

Evaluation of the Film Production Incentive Scheme in the Netherlands

Report presented to The
Netherlands Film Fund by
Olsberg•SPI



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1. EXECUTIVE SUMMARY

1.1. The appeal of the Netherlands

This Study identifies that since the introduction of the Netherlands Film Production Incentive (the “Incentive”), there has been a positive, stimulating effect on the number of domestic productions, with a large majority of producers perceiving it to be a critical part of their financing plans.¹ Without the introduction of the Incentive, the deep drops in production finance from the private sector (discussed below) would have led to a major fall in the volume of production, rather than the rise seen in minority co-productions, and stability in domestic and Dutch majority co-productions.

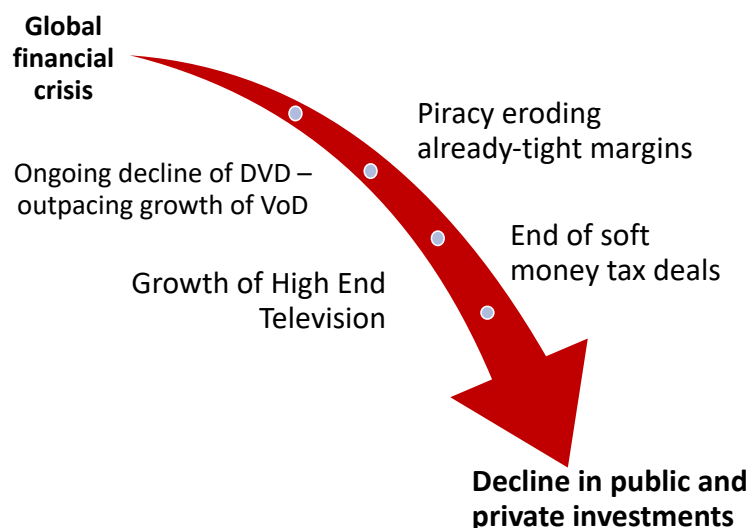
Despite this vital support, domestic budgets have remained relatively small, as, in common with many European film markets, a number of finance plan elements have become more scarce in recent years including broadcaster funding and pre-sales. In the Netherlands, there has been a further challenge given the severe cuts to public funding in general, which have affected the Film Fund, Cultural Media Fund, the Rotterdam Media Fund and other local and regional funding.

1.2. General crisis in film finance sources in Europe

The reduction in finance sources for independent feature films is by no means limited to the Netherlands. There have been a wide range of negative factors affecting this market in recent years throughout Europe, and the cumulative effect has been to mount pressure on budget levels and volume of productions. In several other European countries, incentives have been considered or introduced specifically to address this mounting market failure, often with demonstrable success.

The following diagram summarises the effect of these various factors on the health of the European film finance market.

Figure 1 – Factors impacting film finance in Europe



¹ NB: for the purposes of this report, references to the Incentive (capitalised) will refer to the Netherlands Film Production Incentive. Where the term “incentive” is used, this will refer to other incentives currently or formerly in operation, for example the Belgian Tax Shelter, or the former Dutch CV-measure

In the Netherlands, these factors were further impacted by the depth of the budget cuts – compounded by the discontinuation of the Rotterdam Media Fund and Cultural Media Fund – and the talent drain to other countries, in particular Belgium. The introduction of the Incentive in the Netherlands is a prime example of a sensible strategy designed to halt, if not yet fully reverse, this trend.

1.3. Production activity

1.3.1. *Minority co-productions and footloose productions*

From the moment of the Incentive's introduction, there has also been a stimulating effect on the number of minority co-productions, which have been occurring in larger numbers – with average annual releases almost doubling from 9.4 per year pre-Incentive to 18.7 following its introduction. Producers also note that minority co-productions are simpler and quicker to finance than was historically the case. The Dutch production sector are confident that the availability of the Incentive has helped this part of the market to develop, despite the challenges in making finance plans work, given the volume and conditions for soft money in co-production partner countries.

Success is also evidenced in the market for attracting international productions that seek favourable conditions for locating the projects ("Footloose productions"). These productions normally have a several possible alternative countries where production could take place and, of the many factors that make a country more attractive is the presence of an effective incentive, such as the Netherlands'. Although there have been relatively few projects to date, this reflects a lag in the industry which is seen in many new incentives, and the Dutch sector has significant advantages which can be sold to the international market.

1.3.2. *The domestic industry*

To date, the impact of the Incentive on the production sector has been positive but there is potential for even greater impact. Despite concerns in the industry about their ability to work to international standard, HoD-level crew have taken the opportunity offered by the requirements of the Incentive to work on productions they wouldn't have historically had access to and, reflecting the strength of film education in the Netherlands, have tended to shine.

In many ways, the Incentive has acted as we have seen in other countries, and has leveraged existing capacity in the market; given the financing challenges we note, this is a strong result, as otherwise it is likely that crew use would have fallen, when by some measures it has grown. Despite this, challenges exist in some parts of the market, not least storytelling, which is considered a relative weakness by local stakeholders, though it is difficult to tell whether this is caused by the lack of finance and time seen in the development cycle or a skills challenge.

A similar story is seen in the VFX and post-production sector where, despite being very highly regarded by the industry, the impact of additional finance made available as a result of the Incentive has yet to be felt as deeply as this element of the industry anticipated. This is, as with other aspects, reflective of the way the Incentive has been used to fill otherwise-falling budgets, rather than to allow additional areas of spending as some elements of the market had hoped.

We observe in other countries where incentives also play an important role, that the most powerful impacts have often been where the incentive has been accompanied by appropriate levels of other, usually selective, forms of public finance and investment. Achieving the right strategic balance between these support mechanisms is often a key to success.

1.4. The quality of the sector

Our analysis suggests that the combination of the Incentive and the change in strategy from the Fund for its selective schemes has created a base for growth in the development of Dutch film talent, though it will take some time for this to show through. Newer film talent has had the opportunity to benefit directly from Incentive-supported productions, and the change in strategy to increase selective funding in different areas of the market, including new filmmakers and more experimental productions, should create the opportunity for this to occur in future.

Similarly, diversity – in subject and genre – is an area where our consultations with the industry suggest there are new kinds projects in development. The perception in the Dutch film sector is that more diverse projects are now in the planning stage at a number of companies which, together with the greater number of co-production and international contacts identified, should allow for future growth in this area. As with talent development though, it will take time for this to show through, with the recent years' slates of films reflecting development plans which existed prior to the incentive.

Quality is an area in which the data clearly points to a positive impact – not only has the number of Dutch productions selected for major festivals and awards increased by a third in recent years, the success of productions at these events has also become more marked. There is a demonstrable increase in the success of films receiving accolades and festival selections as a result of the Incentive, when compared to productions which predated it.

1.5. High End TV

The High End TV scheme is the newest component of the Incentive, with only one round assessed as part of this report, but has already had a major impact for the Dutch TV market. The availability of the financing has pushed up the ambition of the sector, increasing the average budget per project compared to the licence fee which Dutch broadcasters would historically have outlaid.

The total Dutch spending of €26.4 million associated with Incentive-supported programmes in the first round represents just under half of NPO's estimated €60 million drama spending in 2017, indicating the increased scale the High-end TV Incentive can drive. While NPO is not the only broadcaster commissioning such drama in the Netherlands, unfortunately it has not proven possible to identify the spend of other channels, nor has it been possible to identify indicative production spends in the other eligible sectors, documentary and animation.

It is worth noting that the average per-project spend of €2.4 million for High End TV was much closer to that seen in footloose film production supported by the Incentive to date than domestic film production, reflecting the current focus of the market in this area.

Such a high level of spending can, however, create a challenge for productions, as even with the broadcaster licence fee, a distributor advance, and the Incentive, there is still a gap in the budget which international broadcasters have proven reticent at filling. To date, Dutch producers have found it hard to persuade international broadcasters and platforms to fill this gap in an investment, rather than a co-production form.

As with the film Incentive, time may help to address this, with the Dutch production sector and international partners learning to work with each other in a new way. It is also likely that new partners – including broadcasters and OTT platforms – help to develop the Dutch TV drama industry, stimulated by the availability of funding, and the quality of stories and companies.

However, the pilot nature of the TV Incentive may cause this not to happen, given the lack of certainty that the increased finance or new relationships can be leveraged, were the scheme to

be closed. This is particularly the case in the animation sector, where development is a much longer scale process, and certainty is required; as more TV animation will help company sustainability, this is a particularly critical issue for this component of the Dutch content industry. While the Film Fund has managed to continue the Incentive using its reserves, securing a dedicated budget for continuation of the very promising high end TV series scheme is worth considering, to ensure the impact of the scheme can be fairly assessed.

2. INTRODUCTION AND OVERVIEW OF SECTOR

2.1. Introduction

This document represents a Final Report of Olsberg•SPI's evaluation of the Netherlands Film Production Incentive (the "Study"). It presents our findings following the completion of our research, which has seen us undertake:

- 34 consultations with the Dutch film sector;
- The analysis of more than 30 documents;
- Quantitative analysis of data provided by the fund; and,
- A survey sent to all production companies which have applied for the Fund to date.

2.2. Overview of Sector

Prior to providing an analysis of the impact of the Netherlands Film Production Incentive in the three areas of focus for this Report – the appeal of the Netherlands, production activity, and the quality of the sector – it is necessary to consider the present status of the Dutch film production sector, and to provide an overview of activity through the Incentive to date.

Het Creatief Kapitaal ("HCK") undertakes an annual Economic Impact of the Netherlands Film Production Incentive on behalf of the Netherlands Film Fund, which outlines the impact which Incentive-supported production spending has had in the Netherlands since it was launched in 2014. These findings can be summarised as follows.

2.2.1. Film

Data from HCK show that 245 projects were in receipt of the Incentive between July 2014 and December 2017; these productions spent €261.9 million in the Netherlands, receiving €55.7 million in Incentive spend at a rate of €4.70 in rebate per Euro in spend. 152 (62%) of these productions were co-productions, and 93 were 100% Dutch projects.

The majority of these projects are feature film productions, with 172 projects, and €228.9 million of Dutch production spend being associated with this category. 67 documentary projects also received the Incentive, spending €26.6 million in the Netherlands, as did 6 feature animations, generating €6.4 million in domestic spend.

