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FILM TOURISM
INDIA AS THE NEXT HOTSPOT





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Knowledge Partner

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Executive Summary

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Executive Summary



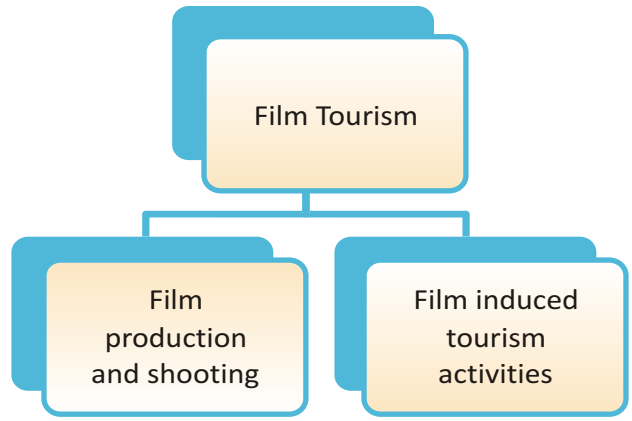
With the advent of the first video camera in the 1880s, motion pictures mushroomed as a novelty in fairs and carnivals and never looked back from there, growing into an important tool for communication and entertainment. Today it is one of the most glamorous and revenue rich mass media streams.

Film Tourism: An Overview

Film tourism can be defined from two unique perspectives: one, the aspect of producing and shooting motion pictures, and secondly, the tourism activities induced as a result of the movies shot in a location or destination.

Falling loosely under the umbrella of cultural tourism, film tourism is a growing phenomenon worldwide, fueled by both the growth of the entertainment industry and the increase in international travel. The benefits of film tourism are becoming increasingly apparent.

Types of Film Tourism



Source: Strategic Initiatives, Government & Advisory (SIGA), YES BANK

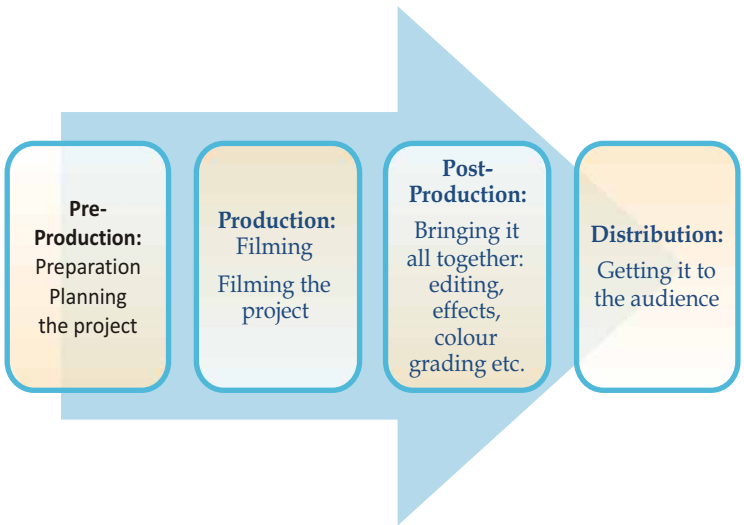
The Economics of Film Tourism

Making a movie is a broad-based process, requiring a number of independent elements coalescing together to deliver the final product.



As can be observed from the figure, the production and distribution processes involve extensive travel, both in terms of duration as well as the volume of people travelling and the necessary logistics. This is where the Film Promotion Boards as well as the Tourism Promotion Boards pitch in to make their destination lucrative for the filmmakers. In the past few years, many tourism boards like New Zealand, Canada, UK, Spain etc. have been aggressively promoting their countries as ideal locations for shooting films.

