

# A Comparison of the Production Costs of Feature Films Shot in Ten Locations Around the World

A 2019 Report



**A Comparison of the Production Costs of Feature Films  
Shot in Locations around the World**

**A Report for  
ALPHAPIX CONTENT DEVELOPMENT NETWORK**

Second Quarter 2019

### **Key Points About this**

#### **Study:**

- In this Study the cost of filming two hypothetical US major-originated Mid- Budgeted feature films, budgeted at **approximately \$20m that represent the major segment worldwide** and includes the majority of the commercial offering of genres such as: drama, thriller, horror, comedy and biopic. We excluded high budget fantasy and sci-fi productions because historically the budget variation is too wide for comparison. We also excluded documentary because the budgets are usually smaller and the variation is too wide for comparison. The Mid-Budgeted feature film Comparison Study focuses on several territories - *ranging from established centers of production such as Mexico, Europe, South Africa, Canada, Colombia, Australia and USA*. The Study also *highlights the comparison between the USA vs Baja California, Mexico - because of the close proximity of the two regions (2 hours from Eos Angeles), yet the extraordinary cost advantages* that is made possible by the Lean Cinema Total Quality production system offered by ALPHAPIX.
- This Study is based on **the comparison of full-scale budgets** which have been established with the collaboration of, and verified by, a number of line producers local to the territories considered. It therefore takes into account local skills levels (and the varying needs in each territory to import crew) and 'hidden'<sup>1</sup> costs in each of the territories (such as particular work practices and local service charges).
- This Study assumes that shooting takes place in a single territory. This is a simplifying assumption which allows us to compare 'like for like' in each territory. It is more probable that, in the 'real' world, films of this scale would involve multi-territory shooting.
- The Study, naturally, is based on a number of assumptions, which are detailed in this document. The costs obtained are also the result of the budgeting approach taken. For example, our budgeting philosophy has been to maximize local physical and crew resources. Results might differ slightly if a different set of assumptions were made or if a different approach had been taken.
- The principal period of research for the Study was the last quarter of 2018 and the first quarter of 2019.

### Key Findings:

- In the mid budget, on a purely cash cost basis, the cheapest option vs Baja California is Czech Republic (4.19% more expensive) and the more expensive option vs Baja California is New York (52.87% more expensive)
- Not only is Baja California, the most competitive option in financial terms, the **overall quality** of the Baja California region, contains other intrinsic advantages. Moreover, these intrinsic factors present even a bigger impact in the reduction of cost, making Baja, a more desirable financial option. For Instance:
- US Closeness: Can save you in travel expenses and give your US actors and Above the Line collaborators the possibility to commute between San Diego (20 mins drive to airport/downtown) or Los Angeles (2-3 hour drive)
- Location Diversity: Desert, Ocean, Oasis, Waterfalls, Forests, Rivers, Lakes, Urban Landscapes (Rich and Poor), Vineyards, Rock formations, among others. Everything between 15 mins to 1.5 hour driving distance. You realize a significant savings in transportation, logistics and production infrastructure.
- Substantial infrastructure: Every major shooting location has modern highways and high bandwidth (4G) data connection. There is also one of the biggest and most modern Film Studios in the World: *Baja Studios*. This is the Studio with an Exterior Infinity Tank where James Cameron's Titanic was filmed, the biggest interior water tank in the world and 5 all equipped Sound Stages. Baja Studios fulfills every need related to film and video series production. Baja California is also the venue of ALPHAPIX Studios, one of the most important Postproduction, VFX and SFX studios in Latin America, including 3 soundstages with motion capture and Chroma key capabilities.
- Weather: with just 43 days of rain (23 mild rains and just 20 heavy rain days) and an average high temperature of 70F (21C) and low temperature average of 57.5F (14C) — makes Baja California, one of the most productive shooting locations in the world. *Imagine the savings related to insurance, logistics and productivity.*
- First class technical and crew talent with flexible unions and work practices.

- Logistical support and services from regulators, such as Baja California Film Commission and the National and Regional Government Agencies throughout Mexico. Additionally, Baja California offers one of the fastest, affordable, and hassle-free permit systems in the world.
- Because of the close proximity with California and thanks to Mexican labor and exchange rates, Baja California has one of the more affordable and ethnic diverse extras and talent options in the world.
- Baja California is famous for its hospitability, tourist infrastructure, gastronomy, amazing landscapes and ocean views. Because of the Mexican labor wages and exchange rates it offers a great cost/benefit ratio for high quality permanent living and temporary work residence stopovers.
- Taken together, the **qualitative advantages** of Baja California, Mexico, along with its **financial competitiveness**, establishes Baja California as an **extremely attractive proposition for international film production**.