Since the introduction of the Incentive, the total spend from International co-productions in the Netherlands rose 32% from €38.8 million in 2014 to €44.6 million in 2017. Within this, the spend from minority Dutch co-productions rose 17% from €12.1 million (16 productions) in 2014 to €14.2 million (22 productions) in 2017. Majority Dutch co-production spend rose 14% from €26.8 million (16 productions) in 2014 to €30.5 million (22 productions) in 2017.

The increase in minority Dutch co-productions has been taken by HCK as evidence that more Dutch producers are working internationally, and that more international producers are working with the Netherlands. It is found that 62% of projects accessing the Incentive have an international structure, a much higher rate than would have been expected without the availability of this funding option.

Six footloose productions – *The Hitman's Bodyguard*, *Dunkirk*, *Gangsterdam*, *The Ring*, *The Art Forger*, and *The Goldfinch* – have been attracted to the Netherlands since the introduction of the Incentive.

2.2.2. High-End TV Series

The Incentive was extended to High-End TV series as a pilot in late 2017, with only one round of applications being covered in the HCK data, and in the analysis in this Study. This initial round saw 11 projects with a total projected spend of €26.4 million receive total anticipated support of €7.0 million; this equates to €3.76 in support for each Euro of planned spend.

The majority of this spend (68%) was related to TV drama projects, with 29% related to animated series, and 3% for documentary series.

Of these projects:

- Two are minority Dutch co-productions, with €6.8 million total Dutch spend;
- Seven are majority Dutch co-productions, with €17.1 million total Dutch spend; and,
- Two were 100% national, with €2.5 million Dutch spend.

2.2.3. International Collaboration

Since the introduction of the Incentive, Belgium has been the most common co-production partner for Incentive-supported projects, with 75 films being Dutch-Belgian co-productions. This is followed by France, Germany, Luxembourg, and Ireland. A small number of non-European collaborations also exist, including with the United States (seven productions), and South Africa (two productions).

Of the eleven TV projects chosen in the first round of the pilot, nine are international co-productions, with partners including Belgium, Germany, Norway, and the United States.

3. THE SITUATION PRIOR TO THE INCENTIVE

3.1. Brief History

This section provides a brief overview of prior support schemes for the Dutch film sector, and the development of the Incentive programme, including the history of prior incentive programmes for the Dutch film sector.

3.1.1. The CV Measure

The present Film Production Incentive Scheme is not the first incentive operated in the Netherlands. Prior to this, the country operated a tax shelter system to encourage investment in the screen industries, known as the CV Measure (or 'CV maatregel').

Introduced in 1999, this was aimed at enhancing the market orientation of the film sector in the Netherlands, by incentivising investments from private individuals into films in a limited partnership (or, CV) structure. By investing in this way, individuals purchasing shares benefitted from both general tax incentives for investors offsetting these against their personal income taxes. This formed part of a general investment support scheme, with certain specific incentives offered for investors to participate in film productions. Such schemes were popular, and were offered through banks and financial advisors to a variety of investors.

The CV System was very successful, and stimulated growth of 20.3% in the sector's contribution to GVA between 2000 and 2004. In their 2013 analysis of the Economic Impact of the Dutch Film Sector, Oxford Economics argue that the availability of this funding helped to avoid job losses which would have otherwise occurred.²

Despite this initial success, growth slowed following the introduction of the Belgian Tax Shelter in 2003, as well as frequent changes to the measure. This introduction coincided with the Dutch Government beginning to doubt the efficiency of the CV System, initially placing a cap on tax losses – which ended up at €20 million – and then closing the system entirely from 2007.

3.1.2. Supplementation Scheme (Supplementary regulation scheme)

At the time the CV Measure was removed, the Dutch Government transferred part of the budget for the incentive to the Netherlands Film Fund – this saw the budget for the Fund increase from €18.4 million in 2006 to €33.1 million in 2007. This increase in funding was placed on a variety of different schemes, including an automatic support for mainstream Dutch feature films called the Supplementary Regulation for Dutch Films (Suppletiereregeling Filminvesteren), which was introduced following the closure of the CV Measure.

This model aimed to promote mainstream films with cultural value, which supported the development of a diverse cinema landscape, and which could reach a wide range of the Dutch population. In order to achieve these goals, the Supplementation Scheme used market investment as a trigger for automatic support, providing up to 30% of production costs, based on market investments in the project, in particular the commitment of the project's distributor.

Despite the introduction of this scheme, the Dutch film sector declined, recording a 31% decrease in GVA contribution between the peak in 2004 and 2011, coinciding with a fall in total employment in both the film and TV industries. Between 2008 to 2012, total employment in these sectors fell by 3.2% in the Netherlands.³

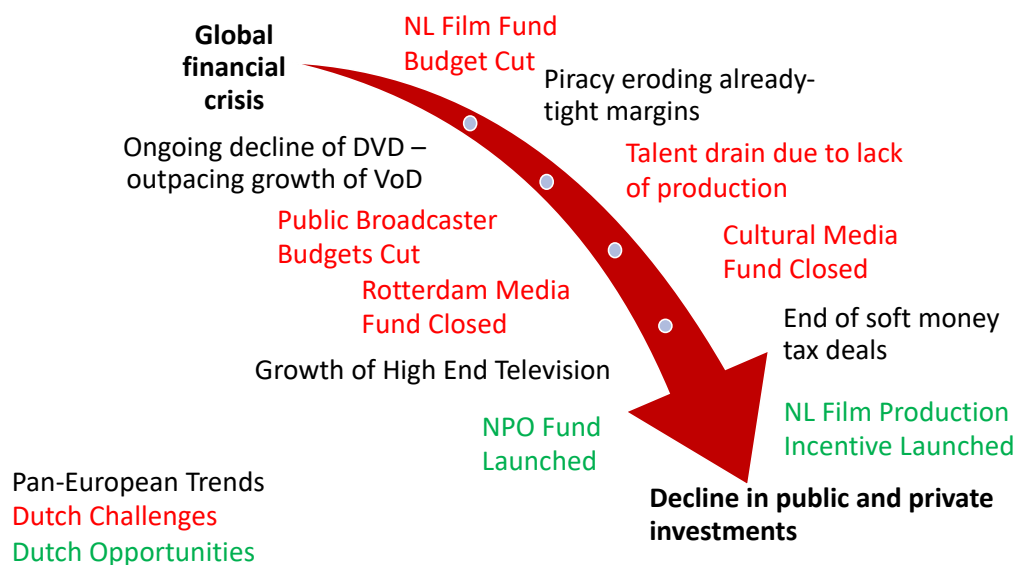
² *Economic contribution of the Dutch film and audio-visual industry*, Oxford Economics (September 2013) p. 29

³ *Ibid*, p. 39

The increased reliance on selective and automatic funding in the period between the two incentives also created a major challenge for the sector given the fall in funding to the Film Fund during the financial crisis. Budget cuts following the crisis resulted in a drop in available annual funding for the film sector at the Netherlands Film Fund from €38 million in 2011 to €30 million in 2013. Alongside the fall in the Fund's budget, the agency was also tasked with additional roles – in festival support and training – while other public funding available to the sector also fell.

Indeed, from a peak of €53.3 million public funding in 2006, the amount of money available from the public sector fell to €35.2 million by 2013, a fall of 34% – this reflects not only cuts to major funds, but also the closure of the Rotterdam Film Fund.⁴ These changes reflected those seen in a wide range of European territories, but hit the Netherlands particularly hard (see Figure 2, below).

Figure 2 – Factors impacting film finance in the Netherlands



Such a decrease in the availability of soft money inevitably made the Dutch film sector less attractive to international partners, not least given the growth of funding and infrastructure stimulated by the Belgian Tax Shelter and available incentives in other countries. It also compounded a global fall in the availability of market capital for film production, which collapsed worldwide following both the financial crisis and the dramatic falls seen in the DVD sales and rental market.⁵

As a result of this, the Dutch Government re-introduced a new Incentive to support production, which was launched in 2014 as a cash rebate, and which is described below.

⁴ *Ibid*, p. 57

⁵ *The State of the UK Independent Film Sector*, Olsberg•SPI (28th April, 2017) p. 8

4. THE NETHERLANDS FILM PRODUCTION INCENTIVE

4.1. Overview and Objectives of the Incentive

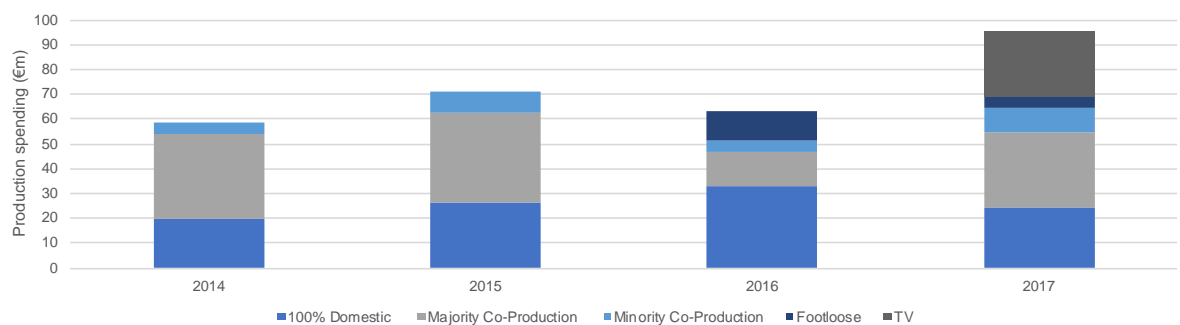
The Netherlands Film Production Incentive is a 30-35% cash rebate on film and High-End TV production spend in the Netherlands. Producers apply for the scheme in one of four application rounds, and are – following the completion of the production and auditing process – provided with a cash rebate on eligible expenditure in the country.

The Incentive aims to position the Netherlands as an attractive destination for international and domestic film production, and by supporting such filmmaking, to generate investment in the talent, crew, and companies which feed the sector. It was launched at the 2014 Cannes Film Festival, with the first applications being granted in July of that year.

