommendation of the report the IFB should be re-mandated and given responsibility for the whole audio-visual sector. The administration of all independent content funding, including the Sound and Vision Fund should be transferred to the re-mandated IFB. The report while stating that the IFB should continue in its remit to facilitate the development of Irish film making and of the marketing of Ireland as a base for film production, recommends that the IFB be adapted to enable the organisation to act as a specialist development agency for the entire audio-visual industry. The IFB should also establish a dedicated business development unit; training and talent development should also come under its mandate. According to the report the centralisation of all of these functions under the IFB would deliver greater efficiencies and a co-ordination of these proposals would deliver greater efficiency. The IFB should co-ordinate with Enterprise Ireland to share knowledge on developing companies, with the IDA to continue attract inward investment to the audio-visual industry (Audio-visual Strategic Review Steering Group: 2011).

**Irish Film Board Section 481 Review**

In April 2012 the IFB published their own review of Section 481 as a response to the department of finance request for submissions. It endorses the uptake of the roadmap created by the creative capital report. The review calls for increased vertical integration in the sector citing the example of *The Guard* which was one of the first productions to be distributed by an Irish company and also one of the most commercially successful Irish films of all time. Digital developments are opening many new channels and consumer access points, and offer opportunities for Irish organisations if they can work synergistically with players outside the traditional audio-visual sector who have huge global consumer access. While acknowledging the importance of Section 481 in supporting film and television production, echoing the creative capital report it proposes that Section 481 should have a broader role in the wider audio-visual sector. There are intricate linkages within this sector, the lines of which are blurred by technology. The role of tax support should be extended to promote stronger companies with greater vertical integration, and small and medium sized companies should get the same support as in other industries through both Section 481 and the Business Expansion Scheme. Again the review stresses how important creative content is to the industry as a whole as it is the red of the industry and a critical foundation step for the industry. Creative content development should be thought of as the same as Industrial Development and new incentives should be introduced to support it. Creative content development will move Ireland up the value chain to development rights ownership, and ownership of exportable rights which will repatriate taxable profits to Ireland. There is a lack of trained personnel in the field of digital production/fx in Ireland and this should be addressed. In some productions digital visual effects can account for up to 30% of the budget and this part of the audio-visual industry should be encouraged to grow through various tax incentives. In terms of creative content the ability to develop story lines and bring them to life is also fundamental to the computer games industry and there are significant opportunities to leverage the skills, talent and experience that exist in the animation, film and television sector to computer games development. The review notes that a growing number of international companies have created significant value and scale by straddling both audio-visual production and the computer games and there is potential to exploit similar linkages in Ireland (Irish Film Board: 2012).

**Screen Australia**

The creative capital reported suggested that Screen Australia could be used as a model for a re-mandated IFB. Screen Australia has been created under the Screen Australia Act 2008 and was formed on 1 July 2008 to take over the functions and appropriations of its predecessor agencies: the Australian Film Commission (AFC), the Film Finance Corporation Australia (FFC) and Film Australia Limited (FAL).  Screen Australia provides national leadership within the Australian screen (Screen Australia: 2010). Looking at screen Australia there are two programs in particular that could be adopted by the IFB.

*Multi-Platform Program*

Screen Australia invests in the development and production of innovative storytelling that engages audiences across existing distribution platforms as well as new and evolving platforms. The objective is to support narrative content in both linear and non-linear forms that pushes the envelope of creative storytelling, and to provide practitioners with opportunities to take risks extend their skills and explore new storytelling tools and platform. Digital Ignition is part of this program in which Screen Australia seeks to ignite digital understanding, expertise and activity within the Australian screen content sector. Technology has changed the landscape and opened up many new storytelling possibilities. Digital Ignition supports screen practitioners to explore these new opportunities, including new tools for storytelling, new platforms for reaching audiences, evolving finance plans and revenue models, new professional collaborations, and lower barriers for new talent to break through. The program offers project development support as well as an annual targeted workshop.  It encourages (but does not demand) the formation of multi-disciplinary teams that embody convergence between traditional media and digital media, or other disciplines, for example, factual and documentary specialists collaborating with web developers, or experienced screenwriters and directors working with game developers.  Digital Ignition also aims to assist Australian digital practitioners to develop their own IP, and help experienced traditional media producers to work with digital media practitioners to develop ways to exploit existing successful Australian IP on digital platforms(Screen Australia: 2012).

*Enterprise Program*

Through this program Screen Australia support a diverse range of screen businesses that have identified opportunities to develop, step up and expand in terms of turnover, scale of production and range of business activities undertaken to enhance the company's sustainability. The enterprise program provides significant funding to production companies, based on a three-year business plan. This funding is to develop audience-engaging projects by build a strong presence in the international marketplace; by develop new revenue streams, business partnerships and alliances; by increase their skill base, take on additional professional expertise, and employ trainees and interns; and by generating revenue growth. The third annual round of the enterprise program awarded total funding of $2.97 million over three years to four companies in October 2011. The 12 companies that received enterprise funding in the inaugural round reported on their second full year of funded activity to the end of the 2011 calendar year, while the second round of companies delivered their full year of funded activity reports, highlighting a range of achievements including:-production activity; appointment of senior creative and management staff; new strategic alliances both domestic and international; acquisition of private equity investment(Screen Australia: 2012).

**Conclusion**

Government support has become crucial for the sustenance of the Irish Audio Visual industry. In the main government policy has been a balancing act between American and indigenous productions mainly using Section 481 to compete in the "international incentives race" (Flynn: 2007, 78). Since 2004 most of the overseas production activity has centred on television production. For the moment Ireland is a competitive destination for these programmes but the situation is always changing. While it is good to attract these kinds of overseas productions, it is vital for the industry to develop more content if it is to be sustainable. This will require much more investment and the implementation of strategies such as those outlined in the creative capital report, and in the IFB'S Section 481 review. Creating its own content and having ownership of its intellectual property could reap huge benefits for the Ireland Inc. The UK for example exports more than £2billion per year through export of television programmes and format rights. While Ireland is a much smaller country there is no reason that it can't have an industry that will develop its own creative content to which it will own the exportable rights which will repatriate taxable profits to Ireland. As well this it is important that Ireland develops companies that can compete internationally; the IFB needs to promote vertical integration and companies of scale that straddle the whole audio-visual industry. Companies like Ed Guiney and Andrew Lowe's film and television drama Production Company Element Pictures based in Dublin and London who also operate an Irish film distribution company, Element Pictures Distribution, need to be encouraged. As Ed Guiney said "We should be making those films ourselves instead of just trying to attract them in. We need to be making more films on the same scale as The Guard."(Hegarty, 2011) It was recently reported that the series Love/Hate will reach a whole new audience having been bought by HULU a US online streaming service which has almost 1.5 million subscribers. The show has already been shown in Scotland, Australia, New Zealand, Asia and the Middle East. (O' Connell, 2012).While tax incentives such as Section 481 are essential to the Irish audio-visual industry there is a lot of proactive measures that need to be taken to create a commercially sustainable indigenous industry.

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