## **1. Executive Summary**

### **The Challenge**

- 1.1 THE POSITIVE: Mexico is a popular and established location for international film production. It has top level writers and directors. It has technical and crew talent that are second to none. It has amazing ecosystems, locations, great stories and fascinating places in which to capture them. It is unique in being an accepted non-US setting for a range of Hollywood films. Baja California (where James Cameron's *Titanic* and *Fear the Walking Dead* among several other high end productions were shot). Particularly, Baja has great infrastructure, vocation, government support and is as close to Hollywood as it can be (2.5 hour drive). And most importantly, Baja California is the birthplace of LEAN CINEMA: the first Total Quality System based, scientific and engineer based to optimize production processes and reducing scrap.
- 1.2 THE NEGATIVE: MYTH #1 - '*Mexico is unfairly considered "insecure"*'. This is almost a universal myth. Many in the film sector take it for granted, especially, those who decide where to locate film production *the Heads of Production of the Hollywood studios and their staff*. MYTH #2 - "Mexico doesn't have enough cash incentives". This misperception is the result of a historical government shut down, wherein government incentives were suspended. *Neither of these two Myths are True!* Not only is Mexico one of the World's most desirable tourist and retirement destinations, Mexico is also among the world's most economical locations to launch a new business and work. The government, recognizing the importance of international investment, has instituted many new economic incentives for foreign entrepreneurs and retirees.
- 1.3 This report, questions this widely held assumption, explaining the reality and context of the "security issue" perception. Also, we compare the costs and quality advantages of Mexico and specifically Baja California on the basis of a detailed comparison of the costs of production in Mexico-Baja. with the costs of production in nine other popular locations. This Report is an update of work, conducted two years ago, and not published at that time, for a smaller number of locations. The locations examined here are Los Angeles (US), Connecticut (US), New Mexico (US), Vancouver (Canada), Sydney (Australia), Cape Town (South Africa), Berlin (Germany), Budapest (Hungary), Prague (Czech Republic), Dublin (Ireland), Medellin (Colombia), London (UK), Mexico City (Mexico) and Baja California (Mexico). The report concludes that, for the hypothetical films, budgeted for this purpose, and as adjusted for fiscal incentives, Mexico is one of the highest quality/low cost options. Moreover, we'll explain why LEAN CINEMA in Baja California is even a more dramatic approach to the combination of productivity, savings and quality.

**Our Results (Quantitative Savings and Qualitative Advantages)**

The table below shows the cash budgets (\$m) of our hypothetical mid budget film in the locations, and the percent difference from the Mexico and Baja budget.

MID BUDGET MOVIE (IN MILLIONS)															
	BAJA	CDMX	LA	CT	CDA	AUS	SA	GER	HUN	CZ	IRE	UK	COL	NM	NY
COST	\$16.7	\$20.7	\$22.2	\$24.7	\$22.6	\$21.7	\$18.9	\$22.1	\$17.2	\$17.4	\$20.7	\$21.5	\$23.9	\$24.5	\$25.5
% VS MX*	0%	24%	33%	48%	35%	30%	13%	32%	3%	4%	24%	29%	43%	47%	53%
*% More Expensive															
COUNTRY CODE															
BAJA	BAJA CALIFORNIA, MEXICO														
CDMX	MEXICO CITY														
LA	LOS ANGELES														
CT	CONNECTICUT														
CDA	CANADA														
AUS	AUSTRALIA														
SA	SOUTH AFRICA														
GER	GERMANY														
HUN	HUNGARY														
CZ	CZECH REPUBLIC														
IRE	IRELAND														
UK	UNITED KINGDOM														
COL	COLOMBIA														
NM	NEW MEXICO														
NY	NEW YORK														

The table below shows the cash budgets (\$m) of our hypothetical 10 episode season series in the locations, analyzing high budget series (Fear the Walking Dead for example) and med budget series (Comedy) and the percent difference from the Mexico and Baja budget.