The film element of the Incentive operates on an annual budget of €19.25 million, and as we note above, since its launch has supported 245 films, with a total Dutch production spend of €262.1 million.

In October 2017 the scheme was expanded to cover high-end TV series, as a one-year pilot. €10 million funding was allocated for this element of the scheme. The first application round was undertaken in 2017, and 11 projects were granted the Incentive, with a total projected spend of €26.4 million.

Figure 3 – Spending supported by the Incentive, 2014 to 2017



Source: Olsberg•SPI analysis of data from the Netherlands Film Fund

The regulations for the Incentive articulate that it has a number of separate purposes; among these, the scheme aims to:

- Promote the competitive position and attractiveness of the Dutch film industry;
- Increase the production activity of Dutch creative and technical film professionals;

By doing so, the scheme will:

- Promote the development of film talent in the Netherlands; and,
- Stimulate the diversity, quality, and distribution of Dutch film productions.

4.2. Supporting Strategy

Given the tight budgets for public funding which remained after the budget cuts in 2012 and the ongoing falling finance market in areas such as Minimum Guaranties from distributors and sales-agents, broadcast and private equity finance, the Fund's strategy for its overall funding was revised in January 2017. This has seen the Fund aim at investing greater amounts in the development, production, marketing and distribution for a smaller number of projects, setting the position for more domestic and international success. Budgets in each of these areas have

increased, as have the amounts available per project, providing the foundations for projects to achieve greater domestic and international success.

Included within this, Dutch producers are to be encouraged to take a greater role in international co-productions including minority co-productions, providing Dutch film professionals with the ability to cooperate with new international partners, and experience working on larger productions.

Taken together, these strategic elements aim to increase the scope of the Dutch film sector to participate in larger-scale international productions, by developing skills, scale, and contacts in the management, production, and post-production sectors of the market.

Alongside this change, the Fund has also provided additional selective funding for skills training and innovative projects, to support the future development of an innovative Dutch film sector in the future. The Fund has also developed a new selective bonus scheme for mainstream films.

This revised strategy marks a sharpening of the previous approach, and as such it is too early to fully evaluate its impact. Nonetheless, the evidence we provide below will show that it is already having a positive effect on the direction of travel for the Dutch film industry. This being said, it is important to recognise the funding context in which the industry operates – the Fund and other supporting institutions suffered significant cuts following the Financial Crisis, which continue to inhibit broader investment policies.

5. THE EFFECT OF THE INCENTIVE ON THE APPEAL OF THE NETHERLANDS

This section of the report will address the impact of the Incentive on the appeal of the Netherlands in a number of core production areas:

- Domestic Dutch productions (including majority co-productions);
- Minority Dutch co-productions; and,
- Footloose productions using the Netherlands as a production location

For the purposes of this Study, we take the 'appeal' of the Netherlands to mean the interest and ability which relevant producers have in working with the Netherlands – including for Dutch producers who might otherwise have to work in Belgium – and the speed and scale of production once a decision has been made.

5.1. Domestic productions (Including majority co-productions)

The Netherlands has historically had a relatively strong domestic production sector but, as the brief history above notes, this has struggled since the closure of the CV Measure, and the loss of other funding, both public and private, which followed during the financial crisis and the disruptive changes in the audiovisual industry. These changes have particularly focused on digital disruption, which has particularly impacted the TV sector – competition from OTT services for viewers and online services for advertising has dramatically decreased revenues in many markets.

This led to a situation where, prior to the introduction of the Incentive, the Dutch film sector had a very limited amount of finance, in the face of attractive incentive schemes in many other countries, not least a significant scheme to support production in Belgium.

The sector therefore did not face a level playing field – all nearby countries (except Denmark) offered production finance in the form of an incentive, together with significant soft money, making it difficult for Dutch domestic and co-productions. As a result of the small amount of available finance, Dutch productions prior to the introduction of the Incentive tended to be relatively contained in scale – with a limited scenario reflecting a limited budget – and tended to have a low level of ambition as a consequence.

The introduction of the Incentive has helped to support the relative stability in production numbers, with the volume of domestic (including majority co-production) feature films produced averaging 30-40 per year, with between 17 and 25 feature documentaries also produced. The vast majority of these are now Incentive-supported, with only a small number of non-Incentive feature films released.

5.1.1. Financing in the Netherlands

Since the introduction of the Incentive, the scheme has become a critical part of the financing system for Dutch films, reflecting the shortage of funding which existed prior to 2014. This is underlined by the survey, where producers strongly felt that the availability of the Incentive had had a positive or very positive impact on their ability to finance and make domestic productions; 76% of those responding answered this way.

Despite this, the average budget for domestic films accessing the Incentive remains relatively low; since 2014, when the average Dutch spend of films accessing the Incentive was €1.51 million for 100% Dutch films, and €1.55 million for majority Dutch co-productions. After this point, the average budget fell to €1.04 million for domestic, and €1.28 million for majority Dutch co-productions.

Even discounting the documentary features within the sample, which tend to skew such results due to their smaller size, the average Dutch spend for 100% Domestic features only rises to

€1.59 million. This suggests that while the number of productions has risen, the overall scale of these projects continues to be limited by the wider market. Our analysis suggests that there are several reasons for this.

Firstly, the Dutch market is relatively small in scale, with limited market funding, and relatively low levels of corporate finance. This is not an unusual issue – our work around the world suggests that many markets are suffering from a fall in the availability of finance for mid-sized productions, and that such titles face a more difficult recoupment cycle when released.

Within the Netherlands specifically, the tightness of the financing market is underlined by the response to our survey - asked whether various sources of funding had increased or decreased, the vast majority of producers felt there had been a significant decrease in Dutch and Foreign Distributor Funding, Dutch Broadcast Funding, and Dutch public funding. Only funding from VoD services and foreign incentives were perceived to have increased since the introduction of the Incentive.

5.1.2. The use of the Incentive

Our finding is that the Incentive is, consequently, being used to fill holes left in the budgeting process which have been left by the fall in other financing sources, meaning that the availability of the Incentive hasn't led to an expansion of the investment available for projects.

As is common in many territories, producers tend to rush into the production process without sufficient development or pre-production, reflecting the fact that producer fees and overheads represent their largest revenue stream. Even where these are deferred due to the tightness in the finance market, the focus of production companies is often to get projects made, rather than working longer to expand the budget. In doing this, they limit the amount of finance and number of financiers to the minimum necessary to get the project into production, but this has the impact of limiting the potential upside for projects, both domestically and internationally.

Our research suggests that this element is changing – a number of production companies are now developing projects which are of potentially greater interest following the introduction of the Incentive, but these will take more time to come to market. To date, however, there are only anecdotal data to demonstrate this change.

5.2. International Dutch minority co-productions

Since the introduction of the Incentive, there has been a major increase in the number of minority co-productions released in the Netherlands, with this broadly mirroring the numbers being incentivised. Producers also note that financing for such productions is quicker than it used to be prior to the introduction of the Incentive – whereas this used to take 4-5 years for a minority co-pro, producers believe that this has fallen to an average 2-3 years. The implication of this is that the Netherlands is a more interesting partner for international co-producers than was the case prior to the introduction of the Incentive.

Such a conclusion was ratified by many producers, who noted that they had received more attention at Cannes in recent years than prior to the introduction of the Incentive. It is also mirrored in our survey findings related to the impact of the Incentive, where 76% of producers noted that the impact of the scheme on the ability to make minority co-productions was positive or very positive. 80% of producers felt that their ability to find new co-production partners had increased or somewhat increased since the introduction of the Incentive, with 68% feeling that their ability to make productions with existing partners had been positively impacted.

Taken together with the increase in Dutch involvement in minority co-productions, this suggests that there is an expansion of the ability of Dutch producers to engage with this part

of the International market. Such involvement will set the scene for future growth of Dutch production companies, whether through the diversification of their productions slate or their involvement in larger productions with more recoupment potential.

5.2.1. Co-production challenges

Despite this increased interest in the Netherlands as a production partner, however, it remains challenging to finance bigger productions of the kind Dutch producers wish to make with the Incentive. These tend to cost €4-6 million, and the current structure of the Dutch financing market can make it difficult to achieve the minimum national share for a treaty production. Producers noted that, in particular, much of the funding in major co-production partners has significant spending requirements, making it difficult to structure productions in such a way as to maximise the benefits to the Netherlands.

Since the introduction of the Incentive, the average Dutch spending on foreign-initiative co-productions was €440,000, with no growth in this figure identified since the scheme was launched. Given the limited amount of soft money available in the Netherlands compared to Germany, Belgium, and France, taking more than a minimum 10% share in a co-production was noted by Dutch producers as being hard, particularly when spending requirements in these countries were considered

Despite the increased funding by the Film Fund for minority co-production from 2017, the perception that the funding of the kind needed to make minority co-productions had decreased was clearly seen in the results of the survey. 52% of those responding felt non-Incentive Film Fund funding for their productions had decreased partially or significantly, together with 68% of respondents for other Dutch public funding, and 70% for Dutch broadcaster funding.

This negative trend notwithstanding, the strong impression from our consultations with the Dutch production community is that even given the present difficulties in financing production, there are signs of progress. The change in approach of the sector towards greater involvement in minority co-productions, and the ability to co-produce with new partners, will generate future opportunities for the sector which it would not have had without the availability of the Incentive and the change in Film Fund strategy. This being said, potential co-production partners continue to have access to a greater amount of soft money than Dutch producers, and given this it will continue to be difficult for the Dutch industry to maximise its engagement with this part of the sector.

5.3. Footloose productions

Since the introduction of the Incentive, six international footloose productions have been attracted to film in the Netherlands, spending an average of €2.8 million per project in the country. Total spend in the Netherlands for these projects has ranged from €1.2 million to €5.8 million, with two projects spending €5 million or greater; as we note above, this is equivalent to a large European co-production.

As shown by the fact that the first successful Incentive application was not until year three, there is a lag in this part of the industry. This is a something which has been seen in other countries following the introduction of a new incentive, and the present low volume is likely to be addressed as the international production community learns to work with the Dutch Incentive. It is reflective of an inherent caution within the major film producers, who tend to be relatively risk-averse, and often prefer known locations over unknown – success in this segment therefore provides scope for future growth.

