SUSTAINABILITY IN THE FILM INDUSTRY:

EXTERNAL AND INTERNAL DYNAMICS SHAPING THE WELLINGTON FILM DISTRICT

BY

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To Rosa María, Víctor and Harry†

ABSTRACT

Official statistics show that the revenue from film production in Wellington has increased in the last decade. However, unofficial debates identify that the Wellington film industry lacks financial capacity and has only intermittent levels of production. I argue that the absence of sustainability, defined here as long-term endogenous viability, underlies the difficulties faced by the film industry in Wellington. However, cultural industries studies have overlooked the issue of sustainability in the film industry, or dealt with it only indirectly.

This study draws on theoretical approaches from the political economy of culture and geographical industrialisation theory, suggesting that integrated relations among the value chain phases, and synergistic interactions among the film industry organisations, are crucial to film industry development. Accordingly, this thesis derives from the hypothesis that such relations are key to sustainable outcomes. The main question that this research addresses is, *What interrelations in the film industry enable its sustainability?* The thesis uses the empirical example of the film industry in Wellington as an industrial district that sheds light on similar film industrial districts that depend on transnational outsourcing and government funding, yet struggle to achieve a sustainable endogenous industry. Although the district in Wellington has unique characteristics, it cannot be understood without referring to the determinant influence of policies and economic flows that occur at the national and international levels. Therefore, a large part of the thesis is dedicated to examining such external dynamics.

I gathered data through 30 qualitative interviews with key practitioners as well as *boundary spanners* in the film industry. Boundary spanners are people who are responsible for establishing relations with other film-related organisations and the industrial district environment. The research also drew on secondary data from various sources, mainly official documents and statistics, media reports, public information of film industry organisations and previous academic studies.

As part of my analysis, I identified localised 'vertical' blockages in the value chain, such as the disarticulation of production from distribution and commercialisation of films, and 'horizontal' blockages in a vast array of interlinked organisations and policy environments. I have argued that these constraints obstruct synergistic interrelations towards achieving sustainability as they underwrite outcomes in five main areas:

financial capacity, ability to maintain labour pools, ability to feed from creative sources, ability to develop productivity and infrastructure, as well as the opportunity to reach audiences. The Wellington example showed structural blockages in all those areas and the thesis suggests general paths to canalise relationships in the industry to create sustainability.

My analysis contributes to the international field of cultural industries studies, in which there is very little clarity about how to give an account of sustainability in the film industry. The thesis has identified a gap between the theoretical accounts explaining how the film industries work, and international organisations' advocacy for sustainable development in the cultural industries. By proposing a definition of sustainability in the film industry as well as suggesting systematic accounts of sustainability as an analytical and normative framework, the thesis contributes by establishing a bridge between the theory and its application to achieve normative (or desirable) sustainable outcomes.

In addition, the research findings provide an increased understanding of the industry for both film industry practitioners and film policy advisors. When contrasting the findings with the conditions for a sustainable industry, I have noted that the film industry in Wellington presents several challenging areas. I suggest that policy-makers should pay special attention to them. These are audience development; professionalisation in scriptwriting and original creative content; intermediary expertise (not at the individual but at the organisational level so that knowledge around marketing and copyright management can be accrued and transferred in the long-term); alternative channels of distribution and dissemination (whose contracts guarantee with minimum standards a fair and quick redistribution of the revenue stream for the producer). Likewise, I consider it essential to increase the collaboration of local companies with independent (as opposed to major) international players in order to maintain the balancing power in negotiation without compromising control over revenue.