COMPARATIVE ANALYSIS		1													
10 EPISODE SEASON SERIES		(IN MILLIONS)													
	BAJA	CDMX	LA	CT	CDA	AUS	SA	GER	HUN	CZ	IRE	UK	COL	NM	NY
HIGH BUDG	\$30.1	\$37.3	\$40.0	\$44.5	\$40.7	\$39.1	\$34.0	\$39.8	\$31.0	\$31.3	\$37.3	\$38.7	\$43.0	\$44.1	\$46.0
MEDBUDG	\$13.4	\$16.6	\$17.8	\$19.8	\$18.1	\$17.4	\$15.1	\$17.7	\$13.8	\$13.9	\$16.6	\$17.2	\$19.1	\$19.6	\$20.4
AVERAGE	\$21.7	\$26.9	\$28.9	\$32.1	\$29.4	\$28.2	\$24.6	\$28.7	\$22.4	\$22.6	\$26.9	\$28.0	\$31.1	\$31.9	\$33.2
% VS MX*	0%	24%	33%	48%	35%	30%	13%	32%	3%	4%	24%	29%	43%	47%	53%

The table below shows a Qualitative Factor rating, average and ranking of our mid budget film factors in different Countries:

**QUALITATIVE STRATEGIC ADVANTAGES**

	1	2	3	4	5	6	7	8	9	10		
	US MARKETS CLOSENESS/CONNECTIVITY	LOCATION DIVERSITY	WEATHER	CREW AND PROVIDERS QUALIFICATIONS	LOCATION / SETS INFRASTRUCTURE	UNION AND LABOR EASINESS	PERMITS AND GOVERNMENT EASINESS	EXCHANGE RATE AND FINANCIAL ADVANTAGES	ETHNIC DIVERSITY FOR EXTRAS	COST/BENEFIT QUALITY OF LIFE	AVERAGE	RANKING
BAJA CALIFORNIA	9	9	9	9	9	10	10	9	9	9	9.2	1
MEXICO CITY	8	9	8	9	9	8	8	8	7	9	8.3	3
LOS ANGELES	10	9	9	10	10	7	6	6	10	8	8.5	2
CONNECTICUT	8	8	7	8	8	7	8	6	9	8	7.7	6
CANADA	9	8	6	10	10	8	9	7	8	8	8.3	3
AUSTRALIA	4	8	7	8	9	8	9	7	6	7	7.3	7
SOUTH AFRICA	5	9	8	8	9	8	9	7	7	7	7.7	6
GERMANY	7	7	7	9	9	8	8	6	7	9	7.7	6
HUNGARY	6	7	7	7	7	8	9	7	6	8	7.2	8
CZECH REPUBLIC	6	7	7	7	7	8	9	8	6	8	7.3	7
IRELAND	6	7	6	7	7	8	9	7	6	8	7.1	9
UNITED KINGDOM	7	8	7	10	10	7	6	5	9	8	7.7	6
COLOMBIA	6	8	8	6	6	8	8	9	6	7	7.2	8
NEW MEXICO	8	7	8	8	8	8	8	6	9	8	7.8	5
NEW YORK	10	8	7	10	10	7	6	5	10	7	8	4
1	<b>US MARKETS CLOSENESS/CONNECTIVITY</b>											
2	<b>LOCATION DIVERSITY</b>											
3	<b>WEATHER</b>											
4	<b>CREW AND PROVIDERS QUALIFICATIONS AND CAPABILITIES</b>											
5	<b>LOCATION / SETS INFRASTRUCTURE</b>											
6	<b>UNION AND LABOR EASINESS</b>											
7	<b>PERMITS AND GOVERNMENT EASINESS</b>											
8	<b>EXCHANGE RATE AND FINANCIAL ADVANTAGES</b>											
9	<b>ETHNIC DIVERSITY FOR EXTRAS</b>											
10	<b>COST/BENEFIT QUALITY OF LIFE</b>											

**How the Location Decision is Made**

In most cases, the script of a film dictates the first choice of its production location, generally its setting, and the obvious substitute locations. The other principal factors are the cost, the preferences of any talent with sufficient power to influence location, **and the comfort of studio executives in allowing the production to travel a distance from Los Angeles.**

US majors compare the costs of production in different locations in a variety of ways. Sometimes, complete budgets are conducted. **However, often only summary budgets are prepared.**



**Sometimes, “baskets” of (presumed) representative crew rates are compared. Sometimes a budget is prepared by a local line producer, with a broad range of relationships and an understanding of how to extract the best value from the territory.** Sometimes the line producer does not have this expertise and the analysis is conducted on the basis of information the studio possesses about previous productions. Sometimes, one person compares two territories; sometimes two different people prepare different budgets, with the (again presumed) expectation that they both have the same kind of film “in their heads”.