5.3.1. The role of the Fund and Commission

However, it will need ongoing, additional work from the Netherlands Film Fund and Film Commission to be able to adjust the focus of the international promotion of the Netherlands to attract footloose productions. Work is required both to increase the visibility of the country in the international market, and to help the Dutch production sector to expand their network and to understand and capitalise on the opportunities footloose production offers.

The need for this was underlined by the survey as well as consultations. Only 36% of survey respondents felt that the Incentive had had a positive or very positive impact on their ability to attract footloose productions, with the largest single answer (12 out of 25) being not applicable.

Such a response may reflect a lack of interest from many consultees in working as a service producer, with a preference for making their own content. This is an issue we have seen in many markets in Europe (including the UK), and reflects the fact that many producers value having absolute control over smaller projects to working in a service role in larger projects, and thereby building value in their businesses.

5.3.2. The Netherlands in the international market

Despite this, the Dutch sector has major advantages which can be sold for the international market. Consultees noted that because the Dutch production sector has been operating on very low budgets for a long time, the sector is used to providing high-quality services at low cost, which should provide a competitive advantage. In many cases, rates for crew and services (i.e., VFX and post) in the Netherlands are 30% or more lower than rates in for example Belgium, for the same quality of work.

The availability of the Incentive has also increased the competence of Dutch crew in working with international productions, both through footloose and co-production work. This provides a basis for growth in these areas, as Dutch crew will be seen as of sufficient experience and quality to work in these productions. However, we note that there remains a widespread perception in the Dutch industry that a gap exists between the skills of much of the Dutch crew base and the requirements of international productions (though, as we note, this perception is belied by experience).

From a non-film infrastructure perspective, there are also a number of benefits to the Netherlands which could be underlined to international productions. Among these are the attractiveness of the country as a location for cast and crew to base themselves, and the significant advantages of having a major airport (Schiphol) and seaport (Rotterdam) which makes it straightforward to get goods and people in and out.

5.3.3. Building confidence

Despite this, the cap on the Incentive and relative lack of confidence in the sector seen in the Dutch production community will make positioning the Netherlands as a serious competitor to Belgium and other regional production locations difficult. While there is a lower cost base in the Netherlands, Belgium is a trusted, known partner, and has an uncapped incentive – as a consequence, Belgian cities continue to double for Dutch ones in footloose productions which could shoot in the Netherlands. The combination of these factors makes it difficult for the Netherlands to compete.

It is probable that time will address some of these issues – there are various major productions shooting in the Netherlands this year, and if these are successful, there will be greater international market trust in the ability of the country to deliver the quality needed for them to choose the Netherlands as a production location. A similar process was, in fact, seen in Belgium

where it took several years for the international community to understand the Tax Shelter, and become comfortable using it.

With a focus on productions of the right scale to build this sector, it is therefore likely that the Netherlands will find its place in this market, and be able to benefit further from the spending and experience of international productions. Given the size of the budget for the Incentive, such productions are likely to be in the high-end independent market, rather than tentpole productions. Such content will normally budget up to €15 million (occasionally rising to €20-25 million), and tends to be focused on serious drama projects.

While significantly lower than the \$100 million (€85 million) or more budgets seen for Studio tentpoles, smaller budgets much better fit the current scale and capacity of the Dutch production sector and Film Production Incentive Scheme. A focus on such productions is also likely to be a major selling point, though, given the increasing difficulty high-end independent projects have finding locations and facilities in the larger production markets.

6. THE EFFECT OF THE INCENTIVE ON PRODUCTION ACTIVITY

This section of the report will address the impact of the Incentive in two areas of the Dutch Production Sector:

- How Incentive-supported productions have impacted Dutch Creative and Technical Film Professionals; and,
- How the Incentive has changed Dutch Film Companies, both production companies and those in support and supplier industries

6.1. Creative and technical professionals

It is worth noting before addressing individual market segments that since the introduction of the Incentive, consultees across the industry have noted that there has been a noticeable impact on the professionalisation of the Dutch film sector. Various groups within the sector, reflecting the increased opportunities which the Incentive offers for the development and growth of the sector, have acted to present themselves differently to the market, becoming more organised, and acting in a more coordinated manner, in a way which will benefit the sector moving forward.

This is reflected in the introduction of the NPA as a lobby group for the post-production sector, and the establishment of a documentaries evening party hosted by Documentary Producers Netherlands at IFFR, to provide opportunities for the Dutch documentary production sector to network with international counterparts, generating new relationships for Incentive-eligible co-productions.

6.1.1. HoDs

The availability of the Incentive, together with a requirement to use at least two Dutch HoDs, has provided an opportunity for Dutch crew. Production consultees noted some concern about requiring productions to use them initially, but felt that many have grown in stature and skills as a result of this experience, and are now undertaking more projects outside of the country.

In many ways, this is unsurprising – film education in the Netherlands is considered strong, particularly in areas like VFX, but until the introduction of the Incentive, the status of the market meant that in such many fields there weren't the positions to offer graduates. As such, a lot of Dutch film professionals move abroad to fulfil their career goals, though we note that many are coming back in response to the stimulation of the production environment as a result of the Incentive.

This is reflected in the results of the survey, where many HoD-level skills were ranked positively or very positively, in particular DoPs, Editors, Sound Recordists and Mixers, and Production Design. Given the relatively limited repeat use of these skills seen in the final certification statistics – where between 60-70% of named individuals were involved in only one production to date – this suggests a relatively wide spread of skills in the sector.

The one area of concern for the creative part of the sector is storytelling – there is a widespread perception expressed by producers and other professionals that this is weak in the Netherlands, though given the limited development process, it is not possible to say whether this is a result of skills or process failures. This is underlined by the results of the survey, where writers were ranked as the weakest of all HoD-level professionals in the Netherlands; only 28% of respondents rated Dutch writers positively or very positively, the same percentage who saw this skillset negatively. The Fund is working to address this challenge, through shifting selective funding into development to avoid projects having to rush into production, but it will take time for the sector to change the way of working, and to professionalise its storytelling skills.

6.1.2. Film Crew

Our analysis of existing data on the scale of film crew in the Netherlands suggested very limited availability of specific data on the scale and makeup of film professionals available to Dutch productions – consultations with stakeholders in the sector did not provide us with any particular data source, nor did our desk research. As a result of this, in order to assess the impact of the Incentive on film crew, two questions were asked in the Survey, asking respondents to assess the impact of the Incentive on the availability and cost of Film Crew in the Netherlands.

The results of the first question suggests that for most departments, there has been little change in the availability of crew, with most answers clustering around the “neither increased nor decreased” response. This is in many ways unsurprising, as in general we find that when an incentive is introduced, the increased production initially uses existing crew and facilities more efficiently. As such, it is likely that there was over-capacity in this part of the market before (either domestically or in neighbouring countries), which the increased production spend associated with the incentive has leveraged.

The three departments where the industry perceives lower availability, however, were Grip, Lighting, and Location – in all three, there is a view that crew have become less available since the Incentive came into effect. This aligns with the results of our consultation phase, where stakeholders in the industry noted that the two technical departments and locations are currently lacking in depth in the Netherlands.

These three departments, along with the camera department, are also ones where the costs are perceived to have increased most since the Incentive became available. This is likely to reflect a relatively limited number of individuals in the marketplace, which would tend to push up rates as the number of productions increases.

For most departments, however, the majority of answers to this question clustered around ‘no change’, and this also aligns with the results of our consultation phase. Stakeholders perceived that, for the most part, pay demands had been relatively restrained even with the availability of the new funding model. If the impact of the Incentive has been to use existing capacity in this area, rather than leading to a shortfall, then this is unsurprising.

Taken together, these results suggest that there has been a relatively limited impact from the Incentive-supported productions on the film crew in the Netherlands to date, with the exception of departments where the data suggest numbers are limited. Consultees advised that, in general, there hasn’t been an increase in the number of crew required for Dutch films, or their time on projects, though some consultees noted that this is beginning to change.

This is perhaps unsurprising given the stability in budgets seen, but we would expect crew to benefit in future from the growth projected by the production sector as the Incentive continues to develop, particularly were budgets to rise, or the number of productions continue to grow.

6.1.3. Post-Production and VFX

All elements of our research suggest that the post-production and VFX sectors in the Netherlands are very strong. The lean years preceding the introduction of the Incentive forced this part of the film industry to learn to do a lot with limited funding. This reflects the strong film sector education noted above, and allows the Dutch post-production and VFX sectors to provide a very competitive level of services at lower costs than neighbouring countries, such as Belgium and Germany.

The esteem with which this component of the sector is seen was reflected in our survey – 84% of respondents to this viewed the post-production sector positively or very positively, with 52% seeing the VFX sector in the same way.

Despite this, stakeholders within the industry have noted that the trend which sees a falling number of post-production days which started in the era preceding the introduction of the Incentive has not been reversed since the scheme came into effect. Budgeted post-production costs are perceived by post-production companies to be unreflective of the costs which they incur, with a range of consultees arguing that this reflects a certain form of pro forma budgeting used in the Netherlands. Further research, using granular budget data on a statistically significant sample of Dutch productions over the last few years, would be required to test this.

There was an expectation from the post-production and VFX community that the amount of budget to which they have access would rise following the introduction of the Incentive but, as these companies have noted, the number of days has continued to fall. As we note above, however, the Incentive has not necessarily increased the average production budget, so in many ways this lack of growth is understandable.

For the post-production and VFX sectors, consultees have also noted that the present structure of the industry and Incentive makes it very difficult to attract co-production or footloose projects primarily utilising this component of the Dutch film industry. This reflects the requirement that, in common with some other countries, a producer has to be attached to the project, which has limited the use of the Incentive by post-production and VFX companies. This reflects the fact, as noted by a range of post and VFX-sector consultees, that producers do not see such engagements as advantageous to their business, and potential users of Dutch post and VFX services see it as increasing cost.

There is a perception within the post-production and VFX community that producers would not be interested in spending their time on applications which will only marginally benefit their companies. As we note above, producers perceive the applications for the Incentive to be labour intensive, and post-production and VFX companies note that when the requirement to involve a Dutch producer was noted in sales pitches, this led foreign producers to disengage.

