In Hollywood or in the backwood? – article published in Tieto&Trendit, Journal of Statistics Finland 5/2008 by Aku Alanen. aku.alanen@stat.fi

Film production is regionally concentrated everywhere in the world

Film and audio-visual production, taken as a whole, has traditionally been geographically concentrated in practically every country. Even in a country as vast as the USA, Los Angeles County – Hollywood, for short – is responsible for over 60% of film production and over 40% of the production of TV programmes. Large TV companies do, however, keep their head offices in New York.

Allen Scott (2005) notes that Hollywood has so far, despite all predictions to the contrary, always been able to adapt to even radical changes in the sector and has been able to retain its position as the main production center in the USA and globally. Still, Scott does suspect that we may only now be faced with a situation in which Hollywood's grip is loosening for the first time, as a result of the influence of e.g. the Bollywood film industry and/or production moving to adjacent regions (such as New Mexico or Canada).

Even though Hollywood has lost some of its status as a film set location, its contribution to blockbuster films and post production is so considerable that no one has been able to topple it. Scott believes that Hollywood will continue to lose out on an increasingly significant share of the mass production of both TV and films to cheaper locations. However, Hollywood may never come second when it comes to many of the more demanding tasks. This perspective depends on this condition: Hollywood retains its competitive advantage in both pre- and post-production, but not in production.

Paris dominates in France, London makes the effort in Britain

In a comparison of the large European film producing countries, France probably has the most highly concentrated production. The share of production that is carried out in the Paris region, i.e., the Île-de-France, is approximately 80% (Les industries culturelles en Île-de-France, avril 2006). For companies focusing on television, feature films and production technology, this share is well over 80%. In Spain, this share is slightly lower for the Madrid region at approximately 70%.

Germany forms an exception to the rule that film production is concentrated in capital cities because it is a federal state. Film production is concentrated there too, but into four regions, the largest of which is the Munich region which makes up about 40% of the turnover. (Krätke, 2002). However, Berlin's Babelsberg film studios have greatly increased in importance over recent years.

In the same way, the Greater London region plays a significant role in Britain. Soho and Westminster, in particular, are important centres of the film industry, and this is also the case for some other similar industries, such as advertising and design. This kind of concentration has its own benefits, as professionals from other fields are readily available for different tasks. The city has even set up a separate unit to cater solely for the needs of the film industry, from parking arrangements to various permits.

Post-production and visual effects particular have become concentrated in the above-mentioned centres. The film industry is even considered to be one of London's key industries, which also has an impact on other industries. About one half of the industry's employees are located in the Greater London region. The most important production studios, such as Pinewood, Shepperton, Elstree, Leavesden and Ealing, are also located there. (Greater London Authority, April 2004)

Dispersion in Sweden

Sweden has been swimming against the tide of concentration. Dispersion of the operations of regional policy and the regional film commissions has taken place in film production in Sweden. Over recent years, provision of public support has partially been regionalised away from Stockholm to some other regions (Dahlström - Hermelin - Östberg 2007).

However, no statistical data are available on how this has affected the actual location of production companies in Sweden. (1).

By contrast, there is no regional dimension associated with public film policy in Finland. If, at some point, Finland were to take this direction, rather extensive discussion of the conditions and forms of regional support would be required. It would be very interesting to find out how the companies in the film industry would react to the adoption of a regional dimension in the policy of financial support.

Intensive regional concentration in Finland

Companies producing motion pictures are exceptionally concentrated in Helsinki. Even advertising agencies are less concentrated in Helsinki, although the advertising industry is generally considered to be extremely concentrated in every country.

Table 1. Film production operations by region 2006

	Establishments	Employees	Turnover
Uusimaa	63.8	80.7	83.8
Pirkanmaa	8.7	5.6	5.9
Varsinais-Suomi	3.6	3.8	3.6
Pohjois-Pohjanmaa	2.3	1.5	1.2
Pohjanmaa	2.7	0.8	0.8
Päijät-Häme	1.3	1.0	0.7
Pohjois-Karjala	1.5	1.9	0.6

Table 1 gives the percentages of film production operations in Finland's largest regions.

