VIEWPOINT

Triad Business Journal welcomes letters to the editor

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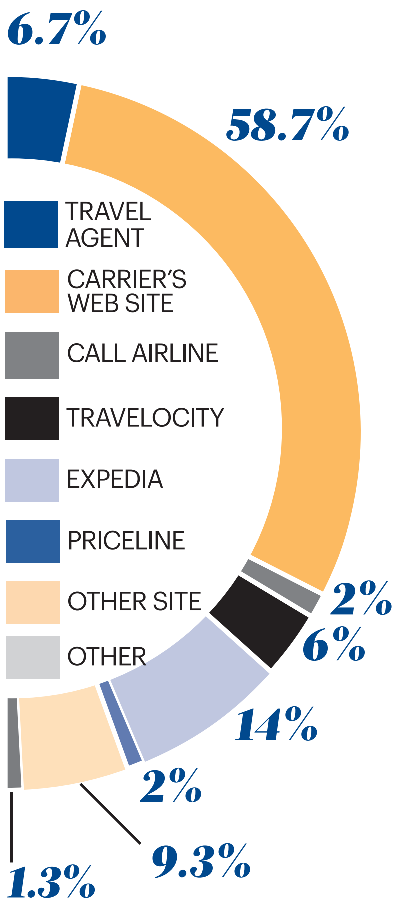
▶ BUSINESS PULSE SURVEY

WE ASKED

HOW DO YOU MOST OFTEN BOOK AIRLINE FLIGHTS?



THIS WEEK'S QUESTION

WHAT IS THE AGE OF THE VEHICLE YOU PRIMARILY DRIVE EACH DAY?

POINT OF VIEW

Have we witnessed the end of the state's film industry?

In the last couple of years, the Republican leadership in Raleigh has backed North Carolina away from the incentives game. The state still grants industrial incentives, but its sunset provisions and indecision about current funding have communicated to corporations that the state is less than fully committed to incentives.

There's no such uncertainty, however, when it comes to film and television incentives. That program has mostly ended in North Carolina, and production companies have gotten the message.

Under the film incentive, the state offered production companies a tax credit that amounted to 25 percent of most expenses. As a result, for a few years North Carolina became a center of film and television production in the eastern U.S. In 2012, dozens of productions spent nearly $400 million in the state on movies and television shows including "Iron Man 3" and "Revolution." Large productions could qualify for up to $20 million in credits.

All that remains is a $10 million grant program, for all film productions in the state. With aggressive incentives programs still active in other states, notably Georgia, film and television activity in North Carolina has dwindled to nearly nothing.

Because of this, we know the answer to one of the two big questions about incentives: Will companies actually go elsewhere if they don't receive incentives?

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For industrial incentives, we usually never know the answer. We don't know if Dell would have set up operations in eastern Forsyth County in 2005 even without incentives from the county and state. As a result, North Carolina decided not to risk finessing the matter. The incentives were granted, and Dell operated here for a while.

But for film incentives, where companies make smaller capital investments and are much more flexible about location, the answer is obvious. If other states offer incentives and you don't, film productions are most assuredly going elsewhere, taking thousands of jobs and millions of dollars of spending with them.

One of the big beneficiaries of North Carolina's decision appears to be Georgia, which offers a tax credit of up to 30 percent and has seen production activity increase sharply in recent years.

What's the other big question about incentives? Whether they are worth it. Incentives programs can be assessed on various grounds. Does the tax revenue they generate outweigh the cost? And if not, are the resulting jobs and spending enough to justify the cost? On this point, there's still much disagreement about film incentives.

A 2014 study by Dr. Robert Handfield of NC State found that the film tax credit more than paid for itself in 2012 as measured by tax revenues returned to the state, to the tune of tens of millions of dollars. The state of North Carolina issued a response to his study, disagreeing in very strong terms. In the state's view, the tax credit doesn't come close to paying for itself, and the leaders of the General Assembly apparently agree.

Taking both of those reports into account, my view is that the film tax credit probably did fall short of paying for itself through tax revenues alone, though by not nearly as much as the state claims.

However, not everything a state does turns a profit. Above and beyond tax revenues, this program supported thousands of jobs and played a role in marketing the North Carolina brand. Those were clearly worth something.

In the meantime, while we mull that over, the state of Georgia is trumpeting the $6 billion economic impact of the 248 productions that spent $1.7 billion in the state during the 2014-15 fiscal year.

▶ GAINERS & LOSERS

THINKSTOCK.COM

▲ SORE ELBOWS

Americans are bending them in record numbers. Craft-beer production rose by 16 percent during the first of half of 2015, down slightly from the 18 percent increase in the same period of 2014. The number of brewers is also up, with 3,739 breweries in the U.S. — and another 1,755 planned.

COURTESY ART

▲ RETRO COMFORT

Converse introduced Chuck Taylor All Star II's on Tuesday, an update of its venerable sneakers — with added padding, arch support and new comfort material and Voila! The few select retailers who had them — Nordstom is one — said they couldn't keep them in stock.

OWEN COVINGTON/TRIAD BUSINESS JOURNAL

▼ WAR MEMORIAL AUDITORIUM

Literally, it's coming down, making way for a parking lot and eventually to be replaced by the Steve Tanger Center for the Performing Arts in downtown Greensboro. Built in 1959, the venue has seen the likes of James Brown, Ray Charles, Aretha Franklin and the Rolling Stones on their first U.S. tour in 1965.

JULIE KNIGHT/TRIAD BUSINESS JOURNAL

▲ ROAD WARRIORS

Average age of cars on the road in U.S. hits a record 11.5 years, according to new IHS Automotive Survey, at same time new vehicle sales are brisk.