Within the wider industry, it is also perceived that the Dutch production sector doesn't have the skills or knowledge to understand, use, or budget for modern post-production or VFX techniques, even where these could add major production value for their projects. Post-production and VFX companies noted that Dutch producers don't involve them early in projects, and consequently they tend to have to fix things later in a production which could have been more easily dealt with earlier on.

In many markets, post-production and VFX companies are now engaged with projects at the development stage, and work on films throughout the production process. Such an arrangement allows post-production and VFX companies to engage more deeply with a production, being a proactive participant rather than trouble-shooting at the end of a project.

6.2. Film production companies

6.2.1. Development

Presently, the Development of projects in the Netherlands is a weakness in many companies (there are exceptions with a strong process), and while this is only tangentially related to the Incentive, we believe it does lead to knock-on impacts on the success of productions. Slate funding – both from the Film Fund and Creative Europe – plays a key role in supporting this part of the sector, and the recent change in strategy of the Film Fund to include an increased budget for development and training will also help to address this in the longer term.

As we note in the Domestic films section, however, the impression given is that few Dutch production companies develop films well. This lack of development impacts the quality of productions once they go into the filming and post-production stage, and combined with pre-

production which is considered too short, requires film professionals to troubleshoot projects (much like post and VFX companies, above), rather than lend their talents to creative parts of the shoot.

Such a lack of development creates a challenge which, in other markets, the availability of production funding alone – such as the Incentive – cannot address; other sources of capital instead tend to be required to help producers develop content prior to going into production. This reflects the fact that in the Netherlands, as in most European film production markets, many companies' production company turnover comes from the activity of production itself through fees and overhead; as we note, there are exceptions to this, in particular the larger companies.

In a market that is characterised by a limited language area, and in which it is considered unlikely that a production generate downstream benefits through release, it makes sense to minimise a period within the production process when, from a cashflow perspective, investments are being made for limited likely gain. However, as the sector develops, this is an issue which we believe the Fund should be enabled to keep an eye on – useful interventions are being made, but our perception is that given the challenges in the Dutch film sector, this in an area in which further intervention may be needed to assist the production sector in overcoming this challenge.

6.2.2. Financing

While generous by international standards, our finding is that the Incentive has not stimulated additional funding so much as it has acted to replace other, falling, financing sources. This reflects a number of major international trends.

Our research around the world highlights that the present market for financing feature films is a difficult one – the collapse in the value of DVD sales and rentals, the high level of piracy and the uncertain value of film content on VoD platforms, has combined to make distribution finance a much smaller use of production budgets than it used to be. This is reflected in the survey, where – as we noted above – producers noted that distributor financing had fallen the most as a part of their budgets over the last few years.

This fall in financing is also seen in other areas, as public funding from Dutch funds and broadcasters has fallen heavily, including the Film Fund's overall budget over the course of the financial crisis. Private equity investment – whether Dutch or Foreign – was also felt to have fallen over the period, though by a lower percentage than MGs and public money. Indeed, of the funding sources asked about in the survey, only VoD services and foreign incentives were felt to have increased, while the availability of European funding (both Creative Europe and Eurimages) was perceived to have held steady over the period.

The weakness in public funding has spilled directly into Incentive-supported productions on a number of occasions, with data from the Film Fund suggesting that 15 have had to withdraw from Incentive applications as the Fund were not able to provide sufficient selective funding to make the project sustainable. Detailed data were only available for five of these projects in the data set to which we had access, but these show an average total budget of €3.1 million, with an average €675,000 Dutch spend. This is almost three times the average budget of an incentive-supported film, and 53% higher than the average Dutch spend of a successful minority co-production, underlining that it is bigger-budget films which are struggling on account of these financing challenges.

Such an explanation serves to address a number of the issues raised by stakeholders, including the flat nature of film budgets in the Netherlands, the lack of growth in production days, flat or falling post-production and VFX budgets, and the perception from all parts of the industry that

they were not benefitting from the additional finance. While a plurality of producers responding to the survey noted that their financial position had increased somewhat following the implementation of the Incentive, a large number noted no change.

Throughout our research to date, it has been noticeable that the impression from production companies is that other parts of the sector have benefitted since the Incentive; this is reflected in the survey, where producers felt that there had been a marginal increase of costs since the Incentive was launched. Directors, post-producers, and others interviewed, meanwhile, believe that producers have benefitted, noting no additional time or resource has been made available for their elements of the production, with no additional shooting days provided, and post-production and VFX budgets continuing to fall.

Our impression is that various elements of the sector have expected the availability of the Incentive to be a cure for a wide variety of challenges, but given the wider market conditions, this has understandably not occurred. Though there has been some improvement in the financial health of the sector since its introduction, the Incentive alone has not served to address the wide range of financing challenges seen in the European film sector in recent years, nor could it reasonably be expected to do so.

The one area of particular challenge, however, continues to be the Belgian Tax Shelter. Producers and other participants in the Dutch film sector invariably compare the situation in the Netherlands to that next door, and it is undeniable that the Tax Shelter is a very generous and effective scheme (despite its high costs), which combines well with regional funding schemes not available in the Netherlands. The Shelter has a very different aim to the Dutch Incentive, though, and given both this and the status of the Dutch sector prior to its introduction, we do not believe that a helpful comparison can be made between the markets in this Study.

7. THE EFFECT OF THE INCENTIVE ON THE QUALITY OF THE FILM SECTOR

This section of the report will address two areas in relation to the stimulation of talent and diversity in response to the introduction of the Incentive:

- How the activity supported by the Incentive has stimulated the development of Dutch film sector talent; and,
- The degree to which the introduction of the Incentive has stimulated the quality, diversity, and distribution of Dutch film productions

7.1. Film talent development

Film talent is the bedrock of the sector, representing the key personnel – both behind and in front of the camera – who spearhead the development of content within the industry. This section will look at the development of new talent – whether writers, directors, producers, acting talent, or heads of department – entering the sector, and the upskilling of existing talent to take on new and larger tasks.

7.1.1. *The Incentive and new talent*

The change in strategy at the Film Fund which the availability of the Incentive has facilitated offers an opportunity for the development of film talent. By increasing budgets for development and training as well as freeing up a range of selective funding programmes for new talent or more experimental projects, rather than the support of more productions, the strategy provides a basis for future successful development. This will align with the lowering of the budget threshold for the Incentive to allow the development of a ladder of talent, and the creating of new, exciting projects for the Dutch audience.

To date, however, the direct impact of the Incentive on film talent development has been relatively limited. As we note above, the budgets for projects accessing the Incentive have remained relatively flat, though the lowering of the minimum production budget from €1 million to €600,000 from 2017 might help to bridge the gap between talent development projects and Incentive films in the future.

As the sector develops through both of these strategies, film talent, including writers, directors, and actors, should have the ability to graduate from smaller projects accessing selective funding to those in receipt of the Incentive. However on this occasion, given the low base from which the industry has developed over the past four years, and the time required to effect change in the film industry, it has not proven possible to assess the degree of this on a sector-wide basis in this Study.

7.1.2. *Upskilling*

Despite the opportunities being opened up by the Film Fund's revised funding strategy, it is also clear that talent development remains a challenge. While the Netherlands Film Academy – and other film schools in the country – provide a strong basis for new entrants into the sector, the upskilling of mid-career crew is seen as being weak. Film workers have, historically, not been able to invest in their careers, and this will hold the production sector back even with the availability of the Incentive.

This being said, various consultees – and the results of our survey – indicate that the sector does believe that Dutch crew and most HoDs are relatively strong. Despite some concerns being expressed by producers during our consultation phase about the ability of the Dutch production sector to take up senior positions on co-productions and footloose projects, the general impression is of a sector which has a strong skills base, if not the confidence in this seen in other markets.

It may be that as the sector develops in response to the Incentive, the development issue will be addressed by market participants, with courses being developed to fill the demand of people to invest in the development their own careers. However, this should be monitored, and intervention may be required if this doesn't happen, as any failure in this area would inhibit the development of the sector.

The need for an additional intervention to support the development of talent – in particular in leading positions (such as HoDs) within the crew besides storytelling – would not be an unusual one. In many countries, the availability of a new funding source of this kind often results in the immediate usage of existing talent, with a significant lag in skills development occurring. Should this continue, the Film Fund, and industry groups representing the professions in the film sector, should be ready to identify a further intervention model to ensure the ongoing development of the talent required to support the industry.

7.2. Diversity, quality and distribution of films

In this section of the report, we will discuss the diversity, quality, and distribution of Dutch films. We interpret this to mean the variety of topics and genres they cover (diversity), their success at major festivals and awards (quality), and their success in the international market (distribution).

Identifying success in these areas is inherently a challenging task – quality, in particular, is a question which is inherently difficult to quantify. While diversity and distribution are more straightforward in many ways, both rely on third-party datasets such as Lumière, which unfortunately proved incomplete when used for our analysis.

7.2.1. Diversity

At this point, it is difficult to assess the impact of the Incentive on the diversity of film production in the Netherlands. Given the time taken for the development of content, consultees have advised that much content produced and released to date with Incentive funding was a legacy of the pre-Incentive focus of the industry. Between this and the change of focus in the selective funding element of the Film Fund's activities, it is likely that the Dutch sector is moving towards a position of greater diversity of content, even if this has yet to flow through to the production activity of the industry.

This perspective was validated in a number of consultations, where stakeholders noted that they were in the process of developing projects of a different kind to those which had preceded them. Such productions are looking to address ideas, topics, and genres which would not have been feasible in the prior funding environment, helping to build a more diverse sector as a result.

The survey's results with regard to co-production partners also suggests this is a process which is currently ongoing. Here, a majority of producers noted that they were finding new co-production partners, and discussing new kinds of projects with existing partners, both of which are likely to increase the diversity of content in the Dutch film sector over the next few years.