Movie Making Process



Source: Strategic Initiatives, Government & Advisory (SIGA), YES BANK

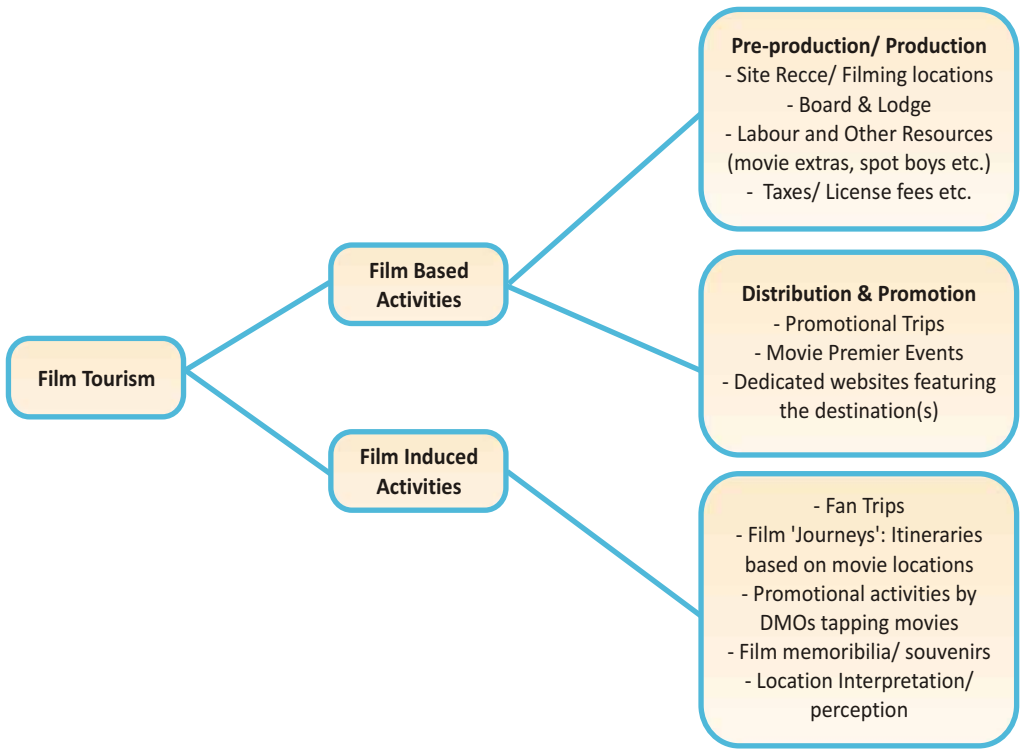
In most of the developed economies across America and Europe, Destination Management Organizations (DMOs) are increasingly playing a key role in facilitating film shooting and managing the spillover effects, which also ensures minimization of economic leakages. New Zealand has also been a very active state in this regard, especially after the success of the Lord of the Rings. However, a key point to note here is that because of labor and infrastructure costs, many films are produced in countries other than the one in which the company which pays for the film is located. For example, many U.S. and Indian movies are filmed in Canada, the United Kingdom, Australia, New Zealand or in Eastern European countries.

Both the pre-production and production involves extensive travel and shooting in exotic outdoor locations or the 'real' landscape is a growing trend as more capital gets infused into the sector. As a characteristic trait of tourism based activities, the expenditure is spread across various sectors, right from equipment manufacturing to local labour to board and lodge as well as license fees etc. The



travel is further supplemented by marketing and promotional activities before as well as after the release of the film. The fact that these travel arrangements generally fall in the luxury or semi-luxury spectrum further strengthens the revenue potential of the niche. The figure below lists out the various revenue streams from the niche.

Film Tourism – Core Products and Derivatives



Source: Strategic Initiatives, Government & Advisory (SIGA), YES BANK

Emerging trends in Film Tourism

Unlike traditional tourists, the film-induced tourist is not very much concerned about authenticity. Film-induced tourists replace authenticity with something personal. When choosing a destination, traditional tourists place importance on authenticity, whereas the film-induced tourist to the film, since the 'seen' place, storyline and the character remain in their memory as they have seen and experienced them. Thus, the need for authenticity for the film-induced tourist is decreased and replaced with their fantasy.