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List of Abbreviations

ABA	Australian Broadcasting Authority	NIE	New Industrialised Economies
AE	New Zealand Actors' Equity	NZAG	New Zealand Actors' Guild
CEPA	Closer Economic Partnership Agreement (HK-CH-Taiwan)	NZFC	New Zealand Film Commission
CER	Closer Economic Relations (AU-NZ)	NZFVTG	New Zealand Film and Video Technicians Guild
CG	Computer Graphics	NZIER	New Zealand Institute of Economic Research
DEGNZ	Directors and Editors Guild of New Zealand	NZOA	New Zealand On Air
Film NZ	Film New Zealand	NZWG	New Zealand Writers Guild
GI	Geographic Industrialisation	OIA	Official Information Act
GW	Grow Wellington	PEC	Political Economy of Culture
ICAA	Independent Cinemas Association of Australasia	R&D	Research and Development
IRD	Inland Revenue	SIS	Screen Industry Survey
TLOTR	The Lord of The Rings	SNZ	Statistics New Zealand
MBIE	Ministry of Business, Innovation, and Employment (after 2013)	SPADA	Screen Production and Development Association
MCH	Ministry for Culture and Heritage	TV	Television
MED	Ministry of Economic Development (before 2013)	TVC	Television Commercials
MPAA	Motion Picture Association of America	TVNZ	Television New Zealand
MPDANZ	Motion Picture Distributors' Association of New Zealand	VPF	Virtual Print Fee
MTS	Māori Television	WCC	Wellington City Council
NFU	National Film Unit	WIFT	Women in Film and Television

Chapter 1

Introduction

This research is motivated by the idea that different cultures have the right to express themselves and make themselves known through cinema (UNESCO, 2002). However, the current global imbalance in the flow of films reflects the struggle of regions to sustain local film industries. New Zealand is one of such regions and this thesis focuses on its "film capital", Wellington, for its capacity to provide insights into the broader issue of underdeveloped local film industries and be revelatory as an example for other regions. In this regard, this thesis addresses the issue of how a film industry can be made sustainable.

In this chapter I introduce the Wellington film industry as a site for my empirical study, and the challenges that it faces. I also present my main argument and position it in relation to the concept of sustainability in the film industry. In addition, I set out my research questions, introduce my integrated theoretical framework and explain the structure of the thesis.

The New Zealand film industry can be grouped with other small developed nations like Ireland or Norway which have small national film industries.[1] Like Australia and Canada, New Zealand is an anglophone country that has historically allocated state funding for arts and culture as well as being endowed with public service in the media industries but has recently transitioned into a market-driven model of 'creative industries policies' (Volkerling, 2001). Wellington, has been described as "Cool-with-a-capital-C" and "the best little capital" (Lonely Planet, 2010). It is renowned for being the cultural capital of the country and a centre of film production. My empirical research focuses on the film industry in Wellington but I take into account the determinant influence of policies and economic flows occurring at the national and international levels to better understand it. Wellington's current character, its density, walkability, thriving street life, culinary and café culture, facilitate networks of socialisation and cultural consumption (Stahl, 2011). Such characteristics confer Wellington's filmmaking a unique atmosphere of film production based on a spirit of experimentation and a community ethos grounded on solidarity networks (see a full

[1] New Zealand is a small nation of 4.4 million inhabitants.

introduction to Wellington in Chapter 7). By contrast, Auckland, the other film centre in the country, is seen as more conventional and professional, as well as having more consistency of work due to synergies with the television industry.

The Wellington film district has at least two different production models: Hollywood satellite production and domestic production. The former has produced 'global' content fantasy films which are large-budget blockbusters with great computer graphics and visual effects. A series of national and local government policies—including tax rebates, subsidies—and "film-friendly" attitudes have attracted inflows of US capital (DP, 2006). In turn, domestic production is dependent on state subsidies in the form of contestable schemes for low- and medium-budget feature and short films. In order to get state finding, projects are required to comply with New Zealand cultural content, meaning, "films that reflect New Zealand or New Zealanders" (NZFC, 2011, p. 6). The films produced under these schemes give greater access to diverse New Zealand film-makers whose films resonate particularly with New Zealand audiences.

According to official statistics, the film industry in Wellington has grown in a substantial way in the last decade. Screen production gross revenue increased 85% from 2009 to 2012 (SNZ, 2012). This growth is mainly driven by post-production gross revenue, particularly by providing animation and visual effects service work to overseas productions (such as runaway or satellite productions). Such figures seem to legitimise government policies which have had an important role in providing financial incentives for this change to occur, as well as other subsidies for domiciled productions.