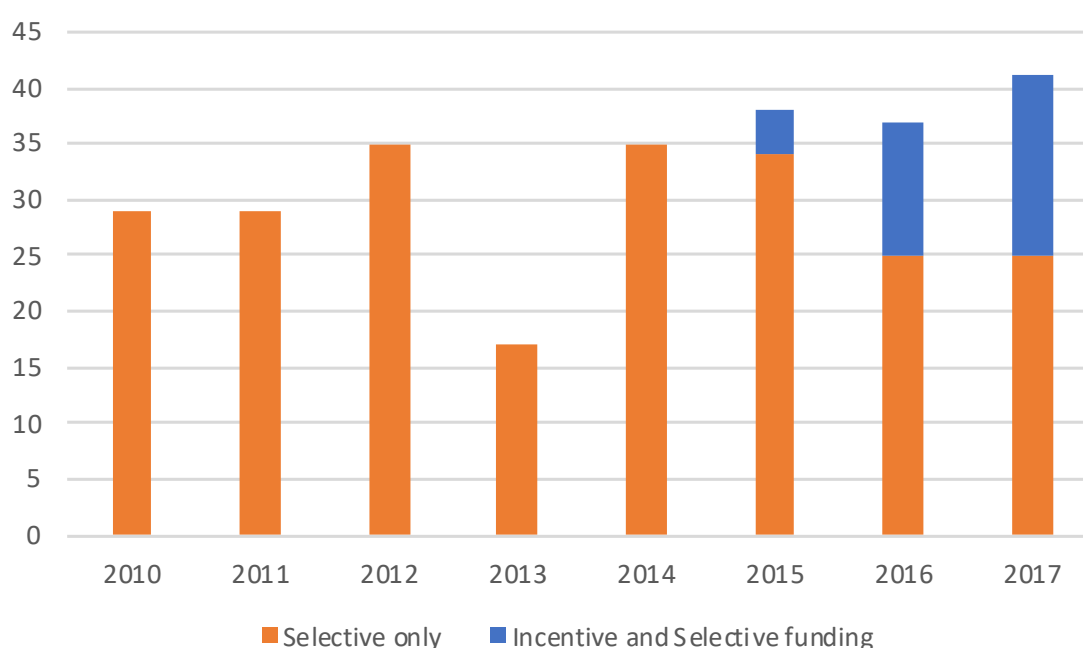
While consultations suggest that, to date, there has been a relatively limited impact of the Incentive on the diversity of Dutch film productions, as we note this is a legacy of development processes which were in place prior to the Incentive being introduced. It was noted in a range of consultations that since the introduction of the Incentive, the Dutch production sector – especially within the mainstream part of the industry – has continued to make films of the same genre and content types that it did prior to the Incentive. Romantic comedies were noted as a particular focus at the moment, but our impression is that this is changing, and that more diverse content is in development. Such mainstream films also tend to rush into production, given the cost and time pressures noted above; this is a trend also seen in other countries.

7.2.2. Quality

As we note above, quality is a notoriously difficult aspect of the film sector to measure – it is inherently subjective, and in many cases will be disagreed upon, even by film sector professionals. However, one issue which tends to be unambiguously accepted as a demonstration of quality is success for feature film productions in achieving selection for major international festivals, and winning awards at such events.

In order to assess the impact of the Incentive on this aspect of the industry, we used the data from the *Film Facts and Figures of the Netherlands* reports, which identifies selection and prizes for Dutch feature films – including 100% national, majority, and minority co-productions – at major festivals of relevance to the Dutch industry. We then assessed the impact of Incentive support on the rate of selection and award.

Figure 4 - Dutch feature films selected for major international festivals, 2010-2017⁶



Source: Olsberg•SPI analysis of data from *Film Facts and Figures of the Netherlands*, 2011-2018

Data from this analysis shows that, as of 2017, non-Incentive supported feature film productions continue to be the majority of those selected for major festivals. As the chart above shows, of the 41 Dutch productions selected for major in 2017, only 16 had received the Incentive.

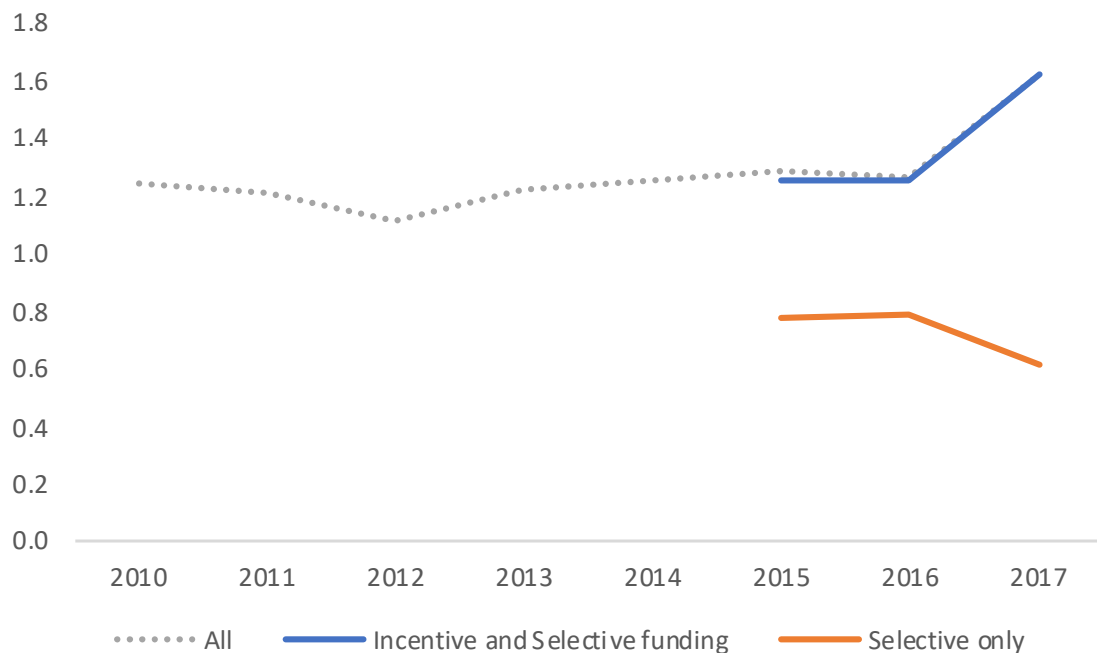
However, the trend data also show growth in the number of Dutch feature films invited to festivals or selected for awards since 2015, when the first Incentive-supported productions received such selections. Whereas in the years between 2010 and 2015, an average of 29 Dutch productions received such selections, this has shot up to an average of 39 for the last three years.

These data also suggest that there has been an impact in recent years on the success of these productions at festivals and awards. The average Dutch feature film selected at a festival

⁶ For the purpose of our analysis, we do not disaggregate productions receiving selections from those which have received awards at festivals having been selected. Analysis includes Dutch national, majority, and minority co-productions

received 1.2 nominations or prizes between 2010 and 2016, which grew to 1.6 selections or prizes in 2017, driven solely by Incentive-supported production. While such productions will have received Dutch selective funding in addition to the Incentive, the increasing success associated with Dutch films since the introduction of the scheme is suggestive of an associated increase in quality.

Figure 5 - Festival selections and prize wins per Dutch feature film production, 2010-2017



Source: Olsberg•SPI analysis of data from *Film Facts and Figures of the Netherlands*, 2011-2018

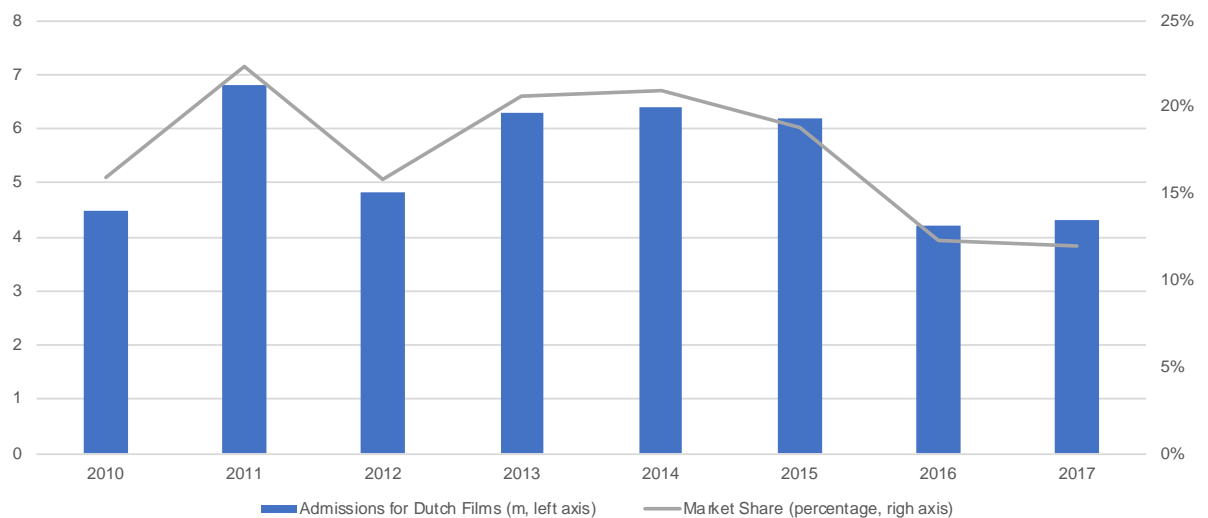
NB: only feature films selected for festivals and prizes are counted in the above dataset

What we conclude from this is that, while there are a smaller number of Incentive feature film productions reaching gaining such selections than non-Incentive ones, Incentive-supported films that do get selected achieve noticeably more accolades than those that do not. This suggests an increase in quality is associated with the Incentive, which may be aligned with the increased internationalisation – through co-productions – which is also seen.

It should be noted that Incentive-supported productions not only received a cash rebate contribution but also grants through the other schemes of the Film Fund; this practice is normal in most countries.

7.2.3. Distribution

Figure 6 – Admissions and market share for Dutch productions in the Dutch theatrical market, 2010-2017



Source: Olsberg•SPI analysis of *Film Facts and Figures of the Netherlands*

In order to provide a view on the distribution of Dutch films in the Netherlands, data on audience share were taken from *Film Facts and Figures of the Netherlands*. These data suggest that Dutch productions still struggle to find a market in the Netherlands, and despite increased absolute attendance figures, the national market share has been falling in recent years, remaining flat in 2016 and 2017. Where an increase in audiences for documentary and arthouse films is noted, a drop in audience attendance of Dutch mainstream films is seen.