The "3P's" concept (pull factor) actually involves the three important attributes due to which a film-induced tourist decides on a certain destination.

a. Place

- ✓ Shown (seen) on a movie or television
- ✓ Location where the movie is shot (or a particular scene), fictional or true, or a location which due to its tourist attraction, also becomes a film location
- ✓ Studios, sets of large proportions that are tourist attractions in themselves (Hollywood)

b. Performance

- ✓ Country (region) where a movie or TV series is produced that provokes tourist's curiosity (at the level of screenplay, storyline, customs, tradition).

c. Personality

- ✓ Need to visit a place where famous actors (or main characters) played famous scenes (moment of identification).

Global Perspective

Globally, film tourism is defined as tourism to a place or a hotel, which has been depicted in a popular film. The interest or pull generated out of seeing a movie scene which in turn pushes the tourist influx of a particular region up is a round-about way of marketing, but has a larger impact on more dedicated audiences than direct advertisements.

Tax Incentives and Rebates prevalent across various countries

Film tourism as depicted and promoted by foreign countries needs a lot of engagement from the local Government to give it a boost. The local Governments in general appoint a Destination Management Organization (DMO) which keeps a tab over the films that are being shot and also the feasibility of attracting the director to marketable destinations. These DMOs actively market the destination to the film studios and follow up actively to help them scout for the location, create marketing around the shooting and even negotiate tax benefits to the particular film given the credits shown on-screen on the destination.



International Film Festivals

International film festivals are organized in different countries to showcase the natural wealth of the countries and also the management and governance of the social infrastructure of the place. These film festivals are utilized as important forums to showcase the natural wealth of the country and the red carpet that the respective countries roll out to bring in the studios.

Co-Production Definition

Co – production between two countries is when content gets treated as a national property in both nations and therefore is allowed to claim tax benefits/rebates from both sides. India has co-production agreements with Germany, Italy, UK, New Zealand, Brazil, and France

India - UK Co-Production Treaty

Benefits

- ✓ Under this treaty, in India **the import and export of equipment would be duty & tax free**
- ✓ If the film does win a National Award in India then the Government has discretionary power to enable theatrical **tickets tax free and all other revenues received tax free.**
- ✓ Possible funding from the UK Film Council, also get support in marketing and selling the film in International Film Festivals as well as **access to European markets and TV sales.**

India- France Co-production Treaty

Benefits

- ✓ The India-France co-production agreement has a special clause that covers the various multilateral co-productions. **According to article 10 of the agreement, a co-produced film between India and France can simultaneously be a co-produced film between other countries.** For instance, a co-produced film between India and France can simultaneously be treated as a co-produced film between India and any third country (where India and China have co-production agreements). It can also be treated as a co-produced film (hence a national film) between France and another third country with whom France has entered into a co-production agreement.



- ✓ An Indian producer can co-produce a movie with a French production house by paying **10 % of the total budget**

India – Australia Co-Production Treaty (Proposed Treaty)

- ✓ Film spends of INR 2.5 cr (USD 500,000) can avail a **15% location offset or 15% refund on production, digital and visual (PDV) effects**. Also, the Australian Government is doing away with the location offset rider that offered 70%funds on film-related investments to only those film studios which spent between USD 15 mn and USD 50 mn.

- ✓ A 40% **producers' rebate provided Indian filmmakers employ Australians in film projects which will also be released in that country.**

India- Italy Co-Production Treaty

- ✓ Indian film producers to get various benefits like exemption from import duties and taxes on technical and cinematographic equipment for making of co-production films.

- ✓ **Tax relief of upto 30% for films costing USD 1-2 mn.**

India- Brazil Co-Production Treaty

- ✓ Each party should contribute financial, technically or artistically with **at least 20% the total budget**. The shooting does not necessarily happen in Brazil or India; **the lease may be approved in a country different from that of co-producers**. However, the writers, director, actors and others must be permanent residents, as well as having the nationality of one of the two countries.