However, such official accounts contradict perceptions from other sources such as government commissioned reports, media and academic research as well as industry practitioners' accounts. They see the local and the satellite production models in Wellington (and in New Zealand) have struggled to establish a local financial and infrastructural capacity (Finlay, 2006; Jackson & Court, 2010; Jones, Barlow, Finlay, & Savage, 2003; NZ Actors' Equity, 2013; Pinflicks Communications & NZIER, 2003; Rothwell, 2010; Rowlands, 2009a).

The main challenges identified by those varied unofficial accounts are: the undercapitalisation of the film industry (lack of financial capacity); flickering production (lack of consistent production); and an insufficient level of production. Such challenges jeopardise potential social, economic and cultural benefits. For instance, they have generated employment and business instability, and lack of representation of local narratives on screen (compared to foreign audio-visual products available). Those issues alone represent persistent blockages to maintaining positive industrial outcomes for the film industry in Wellington (and New Zealand). In other words they are indicators of the lack of long-term viability of the film industry.

This thesis argues that the absence of sustainability—where sustainability is defined as *the long-term viability of the film industry, as opposed to short-term foreign capital investment*—underlies the difficulties faced by the industry. In order to surmount such obstacles, efforts should be made at the policy and business strategy levels to understand and eventually develop a self-sustainable industrial complex. However, there is a dearth of official and academic studies in New Zealand addressing the problem of self-sustainability in this field. Certainly there is no systematic study of the dynamics that create the challenges the film industry faces such as its inability to increase its financial capacity and the level and frequency of production. This research contributes to understanding these challenges in the light of sustainability criteria.

Line of Inquiry: Studying Sustainability in the Film Industry

The challenges faced in New Zealand and Wellington are not exclusive to these regions; they are shared with many other film industries around the world. Therefore, my research inquiry addresses the global problem of contemporary societies that struggle to sustain local film industries and to express diverse cultural depictions through cinema. Scholars seem to agree that the destiny of regional cinema is linked in one way or another to Hollywood's global supremacy—built through an extensive system of distribution channels inclined towards an oligopolistic concentration—and its aggressive policies in the market front (Aksoy & Robins, 1992; Scott, 2005; Wasko, 2004).

However, worldwide academic and policy accounts of cultural industries have overlooked the issue of self-sustainability in the film industry. When the sustainability of cultural industries has been addressed by governments, international agencies or academic work, the resultant studies have been rather superficial, or the issue has been dealt with only indirectly.

This thesis will tackle the issue of sustainability theoretically at first by drawing on academic research that has addressed factors that explain film industry development. For instance, the political economy of culture and the theory of geographical industrialisation are robust approaches that have developed theory suggesting that relations between the value chain phases—such as production, distribution and consumption of films, in each of which "value is added to a product" (Picard, 2002, p.30)—and the interactions among the film industry organisations are key to film industry development. Accordingly, this thesis derives from the hypothesis that relations among film industry components and players enable sustainable outcomes. Secondly, the thesis uses the empirical case of the film industry in Wellington to provide an analysis of its industrial and institutional relations and test the theory in the light of accounts of sustainability. In order to analyse the film industry in Wellington, the thesis builds upon practitioners' opinions and normative evaluations as well as academic studies and policy reports.