Table 1 includes film production companies from two industry classifications, 9211 and 922. The table shows that film production is very concentrated in Uusimaa. This degree of concentration is even greater than it is in the advertising or music industry and in almost all the other fields of cultural economy. The reasons for this are naturally associated with the fact that Finland's small size offers no real possibility for even two concentrations in industries such as the motion picture industry.

The significance of dispersion in Helsinki-based companies – Survey

There is, certainly, one important factor which slightly lowers the degree of concentration. Helsinki-based companies do some of their filming outside of Helsinki. I have tried to find out the actual impact of this on the regional economy in 2006 and 2007 with a questionnaire directed at the largest production companies. To sum up the results of this questionnaire, we can say that some production expenses really are allocated to filming locations outside of Helsinki. The largest share of the expenses allocated elsewhere for any one film was, at most, about one third. In this case the company had 5 films under production during the above-mentioned years and for the other films everything was carried out in Helsinki (or to a smaller extent abroad). Thus the share of expenses allocated elsewhere amounted to 5-10% for the whole company.

Most often the share of expenses allocated to other areas was only 1-3%. When it came to employee costs, the share of expenses allocated outside of Helsinki was possibly slightly lower than it was for the overall expenses. The regional economic impact of expenses allocated elsewhere has, in many cases, actually been slightly exaggerated. However, annual fluctuations can be significant. My calculations show that the quantitative shift caused by filming represents at best only a few per cent of the turnover for the entire industry. In all, this means that Uusimaa's contribution to the total turnover of the film production industry is still almost 80%. Additionally, the money directed to the filming locations was mainly used for accommodation, living expenses and delivery services, etc., and not for purchases associated with the actual filming. This money therefore has an impact on the rest of the regional economy. The actual filming services purchased from these locations tend to be rather minor, with a few exceptions. The companies bring most of the staff and filming equipment with them from Helsinki. Naturally, the local labour supply and its quality do have a significant impact on this. If filming is carried out in the north, then it is possibly easier for local professionals to be involved, if such are available. A certain rule applies here: The more filming is carried out in these regions, the more likely it will be that local professional outsourcing become available.

Some towns or regions have started providing financial support for the production of individual films, if the film is produced locally. For film companies, the amount of financial support provided by the filming location has most often been equal to the extra expenses. In exceptional cases the support has risen at most to some 10%. In any case, if the making of a film requires a setting other than Helsinki, financial support certainly influences the income. However, the regional economic impact is most often felt in other industries, i.e., those related to accommodation, transport and catering. The regions naturally hope that their own film industry operations would develop as a result of this funding, but there is no real evidence of this. Some limited impact is likely to have been experienced in some regions.

Background to regional dispersion

Despite the strong concentration of the film industry in Helsinki, a subtle shift has taken place during this century in favour of the regions. No doubt the reason for this has always been that the actual storyline requires the film to be filmed somewhere else than in the Helsinki metropolitan area. The following factors are likely to explain the new development towards increasing dispersion. The role of each factor varies depending on the area:

- Polytechnic education in the audiovisual field has increased and its quality has developed in many regions. Therefore an increasingly qualified labour force can now be found in the regions.

- Production costs are lower in the regions. A large number of Helsinki-based production companies have moved many of their projects to the regions. Sometimes, however, a move will increase the final costs.

- Well-known film makers, such as Markku Pölönen, have been eager to develop the areas where they grew up.

- Funding provided by EU regional development programmes has been an important supplementary factor in many regions. It has also been possible to use these funds indirectly to support production through education and infrastructure.

Growth figures demonstrate a slight shift towards regions

In data in Table 2 are presented as they are in the publications of the so-called statistics on enterprises and establishments. Therefore they do not contain the same adjustments that I carried out on the 2006 cross-section in the previous edition of this article series in Tieto&Trendit 3/2008. However, they do describe regional development between 2001 and 2005 relatively well.