India Germany Co-production Treaty

- ✓ Two negatives, or at least one negative and one duplicate negative, shall be made of all co-produced films. Each co-producer shall be entitled to make a further duplicate or prints

- ✓ The dubbing or subtitling into one of the permitted languages of the Republic of India or into German shall be carried out in the Republic of India , or in the Federal Republic of Germany



India- New Zealand Co- Production Treaty

Treaty Benefits and Clauses

- ✓ Access to funding and incentives, temporary immigration and equipment importing
- ✓ Greater certainty to investors looking to fund New Zealand-India film co-productions
- ✓ Approved film and television projects to gain the **status of official co-productions**, which gives them the benefits accorded to domestic films in each of the co-producers' countries
- ✓ A producer from each country must be attached to a qualifying film, while getting access to funding and incentives, as well as facilitating temporary immigration and import of equipment

Asia: The Emerging Film Tourism destination

Thailand

The whole filming process in Thailand for overseas productions has been streamlined in the last few years to make it easier, faster and smoother to film here. The Government had been discussing tax incentives and rebates for foreign film productions filming in Thailand that had already passed the Thai Cabinet and were finally implemented in May 2011.

Malaysia

Malaysia is to begin offering financial incentives to local and foreign films that shoot in the country, the Government has announced. Films will be able to claim a rebate of up to 30% of the cost of production, conditional upon the production of receipts and the claim being audited.

Singapore

Media Development Authority of Singapore supports up to 40% of any project's total Singapore Spend. A further grant of up to 10% of the Singapore Spend of your current project can be used for your next project. Singapore Spend refers to a project's expenditure on qualifying cost items incurred in Singapore or on Singaporeans.



Korea

Korean Film Council, a Central Government organization to promote local industry, recently announced a location incentive program with a much bigger budget, which is drawn from the Tourism Promotion and Development Fund.

Challenges & Future Policy Requirements of the Industry

1) **Inclusiveness of Film Tourism Proposal:** India looks at a huge working population and a new field like film tourism offers increasing potential to address the employment issues. The young and gifted graduates are not only looking for employment opportunities but also opportunities to gain experience on field. Thus the young talents could find gainful employment with the foreign crew. Our policy needs to put in a percentage of Indian crew involvement in the policy prescriptions.

2) **Maintaining neutrality and local culture:** Even though our society is being increasingly westernized, filming generally happens in far-flung places where Indian villages may not be accustomed western culture.

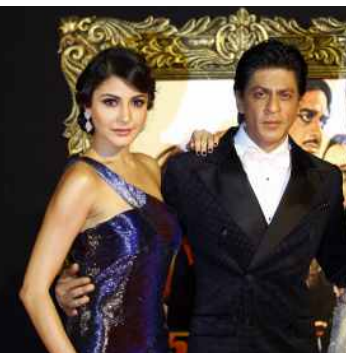
3) **Clearances towards Shooting:** For most of the industry one very common complaint in India is the delay in clearances.

4) **Violation of Human Rights:** Responsible tourism practices are necessary to avoid any untoward incidences at the site.

5) **Tax Incentives:** The international tax incentives is varied right from location specific incentives to straight forward tax incentives for continuous given days of shooting. We need to develop a hybrid product which will address these issues and also attract maximum possible crowd to India.

India: The emerging hotspot for Film Tourism

The impact of cinema on the culture and society from the advent of the 20th century has been a cyclical process, with one influencing the other in a dynamic socio-political landscape. Bollywood, as the Hindi film industry is commonly referred to, is one of the largest movie industries in the world, both in the volume of films released as well as the manpower involved. Apart from this, a majority of the Indian states have their own vernacular industries of respectable sizes, despite the fact that they are shadowed by the size of the Hindi film industry (the film industries of South India, Tollywood, Bhojpuri, Punjabi, Marathi