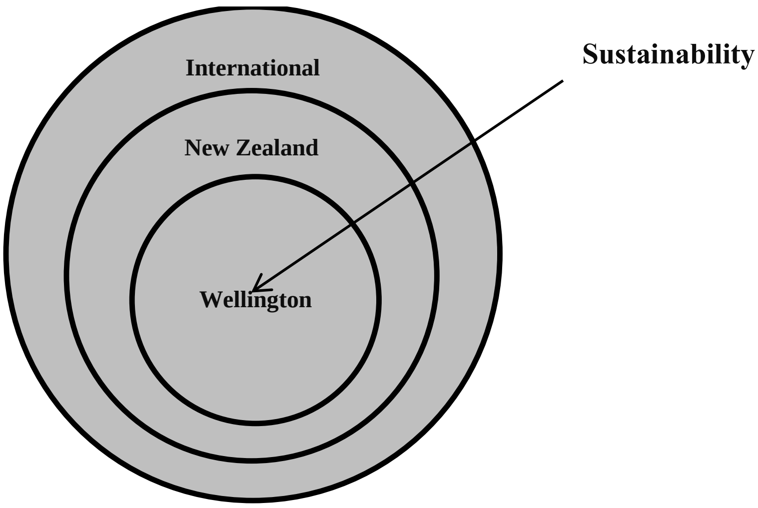
Accounts of film industry sustainability that I propose based on the theory are not intended to provide exclusive and unique standards. Rather each industry region in the world should be able to negotiate and define its own accounts which are important especially for policymaking. What I propose here corresponds to my object of study and my methodological interests but, nonetheless, is based on the theory. I argue that some general standards on sustainability can be justified by understanding the relational dynamics of film industries.

The main question that this research addresses is *What interrelations in the film industry enable its sustainability?* In order to answer that question the thesis describes how the industry works and, in turn, the results of this process in order to contrast it with accounts of sustainability. A subset of concrete questions derives from the main question and guides the argument in subsequent chapters. For instance,

- *How can we give an account of sustainability in the film industry?*
- *What are the international relations shaping the opportunities of the New Zealand film industry with respect to achieving self-sustainable outcomes?*
- *What are the relations among the phases of the film industry value chain in New Zealand and what do they mean to its sustainability?*

- *What are the relations within the Wellington film industrial district and what is their ability to generate self-sustainable results?*
- *How can relationships in the film industry in Wellington work to create sustainability?* (see Figure 1).

Figure 1 Line of inquiry cutting through the layers of study of the film industry.



Note. Own elaboration.

In order to answer these research questions, I focused on gathering data through qualitative interviews with key practitioners and boundary spanners in the screen industry. Boundary spanners fulfil certain roles through being in charge of establishing relations with other film-related organisations and with the rest of the industrial district environment. The research also drew on secondary data from various sources, mainly official documents and statistics, media reports, and public information about film industry organisations. The field study was centred in Wellington but a few stakeholders were based elsewhere in New Zealand. The small size of the film industry in Wellington shaped the research design as, in order to provide a free space for criticism, anonymity was guaranteed for practitioners concerned with the reputational repercussions of their opinions.

Contributions

This research contributes theoretically to the study of sustainability in the cultural industries field by systematising and testing the main theories explaining interactions of film industry stakeholders with the environment. In this sense, it adds to the literature of political economy of culture and geographical industrialisation. The thesis also provides a bridge between those theories and their application to achieve desirable sustainable outcomes in the film industry. In other words, I propose an analytic and normative framework that can be used to inform policies that aim the long-term viability of the film industry. Such framework can be useful in other studies of film industries and possibly in other cultural industries.

The thesis also contributes to the literature about the film industry in New Zealand that has so far focused on one particular aspect of the film industry in the country (Finlay, 2006; Prince, 2010; Rowlands, 2009a), while a few other studies present a broad panorama (Conor, 2004; Dunleavy & Joyce, 2012; Jones et al., 2003). However, there is a considerable gap regarding material that critically examines the local mechanisms of the film industry in Wellington and the national and international dynamics that have an influence on the region in a comprehensive and integrative way. With that in mind, the research uses the existing literature about the film industry in Wellington and New Zealand and complements it with original research to build a panoramic and integral study.

This research also contributes socially, specifically to New Zealand, in monitoring the state of cultural industries in the country, which are part of the cultural human rights advocated by UNESCO's *Universal Declaration on Cultural Diversity* (2002). Thereby, the research outcome hopes to impact indirectly on the opportunity for New Zealand society to depict its cultural concerns through cinema.