The challenging nature of the Dutch market was an issue ratified by our consultation round. Here, consultees highlighted the challenge that many of these films are not of sufficient quality or interest to appeal in the international market, reflecting the underlying challenges in development and the Dutch production model. This issue compounds the fact that domestic mainstream films from most countries struggle in the international market, while arthouse productions tend to both travel and find a market at home.

7.2.4. Sales agents' views

Consultations with Dutch sales agents suggest that, at the moment, Dutch films aren't in a particularly strong position to perform internationally. Mainstream content produced in the Netherlands in recent years has focused on the domestic market, with content made such as rom-coms, which don't have significant international potential. Dutch on-screen talent tends not to have significant international recognition, while the content itself isn't seen as particularly distinctive stylistically, in the way that Scandinavian films are, as an example.

The production of more genre content – which our consultations with the production sector suggests is in development – should help in the international market, particularly when combined with the quality Dutch film makers can put into the finished product. Sales agents spoken with highlighted that Dutch films look much more expensive than they are, as a consequence of years of stretching budget, which helps with their international potential. Similarly, the introduction of the High End TV incentive, and the increase in on-screen quality generated here, will also help to put the Netherlands on the map.

While – as we note above – there has been an increase in the success of Dutch films at major international festivals, this has not driven significant sales opportunities in the international

market. This being said, such arthouse content is increasingly international in approach suggesting such international sales opportunities should arise as engagement continues.

In the documentary sector, it was noted that, prior to the introduction of the Incentive, the Dutch sector was in a difficult position, with several key producers having left, and the costs of the business stressed by falling TV licence fees. However, the Dutch sector has a lot to build on with the new funding – it is seen internationally as highly saleable, with high-quality content which tends to attract interest in the market. This is seen in comparison to neighbouring countries, where content can be more parochial in nature, and tends to be made in local languages, limiting export potential.

8. THE EFFECT OF THE INCENTIVE ON THE TV DRAMA, DOCUMENTARY AND ANIMATION SERIES SECTOR

Given the limited time for which the High End TV series Incentive has been available, our focus in this section of the report is to provide both initial thoughts from the market, and a baseline for analysis.

While data is less comprehensive in this sector, due to the nature of the TV market in the Netherlands (in particular the fragmented nature of the NPO) and the fact that every project which has been funded to date is still in pre-production, we have been able to identify figures which underline the value of the Incentive to date in comparison to the prior spending on original drama productions from the NPO. While comparable data are not available for documentary and animation series to date, research suggests hardly any were made in the relevant budget bands, which means the availability of the Incentive will boost the development of these market segments.

It is also worth noting that the weakness in data on TV production is not a uniquely Dutch finding. Compared with the film sector, where the availability of a range of public and private finance has engendered a strong tradition in data gathering, the TV industry traditionally limits external involvement in projects, and does not disaggregate spend in financial reporting. This model is, however, changing, as the costs of high-end TV production with value on the international market has led to the engagement of a wider range of parties, both public and private, and the consequent increase in the amount of available information on production.

Our experience demonstrates that this is a common change in other markets when an incentive is introduced, as the availability of this finance leads to the collection of structured data on the production of such content for the first time.

8.1. Operation of the Incentive

The overall market impression we take from our analysis is that the Incentive is working well – some large productions have been accepted in the first round, and others are in development which would use the Incentive were it to be continued. In the first round – the only one covered for the purposes of this Study – the Incentive was granted to 11 projects, with total Dutch spending of €26.4 million, or €2.4 million per series. Consultations suggest this is an increase on per-hour production costs prior to the extension of the Incentive, indicating that the availability of the finance is pushing greater investment in productions, as was intended.

The value of this production is demonstrated by a comparison with spending in the film production market. Dutch spending per project in the TV drama segment, at least for the first 11 productions, is much closer to that achieved by footloose film projects (which average €2.8 million Dutch spend) than domestic projects (averaging €1.15 million). Such investments leverage broadcast investment and the Incentive to attract additional funding from the market, both in the Netherlands and internationally, and as such put a higher value on screen.

The spending on projects supported by the Incentive represents a boost on the pre-Incentive spending by NPO on TV drama, which was indicated by sources for this Study as being around €60 million through both direct spending and the NPO fund in 2017. Though this does not cover the entire scope of the Incentive – either in terms of the number of broadcasters involved, or the range of content covered – data on spending in other areas is not available in the Dutch market.

Consultations suggest that the impact will be similar in the documentary sector. While it is not possible to identify data on production spend prior to the Incentive in this part of the industry, it is clear that productions using the Incentive will show much greater ambition than was possible prior to its introduction.

8.1.1. Animation

As with the documentary component of the market, it is not possible to specifically identify pre-Incentive spend in the Dutch TV animation sector. Nonetheless, the specific nuances of animation production means that the TV Incentive is of particular importance to the growth and sustainability of this part of the market.

Because the development and production process for animated content – both film and TV – is much longer than for live-action, and often runs to many years, companies specialising in animation can often find sustainability much more difficult to achieve. Ensuring a variety of content, including film, TV, and commercial, is a critical component of this growth and sustainability, and the availability of both Incentives represents a significant component of this.

By leveraging the Incentive, Dutch animation companies will be able to participate in both domestic and co-produced content, within an industry which is global and fast-growing. This model will put the Dutch animation sector, which is well-respected around the world, on a much stronger footing, and should pave the way for both commercial and financial success. As noted, however, this is a long-term project, and it will likely be several years before the first productions leveraging the Incentive are released.

8.2. Financing Productions

Producers reflected, however, that this represents a challenge for the present system – the per-minute spend requirements for productions are, despite being relatively low compared to international standards, higher than the Dutch broadcasting system, whether public or private, can currently afford. For TV Drama, the €650,000 per hour requirement is approximately twice what the market currently pays as a licence fee for such production – this often composes €250,000 to €350,000 in direct investment.

This is, of course, reflective of the aims of the scheme to increase the on-screen value and international saleability of Dutch High End TV productions, but as producers note, the status of the market has made it hard to close the gap where broadcasters aren't willing or able to fully finance. Although a distributor will provide a further amount as an advance, even with the Incentive finance, this still leaves a significant gap in production budgets, requiring investments from other countries' (whether broadcasters or VoD platforms) to allow the budget to close.

Selling this into the broader international market has proven challenging so far. Producers consulted note that, unlike for Scandinavian productions (as an example), foreign partners haven't been willing to provide pure investment, expecting instead to co-produce with the Netherlands, limiting the kinds of drama which can be developed.

Meanwhile, Flemish channels – which would be the most obvious partners – do not see the benefit of providing investment in productions, when they are used to picking up Dutch content at €2,000-4,000 per hour, a fraction of the investment cost which would be required to make the same production. Even with the high-end aim of this scheme, the feedback from the sector has been that they have so far been unwilling to raise their investments significantly.

We anticipate that this challenge will be overcome as the market for Dutch TV content develops, and as producers better understand how to sell projects in the international market. However, as it stands there is an expectations gap between what the Incentive is trying to do for the Dutch TV market, and how international partners are looking to work with the Dutch TV sector.

As with the film industry, where it has taken a few years for people to learn how to work with the system, this may be something which time and education can help to address. This is particularly the case in an environment where – unlike in other countries – neither the Film Fund nor other financiers operate a development fund for TV content. This represents a significant challenge for the sector, as companies – whose balance sheets are often not strong – are consequently responsible for funding this critical part of the creative process.

8.3. The future

However, this challenge also highlights a major issue for the present incarnation of the High End TV Series Incentive. While no longer a pilot, the budget for the scheme is still limited by the amount of reserves the Fund are able to spend on it, and this limits the amount of time and resource which Dutch producers and potential co-production partners are willing to put into the development of projects.

As the Incentive may not be available or sufficiently capitalised when they are ready to go into production, there is a lack of willingness to invest business time and capital in the development process for projects which might not be ready for a year or 18 months, as they are not convinced that the scheme will continue. Given the wide gap between the required per-hour spending for the Incentive and the current financing provided by both public and private broadcasters, it is likely that most producers will continue to aim for the lower budget range until the government makes its position on the future of the High End TV Series Incentive clear.

As we have demonstrated above in relation to the Film Incentive, it takes several years for the industry to adapt to the policy change. The same is likely to be true in the TV sector where, a longer period is required to allow the impact on the industry to be judged, particularly in the animation industry where development timescales are much longer. Given the present Incentive leverages the Fund's reserves, the funding of the scheme should also be revisited to ensure a fair trial

9. MISCELLANEOUS ADDITIONAL FINDINGS

9.1. Funding applications

It was noted by a number of consultees that one of the challenges with the present Dutch system of public funding is the different application requirements which are used for the Incentive and selective funding systems. Producers believe that different data are required by the fund in each case, and in different formats, increasing the workload for production companies to apply for and manage the various public investments in production.

Given that the time commitment required to apply for the Incentive was considered very high for producers – estimated by consultees at 10-15 days of full-time labour – such a system would add a significant overhead for production companies.

The Fund notes that the same documents and data are required, however, and as such the issue is likely to be that the act of providing the data on a number of occasions is the challenge, rather than the data itself. In order to address this, it is worth the Fund investigating whether it is possible to carry over information previously provided for selective financing when applying for the Incentive which would lower the burden of work for both producer and funder.

This being said, we note that the initial request from the sector was for a Chinese wall to be maintained between the two parts of the Fund, and this might consequently not be a feasible suggestion.

9.2. Misinformation

As we have discussed with the Film Fund, there are also some areas of misinformation about the nature and approach to the Incentive which have persisted in the broader sector, despite the attempts of the Film Fund to disabuse the industry of these.

In particular, there is a perception from some in the industry – which was expressed to us on a number of occasions – that it is only possible for a production company to be granted the Incentive twice in a year which is not the case. The data for major production companies in the Netherlands underline that this is not true, and is likely a response to previous funding programmes, where the limits on available capital may have led to sensible limitations on applications.