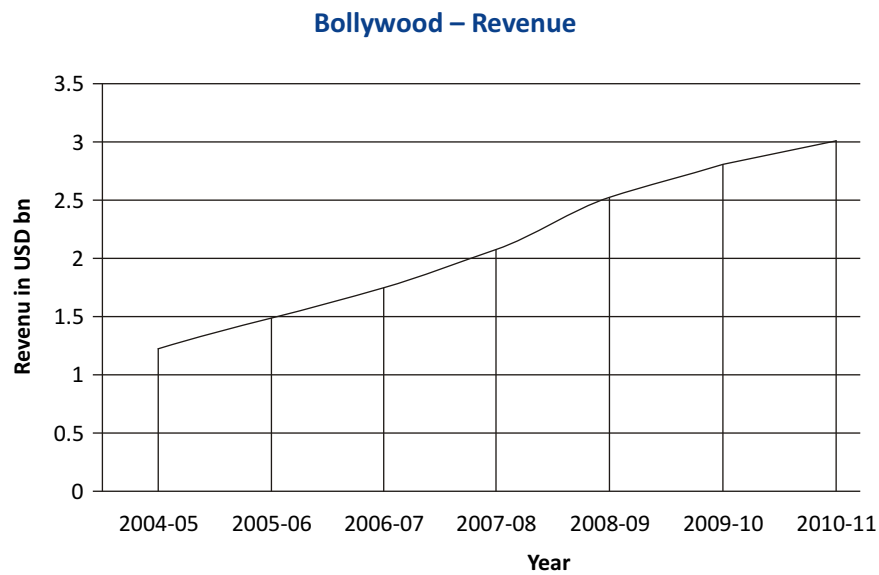


etc.). Bollywood films are not only watched by people in India, also neighboring countries like Pakistan, Bangladesh, Nepal, Pakistan, Sri Lanka watch the movies. Moreover, countries with large groups of Hindi and Urdu speaking nationalities like Australia, UK, Africa and the US have many fans. Old trading partners like Russia and Japan are also buyers of Bollywood productions.

Film Tourism in India: An Overview

From a global scenario, most countries offer tax refunds to the film industry ranging from 10 –20%, depending on the location and budget. Film production companies are eligible for such refunds if they spend a certain percentage of their entire budget filming in a particular country and using local talent.

Indian films are a great platform to showcase the country's rich cultural heritage, variety of travel destinations and diversity in cuisine to the world. Foreign films can perform the same task if provided with adequate facilities and incentives. There is a due cognizance of the fact, and the Ministry of Information and Broadcasting and the Ministry of Tourism have signed a Memorandum of Understanding (MoU) to provide strong support to film tourism in a bid to give a fillip to the "Incredible India" campaign and cinema as its sub-brand at various international film festivals and markets abroad.



Source: Danish International Business Development



Potential and Challenges

In the past five years, the growth driven by the multiplex industry has brought in over USD 200 mn additional box-office revenues every year, which has led to the development of the industry. The industry has also grown because of the younger demographic that uses films for entertainment, and greater disposable income. The growth of the multiplex industry coupled with cheaper, more secure digitized film prints have been a key driver of Indian film revenue in recent times. By taking a cue from Hollywood's franchise method, Bollywood has opened up ancillary revenue streams such as in-cinema advertising, sale of cable and satellite rights, licensing and merchandising, and the TV pay-per-view format. The Film Federation of India (FFI) is an apex national body of the Indian producers and other stakeholders in the film industry, and works towards tapping the symbiotic relationship that exists between films and tourism.

Government Support and Policy Initiatives

The Government is well aware of the socio-economic as well as the cultural significance of films in the Indian diaspora. The Central Government has granted 'industry' status to the film sector, and many states have taken the cue, offering tax rebates and other incentives to filmmakers. In a bid to give a fillip to the 'Incredible India' campaign and cinema as a sub-brand of Incredible India at various international film festivals and markets abroad, the Ministry of Information and Broadcasting and Ministry of Tourism signed a memorandum of understanding last year to provide support for film tourism.