Table 2. Growth in the largest regions at the establishment level, 2001-2005

	Increase in revenue %
Whole country	17.4
Pohjois-Karjala	175.8
Varsinais-Suomi	99.6
Pohjanmaa	80.4
Pohjois-Pohjanmaa	76.4
Pirkanmaa	40.5

Uusimaa 15.6

The degree of growth in the regions has been calculated purely on the basis of industry 9211. If the companies in industry 922 that carry out independent production of TV programmes are included, then the degree of concentration increases even further. For the latter, 94% of the turnover came from the Helsinki metropolitan area and 96% of the employees were located there. Therefore, almost 83% of the production of moving pictures takes place in the region of Uusimaa and 79% of the employees are located there. This holds true despite the fact that the degree of concentration has fallen slightly in recent years.

Analysis by region

Pirkanmaa

A single significant factor explaining Pirkanmaa's rank as number two among the regions is likely to be the fact that the TV channel YLE TV2 is based here. Television is a key employer of the enterprises in this industry. In addition, the city of Tampere is already large enough to be able to provide employees for various tasks. Tampere is not specialised in any specific area of film production. Film culture is highly promoted in Tampere and a Film Centre that promotes film industry culture employs 12 full-time staff.

There are a few enterprises in Tampere which produce television series and operate in the advertising industry. However, Tampere-based employees in this industry spend a lot of time in Helsinki, because much of their assignments originate in Helsinki. The city of Tampere has not provided any support to encourage film production in the region.

Satakunta

Satakunta is one of the places where progress has been particularly weak, especially if we compare it with the earlier situation. In the early 2000s, relatively large filming projects were carried out there and their completion is probably the main reason for the downturn. The previously high-profile Villilä production village that is owned by the municipality has also changed its strategy. Different forms of EU funding had a significant role in Villilä's operations to begin with. More recently a decision was made whereby Villilä would no longer rely on EU funding to support production. Instead, Villilä seeks other money for film production from enterprises and sponsors. Satakunta has possibly also been more on the sideline when it comes to television.

Pohjanmaa

In Vaasa, Media City is one important factor associated with production in the region. Another factor is the Ostrobothnian Media Commission, which is responsible for marketing the Vaasa region's media services outside of Vaasa and supporting production in the film and media industry in various ways. Connections with Umeå in Sweden (on the other side of Kvarken in the Gulf of Bothnia) are also important here. After all, Umeå plays a more significant role in film production in Sweden than Vaasa does in Finland. Approximately 10% of the production in Vaasa comes from Umeå. For example, the Swedish version of Bumtsibum (a TV show based on the Irish format “The Lyrics Board”) is edited in Vaasa. The editing and post production for some other projects has also been completed in Vaasa.

Most of the employees in the Vaasa region have been educated there. The region feels that it is capable of providing Helsinki-based companies with a complete package in which everything is ready for use, from the labour force to the places required in the different production stages – and all of this without funding. Furthermore, filming projects done in Vaasa are not all in Swedish, even though the region does have a slight competitive advantage over many other regions in this respect.

Pohjois-Karjala

There are two main factors explaining Pohjois-Karjala’s leading position in the growth figures. The local university of applied sciences has been very active in providing film industry training and, as a result, the region has been able to generate a larger than usual number of professionals. A lot of filming activity has come here also from other parts of Finland, partly encouraged by the image created by Markku Pölönen. In addition, the North Karelia University of Applied Sciences in Joensuu has, partly through EU project programmes, been able to acquire studio equipment which is, in some cases, of the highest quality in Finland. Therefore, it is possible for Helsinki-based professionals to carry out demanding tasks here.

Pohjois-Pohjanmaa

There has been a clear increase also in film production carried out in Oulu. However, this is partly the result of Helsinki-based companies carrying out filming in the region and using local sub-contractors.