We believe that it is likely that often this kind of analysis understates the competitive advantage of Mexico compared to other locations. The reason for this is related to security factors, plus the key determinants of cost and the impressions of cost without incentives. However, because the closeness of Baja California with California, the commercial, industrial and government trade between Baja and the US and the security infrastructure and protocols, the security concerns are not a factor. Moreover, even when Mexican federal incentives can be considered and applied, the cash savings and qualitative factor and advantages makes Baja California one of the bests filming options in the world.

### **What Determines Overall Production Costs**

Production costs are determined by the cost of items needed for production in the location — this is obvious — plus the cost of those items not available in required quantity/ quality, and therefore brought in from elsewhere — far less obvious. Then account must be taken of the different work practices and labor fringes which exist in different countries. Then all this is adjusted for the impact of incentives.

There are very few places in the world that are generally recognized to have all the skills, equipment and technologies required to produce major Hollywood films.

There are Los Angeles, New York, London and, arguably, Sydney in Australia and Toronto and Vancouver in Canada. Mexico, and specially Baja California can prove its case with the expertise in the last 22 years, beginning with Titanic, filmed in Baja California, all through Fear the Walking Dead, Seasons 2 and 3, filmed in several locations at Baja California. With more than 20 blockbuster series and productions filmed just in Baja and more than 100 all over Mexico, it is considered that Mexico has all the skills, equipment and technologies required to produce major Hollywood films and Video Series. In all other places, a certain amount of crew and technical expertise will need to be imported.

The costs of bringing in imported elements are substantial. They include the higher salaries of the imported elements, transportation costs, and accommodation and per diems. These costs can quickly diminish the cost advantage of a low-cost destination. Moreover, there are potential difficulties of understanding and work practices associated with imported crew working alongside local crew. Language difficulties can add another level of 'hidden costs'. However if needed, Baja California (Tijuana) is just 15 mins away from San Diego and 2 to 3 hours from LA. 98% of the crew and talent is English fluid and culturally compatible with the USA, because of the border and binational nature.

In general, crew rates are more affordable in Baja California than the US. Moreover, Baja shooting crews' work practices are among the most flexible in the world — certainly the most among the major countries — for example, the financial consequences of overtime are less onerous in Baja than in many other territories.

The US has substantially higher fringes for crew than any other country examined in our study. A US crew member whose rate looks the same as a Baja crew will end up costing a great deal more in the US.

Baja California is second only to the US in having available everything and everyone one needs to make a film of the highest production value. Imports are affordable, fast and hassle free because of specialized film import/export studios such as ALPHAPIX North America, taking advantage of the new Mexico-Canada-US Trade Agreement (Formerly known as NAFTA) and the Maquiladora Binational Laws. Infrastructure, Gear and Capabilities, including high skilled competences such as Visual Effects, Special Effects and Postproduction will be on the basis of director/ creative decisions rather than a lack of Baja capability. A complete cinematic Pipeline Solution for films and video series can be provided in Baja California. Thus, the expense of bringing people and items into Baja California can be avoided.

### **The ALPHAPIX LEAN CINEMA FACTOR**

The Lean Cinema System, developed by the management of ALPHAPIX, represents a generic standard of quality assurance, requisite to produce audio-visual productions. The Quality processing and management system — *similar to ISO and Six Sigma procedures for industrial fulfillment providers* — for cinematic content production that:

- \* establishes an efficient, effective operation to produce content
- \* reduces waste and increases productivity
- \* provides finished product quality control parameters within technical guideline standards.

**The bottom line to Film/Video Series Producers, is that the ALPHAPIX LEAN CINEMA System offers a savings of 35% to 50% of the Below the Line Costs to produce Cinematic Content.**

**COUPLED WITH THE BAJA CALIFORNIA - Is there any reason NOT to consider Baja California, as your NEXT PRODUCTION DESTINATION?**