The Ministry of Tourism also extends financial support to State Governments and Union Territory (UT) Administrations for promoting Film Tourism under its Central Financial Assistance (CFA) scheme. There is also a focus on tapping International Film Festivals to promote the country, and events like International Film Festival of Kerala, Chennai International Film Festival, Kolkata International film Festival & Mumbai Film Festival are replicating the model of popular festivals like Cannes to promote film projects in their states. The promotional bodies set up by the Government also have a crucial role to play, especially with respect to providing quality human resource as well as fostering a healthy ecosystem to support the industry.

Promoting Film Tourism in States

West Bengal

The Bengali Film industry has shown resurgence in the last few years with fresh content from a new generation of directors. The number of Bengali Films released has doubled than what it was five years ago and films have found



commercial success, enticing corporate to invest in Bengali films. Recently, representatives of the film fraternity from West Bengal and Bangladesh decided to develop “one Bengali film industry”. Film tourism in West Bengal is in a cusp of growth and should now look at establishing itself amongst the prominent film tourism hubs in India. This can be achieved by taking proper promotional activities for tapping the overseas market.

Gujarat

Having its foundation laid in 1932, the Gujarati film industry is one of the largest regional film industries of India. The State Government has also decided to agressively promote film tourism in the state in a big way. The tourism department is actively engaging with production houses to take advantage of Gujarat's conducive environment for film shooting. The Tourism Corporation of Gujarat Limited (TCGL) has set up a special cell to promote the state as good location for film shooting. The tourism department guides in their own field are making Gujarat more interesting for professional visitors, helping Gujarat to get desired attention in media to reach new markets. However, constant and persistent co-operation is needed between several parties such as film commissions, screen agencies, tourism agencies, local entrepreneurs etc. to maintain the state's position as a prime film tourism destination.

Rajasthan

The multifaceted land of Rajasthan has been a film maker's paradise. Rajasthan offers wide range of landscape from desert to rolling Aravalis through the verdant country side. Forts, palaces, havelis in such picturesque surroundings, associated with a long history further adds to the allure of the land. Film tourism in Rajasthan already has a high global penetration, and the state's reputation as a prime luxury tourism destination is enviable, with some of the best heritage hotels of the world located in the state. Successful films can further supplement the tourism revenues and also brings positive economic and cultural benefits in terms of direct and indirect economic expenditure on all satellite industries involved in the production.

Maharashtra

Mumbai being the hub of Bollywood, the film industry in Maharashtra comprises of both the national Hindi film fraternity as well as the vernacular Marathi film industry. Mumbai is the entertainment capital of India. It offers the finest infrastructure, quality trained manpower, a professional work ethic and a favorable business environment. The State Government also plans to create a first-of-its-kind centre for film shooting at Kolhapur where entrepreneurs would be given attractive incentives to explore film tourism.



Delhi

Delhi, the capital city of India, is the third largest city of India covering an area of 1483 sq. km. Various Bollywood films like Khosla Ka Ghosla, Oye Lucky Lucky Oye, Rockstar, Delhi-6, Aisha, Aloo Chat, Band Baaja Baraat, Ladies vs Ricky Bahl and most recently, Vicky Donor, all have explored the city. With the availability of proper infrastructure, locations and talents, Delhi is the right place to explore film tourism by offering a variety of shooting locations to the directors. Delhi Tourism and Transportation Development Corporation (DTTDC), acts as a single point for any issues in the film shooting like clearances, permissions, etc. to promote Delhi as a Film Tourism Destination.

Jammu & Kashmir

Tourism is considered as one of the key sectors of the economy of Jammu & Kashmir. The Himalayan state has a unique blend of culture, hospitality, abounding with nature's gifts: snow covered mountains, lush valleys, lakes, rivers, springs, and industries like handicrafts, handlooms, horticulture, floriculture etc. In light of the growth in tourism in the state in recent years, the Government of Jammu and Kashmir has set up a new Film Tourism Promotion Committee to promote the region as a filming location and boosting film tourism. The committee also has a technical team which will professionally promote different locations and demonstrate to the film makers as to why Jammu & Kashmir is the best location for film shooting.