The Oulu University of Applied Sciences and the University of Oulu have provided training programmes associated with audiovisual production. Confidence in the region’s development prospects is gradually increasing, and film industry employees originally from Oulu have started to return to their hometown to pursue job opportunities. These return migrants to Oulu will be very important and will further improve the situation there. Many of the producers in the industry believe that it is easier to find a professional workforce in Oulu than in many of the other regions outside Helsinki. There has also been a certain amount of cooperation with other Nordic production companies. From the perspective of the entire film cluster, an important factor in Oulu is the POEM Foundation which funds and supports audiovisual operations.

Varsinais-Suomi

Advertising and business communications as well as videos have been produced in Turku, but film production is only just developing. Various measures have been tested in the city, even direct support of production in the industry. Turku has a good reputation when it comes to animation. However, animation alone does not explain the growth in Turku, as this only started to take off in 2005-2006. Hence we are unable to explain the growth that took place in 2005. In Turku, students in this field have also stayed in their hometown as the number of job opportunities has increased.

The success of Varsinais-Suomi may also be partly explained by the fact that companies in Turku have carried out a lot of work that has been subcontracted by Helsinki-based companies, particularly in feature films.

A couple of films commissioned by Helsinki-based film companies have been produced in Turku. These films have received local funding. This local funding provided to Helsinki-based companies was part of the reason for the move to Turku. It was used to compensate the expense of bringing staff and equipment from Helsinki.

In Helsinki, the south of the city dominates

A very noticeable share of the operations of Finnish film and video production companies in the region of Uusimaa is carried out in Helsinki, even though a certain amount is also carried out in the neighbouring municipality of Espoo. The situation is similar to the rest of the cultural economy and also to the business service sectors.

The southern districts of Helsinki play a crucial role in industry 9211 as well as in the radio and television activity industry 922 among the companies which mainly make programmes for television.

Measured by turnover, the three most important postcode areas for industry 9211 were Eira, Ruoholahti and Punavuori. Of these, however, Eira has shown a clear downward trend in recent years. Why, then, have operations become concentrated in southern Helsinki? In this area certain production costs, such as rent, are higher than in the rest of Helsinki. Are there any production reasons for this in the film industry? In southern Helsinki there are old factory buildings and other unused buildings which, due to their size, are probably better-suited for conversion into studios or the like.

The preconditions for networking are probably a more significant reason. In an earlier article of mine I endeavour to describe the reasons for the concentration of design studios, advertising agencies and architect offices in southern Helsinki (Alanen 2006a and 2006b). Reasons similar to those in the design industry can be found. Enterprises want connections with other nearby cultural services, i.e. they want to be able to create a certain type of modern 'village' for the film industry. In the same way, other players in the entire film cluster, such as foundations, archives, distributors and theatres are also located in southern Helsinki.

In economist jargon all these factors are known as positive externalities.

It is interesting that in 2005, less than 10% of all employees in the industry were located in Länsi Pasila, even though this is where TV broadcasting takes place. Networking, then, requires enterprises to be located there only in some cases. The district of Kallio is home to a large number of film industry establishments, but their average turnover is very low.

Film industry concentrations in Helsinki, 2005

	Estab-lishments	Employ-ees	Turnover
	abs	%	%
Puna-vuori	13	5.3	6.6
Eira	24	11.1	17.3
Ruoho-lahti	16	8.4	11.1
Southern Helsinki	141	50.2	55.5
Länsi Pasila	20	8.2	14.8
District of Kallio	61	19.1	13.4
Helsinki	300	100	100

(1) The data used by D&H&Ö was based on a questionnaire aimed at film industry employees, and not on company data. Questions were asked, among other things, on where film industry employees lived and how much they worked outside the Stockholm area. It would, however, be interesting to get corresponding documentation from Sweden and Finland in order to carry out a real comparison. A proper analysis would probably require both employee questionnaires and data on company statistics.

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