Nonetheless, it is likely that this misunderstanding has led to a situation where some producers are less willing to cooperate with, for example, VFX-only productions, for fear of losing one of their 'turns' with the Incentive. Given the Industry perception, noted above, that the Incentive is difficult to apply for, this will act as a brake on the degree to which the Incentive can be used to develop this part of the industry.

Such misinformation has also impacted the diversity issue, as a number of production companies we spoke with believed that the Fund prefers certain genres or types of production, and therefore only applied with these. Were such a perception of an editorial line to be widespread, it would provide a reason for the relative clustering of genres seen in the current slate of Dutch films.

Addressing this would therefore allow companies who think this is how the Fund operates to apply for the Incentive with more diverse content, increasing the scale of the market for the Dutch audience.

10. APPENDIX 1 - PRODUCER SURVEY

The following survey was made available to all producers accessing the Incentive, and was live from the 2nd to the 17th July, 2018, receiving 27 responses.

As it was presented to respondents in Dutch, this version is used below.

Netherlands Film Production Incentive evaluatie – Enquête producenten

Het Nederlands Filmfonds heeft Olsberg•SPI gevraagd een evaluatie uit te voeren naar de impact van de Netherlands Film Production Incentive. Deze evaluatie brengt in kaart welke impact de incentive heeft gehad op de Nederlandse productiesector op het gebied van:

- De aantrekkingskracht van Nederland als productielocatie;
- De productieactiviteiten van Nederlandse bedrijven, cast en crew; en,
- De ontwikkeling van talent en van diverse kwalitatief hoogstaande producties die breed gedistribueerd worden.

Deze enquête, die niet langer in beslag neemt dan 15 minuten, gaat in op bovenstaande vragen en is verstuurd naar alle producenten die een aanvraag hebben ingediend voor de incentive sinds deze geïntroduceerd is. Alle reacties op de enquête zullen anoniem verwerkt worden en individuele opmerkingen zullen niet openbaar gemaakt worden.

De uiterste invuldatum van de enquête is 6 juli 2018.

1. Welk type content heeft u (als bedrijf) geproduceerd in de afgelopen acht jaar? Kies zoveel antwoorden als van toepassing zijn.
 - Live-action speelfilms
 - Live-action kinder- of jeugdfilms
 - Animatie speelfilms
 - Lange documentaires
 - High-end televisieseries
2. Welk type content beschouwt u als meest belangrijk voor uw bedrijf?
 - Live-action speelfilms
 - Live-action kinder- of jeugdfilms
 - Animatie speelfilms
 - Lange documentaires
 - High-end televisieseries
3. Wat is volgens u de impact geweest van de Netherlands Film Production Incentive op uw mogelijkheid om: *[Antwoorden: heel positief, positief, positief noch negatief, negatief, heel negatief en n.v.t.]*
 - Nederlandse nationale filmproducties te financieren en te maken
 - Nederlandse majoritaire coproducties te financieren en te maken
 - Nederlandse minoritaire coproducties te financieren en te maken
 - Gefinancierde grote, buitenlandse producties (als bijvoorbeeld *The Hitman's Bodyguard* en *Dunkirk*), ook wel *inward investment* producties aan te trekken
 - Nationale distributie van projecten te waarborgen
 - Internationale distributie van projecten te waarborgen

4. Hoe staat u tegenover de huidige kwaliteit van de volgende disciplines in de Nederlandse productiesector, rekening houdend met hun vaardigheden en kosten? *[Antwoorden: heel positief, positief, positief noch negatief, negatief, heel negatief en n.v.t.]*
- Schrijvers
 - Regisseurs
 - First Assistant Directors
 - Componisten
 - Line producers
 - Productiemanagers
 - Directors of photography
 - Production designers
 - Sound recordists
 - Sound mixers
 - Editors
 - Kostuum & make-up
 - Special effects supervisors
 - Stunt coördinatoren
 - Post-productie (audio en video)
 - VFX
5. In hoeverre is in de volgende departementen sinds de introductie van de incentive de beschikbaarheid veranderd van in Nederland woonachtige crew? *[Antwoorden: toegenomen, een beetje toegenomen, toegenomen noch afgenomen, een beetje afgenomen, afgenomen en n.v.t.]*
- Art
 - Camera
 - Casting
 - Decor (*construction*)
 - Kostuums
 - Grip
 - Haar en make-up
 - Licht
 - Locatie
 - Productie accountant
 - Props/wapens
 - Set
 - Geluid
 - Special effects
 - Stunts
6. In hoeverre zijn in de volgende departementen sinds de introductie van de incentive de kosten veranderd van in Nederland woonachtige crew? *[Antwoorden: toegenomen, een beetje toegenomen, toegenomen noch afgenomen, een beetje afgenomen, afgenomen en n.v.t.]*
- Art
 - Camera

- Casting
 - Decor (*construction*)
 - Kostuums
 - Grip
 - Haar en make-up
 - Licht
 - Locatie
 - Productie accountant
 - Props/wapens
 - Set
 - Geluid
 - Special effects
 - Stunts
7. In hoeverre is in de afgelopen acht jaar de beschikbaarheid veranderd van de volgende manieren om uw producties te financieren? *[Antwoorden: toegenomen, een beetje toegenomen, toegenomen noch afgenomen, een beetje afgenomen, afgenomen en n.v.t.]*
- Selectieve financiering van het Nederlands Filmfonds;
 - Andere Nederlandse fondsen (de incentive uitgezonderd);
 - Financiering via Nederlandse omroepen;
 - Nederlandse private equity investering;
 - Europese publieke financiering (inclusief Creative Europe en Eurimages);
 - Buitenlandse private equity investering;
 - Buitenlandse stimuleringsmaatregelen;
 - Investering van VoD platforms;
 - Nederlandse distributie financiering (inclusief MG's);
 - Buitenlandse distributie financiering (inclusief MG's)
8. Vind u dat er sinds de introductie van de incentive een toename of een afname is geweest in de interesse van nieuwe potentiële coproductiepartners uit het buitenland om met in contact te treden of samen te werken? *[Antwoorden: toegenomen, een beetje toegenomen, toegenomen noch afgenomen, een beetje afgenomen, afgenomen en n.v.t.]*
9. Vind u dat er sinds de introductie van de incentive een toename of een afname is geweest in de mogelijkheid om projecten te ontwikkelen met bestaande coproductiepartners? *[Antwoorden: toegenomen, een beetje toegenomen, toegenomen noch afgenomen, een beetje afgenomen, afgenomen en n.v.t.]*
10. Is het voor u sinds de introductie van de incentive mogelijk geweest om uw reguliere financiële positie te verbeteren in coproducties waar u aan werkt? *[Antwoorden: Ja, voor een groot deel; Ja, een beetje; Nee, de positie die ik doorgaans heb is niet verbeterd, Nee, de positie die ik doorgaans heb is verslechterd, en n.v.t.]*
11. Is het voor u sinds de introductie van de incentive mogelijk geweest om betrokken te raken bij coproducties van een grotere schaal dan eerder mogelijk was? *[Antwoorden: Ja, veel grotere producties, Ja, enigszins grotere producties; Nee, mijn huidige producties zijn*

van een gelijke schaal; Nee, mijn producties zijn van een kleinere schaal geworden; Ik heb niet geprobeerd betrokken te raken bij grotere producties, en n.v.t.]

12. Heeft u nog verdere opmerkingen over de incentive? *[open veld]*

11. APPENDIX 2 - LIST OF CONSULTEES

The following 34 individuals were consulted with in the research process for this evaluation:

Bero Beyer, IFFR director (Film Festival)

Job ter Burg (Editor)

Doreen Boonekamp, CEO Netherlands Film Fund (Film Agency)

Hanneke Bosman, Bos Bros (Production Company)

Sabine Brian, NL Film (Production Company)

Jan Willem van der Brink, Sound Adventure (Post Production Company)

Pim van Collem, Dutch Features (Production Company)

Katja Draaijer, Baldr Film/Documentary Producers Netherlands (Documentary Production Company)

Bruno Felix, Submarine (Production Company)

Frans van Gestel, Topkapi Films (Production Company)

Marjan van der Haar, director Filmproducenten Nederlands (Producers Association)

Arnold Heslenfeld, Topkapi Films (Production Company)

Martin Koolhoven (Writer/Director)

Remco Mastwijk, Filmmore/NL Post Production Alliance (Post Production Company)

Sander van Meurs, Pupkin Film (Production Company)

Richard van Oosterhout (Director of Photography)

Dorien van de Pas, Netherlands Film Fund/Eurimages Representative (Film Agency)

Leontine Petit, Lemming Film (Production Company)

Marten Rabarts, EYE International (Film Export Agency)

Bas van der Ree, Netherlands Film Commission (Film Agency)

Reinier Selen, Rinkel Film (Production Company)

Jan Rofekamp, Films Transit (Distributor)

Bart Romer, Netherlands Film Academy (Education)

Yan Rothbauer, Picture Tree International (Distributor)

Joris van Seggelen, Storm Post Production (Post Production Company)

Ernest Slot, Dutch Ministry of Culture (Dutch Government)

Maarten Swart, Kaap Holland Film (Production Company)

René van Turnhout, Dutch Filmworks/Filmdistributeurs Nederland

Jacobine van der Vloed, ACE (Education)

Peter Warnier, Warnier Posta (Post Production Company)

Martijn Winkler, Dutch Directors Guild (Directors Association)

Xiaojuan Zhou, Attraction Distribution (Distributor)

11.1. Steering Group

The following individuals were members of the Steering committee, who gave input and supervising the evaluation in conjunction with the Film Fund:

Job ter Burg (Editor)

Martin Koolhoven (Writer/Director)

Leontine Petit, Lemming Film (Production Company)

Maarten Swart, Kaap Holland Film (Production Company)

Peter Warnier, Warnier Posta (Post Production Company)

Thanks are also given to David Lauwen, of Het Creatief Kapitaal, for his invaluable input

12. APPENDIX 3 – BIBLIOGRAPHY

The following represents the published reports and documents used in the preparation of this evaluation. In addition to these, a variety of unpublished reports and documents were studied, both from the Film Fund, and from other agencies in the Netherlands.

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