Madhya Pradesh

The land of Khajuraho and Sanchi and the jungles of Kanha and Bandhavgarh, Madhya Pradesh offers its tourists the most diverse tourism experiences. Madhya Pradesh State Tourism Development Corporation Ltd. acts as the nodal agency for permissions, clearances and assists the film makers for shooting in Madhya Pradesh without any difficulties. Also, the MPSTDC intends to popularize the state in other countries, for which special marketing strategies have been chalked out, which include - road shows, advertisements in newspapers and magazines highlighting the immense tourism possibilities in MP.

Goa

Popular for its beaches and unique architecture, Goa is the most attractive place for the film makers. Whether it be Indian or foreign filmmakers, there is always an attraction to shoot in Goa. Recently, the State Government has also decided to provide tax rebates for films shot in Goa. The State Government run Entertainment Society of Goa has followed an aggressive policy to attract the



film makers to shoot in Goa. With so many films being shot in the state, film studios are also coming up, and with a successful film festival up its sleeve, Goa stands to launch itself as a global film tourism hub. The State Government is also playing proactive role in developing the infrastructure of the state.

Kerala

Kerala film industry popularly known as Malayalam film industry is the fourth largest film industry in India. The State Government is also playing a proactive role to facilitate Film Tourism in the state. The State Government is trying to attract the film makers in the state by reducing the tax burden and license fee charges. The State Government is also set to provide a single-window clearance system for streamlining the production of films in the state. The excellent post production facilities, qualified film technicians along with serene backwaters and captive mountains, Kerala is all geared up to explore film tourism.

Himachal Pradesh

Nested amidst the splendid heights of the Himalayan ranges, Himachal Pradesh boasts of snow capped mountains, cool climate, lush green valleys and hospitable people. Himachal Pradesh, with its immense beauty, has been attracting the film makers from different parts of the world to shoot in virgin locations of the state. The last film which put Himachal Pradesh as a major film tourism destination was the blockbuster 3 Idiots, a part of which was shot in Shimla's historic Ridge and in Chail.

The state government is also playing a proactive role in promoting film tourism by supporting film makers in shooting. A single window clearance system has been set up to assist the film makers and thereby would grant the shooting permissions within three days. Department of Tourism is also a nodal agency for granting the permissions. Further the state government is also exploring possibilities of setting up of film studio in the state for promoting film tourism in the state.

YES BANK-FICCI Roadmap for promotion of Film Tourism in India

1. **Inclusiveness of Film Tourism Proposal:** India looks at a huge working population and a new field like film tourism offers increasing potential to address the employment issues. The young and gifted graduates are not only looking for employment opportunities but also opportunities to gain experience on field. Thus the young talents could find gainful



employment with the foreign crew. Our policy needs to put in a percentage of Indian crew involvement in the policy prescriptions.

2. **Maintaining local culture:** Even though our society is being increasingly westernized, filming generally happens in far-flung places where Indian villages may not be accustomed western culture. While the filming crew needs to be given a free hand, however it is necessary to also protect the local culture. This cannot be executed pan India at one go. The policy needs to identify locations and sensitize the local population before we go public with such a policy.

3. **Clearances towards Shooting:** For most of the industry one very common complaint in India is the delay in clearances. Film budgets are tightly scheduled and each delay in number of days adds to the cost of the film. We really need to put our certification of clearances in fast track to expect a booming film tourism industry.

4. **Violation of Human Rights:** Responsible tourism practices are necessary to avoid any untoward incidences at the site. Drunken behaviour, brawls, murders and sexual offences not only malign the façade of the destination but are also not good for local community and peace. The policy needs to address these issues.

5. **Tax Incentives:** The international tax incentives is varied right from location specific incentives to straight forward tax incentives for continuous given days of shooting. We need to develop a hybrid product which will address these issues and also attract maximum possible crowd to India.