Finally, the research findings provide practical contributions such as an increased understanding of the industry to both film industry practitioners and film policy advisors, and could also serve as the rationale for the redesign of socially inclusive cultural policies and entrepreneurial strategies to foster the development of the film industry. The thesis outlines the areas that need special attention such as audience development; professionalisation in scriptwriting and original creative content; intermediary expertise (not at the individual but at the organisational level so that knowledge around marketing and copyright management can be accrued and transferred); alternative channels of distribution and dissemination (that guarantee with minimum standards a fair and quick redistribution of the revenue stream for the producer). Likewise, I consider it essential to increase the collaboration of local companies with independent (as opposed to major) international players in order to maintain the balancing power in negotiation without compromising control over revenue.

Boundaries and Definitions

Some conceptual elucidation is needed to clarify some of the terms used throughout this research as well as to explain the areas that are acknowledged but beyond the confines of this thesis.

For the purposes of this research, I consider the film industry to be a *cultural industry*. This term denotes industries that produce goods and services that have higher symbolic value than their practical use as they are sources of entertainment, artistic appreciation and information (Scott, 2000b). As industrial processes, cultural industries are multiplied in several tangible or intangible copies to encounter consumers (Bustamante, 2003). But the term also refers to the "network of organisations—from creators [artists, musicians, actors, writers] and brokers [agents], through the cultural product's producers [publishers, studios], distributors [wholesalers, theatres], and media outlets— [that] collectively constitute cultural industries" (Hirsch, 2000, p. 356). The film industry is defined by the characteristics mentioned above, although it has its own specificity (as discussed in Chapter 2) as it produces and disseminates movies.

Despite my focus on the feature film industry, there are crucial synergies with other audio-visual industries. On the one hand, as happens in Wellington, film production companies are more and more diversified in producing content for several formats like television programmes, television commercials, video games, online content, and music videos. On the other hand, the flow of workers, ideas and products is constant and nurturing. There is also marketing crossover and, furthermore, digital convergence has allowed the dissemination of content in various platforms (Bustamante, 2003). For example, films have increased their windows beyond theatrical, television, and DVD retail and rental to video on demand through the Internet. For those reasons, it is difficult—and could be inappropriate—to isolate the film industry. However, there are still major differences in trying to study the socio-economics of audio-visual products and the ways they are financed, produced, disseminated and consumed. Their aggregation in the category of "screen industries" clearly applies to the synergies and commonalities mentioned before. Nonetheless, it should be taken cautiously as it can produce deceptive perceptions of industrial welfare. For example, a few companies focused on particular audio-visual products might be driving growth and masking the fact that other industries are in a precarious position which would be a major obstacle to understanding and supporting them. This thesis uses film or screen industries depending on the degree of specificity that I am trying to convey.

The screen industry in New Zealand is not homogeneous, and neither is its film industry, including the one based in Wellington. For almost two decades, the Wellington film industry has hosted foreign satellite or runaway productions mainly from Hollywood. In order to distinguish films made by international runaway productions and co-productions from movies "whose conception, narratives, financing, development, and completion are all centred on New Zealand culture, creative personnel, and institutions" (Dunleavy & Joyce, 2012, p.20), Dunleavy and Joyce have coined the term *domiciled* film industry. This thesis will refer to it as the local or domestic industry. The distinction made by Dunleavy and Joyce is also applicable to the concrete case of the Wellington film industry.

It is important to clarify that for practical and methodological reasons I concentrate on Wellington and not on the entire New Zealand film industry. I conducted an empirical study of the film industry's interrelations in Wellington, therefore, my empirical research (a meso-level analysis) and practical contributions to policy-making areas fit within the Wellington industrial district boundaries. However, the Wellington district cannot be understood without referring to the influence of policies and economic flows that occur at the national and international levels (macro-level). The reader might find that chapters 4–6 focus on the film industry in New Zealand and little on Wellington but this is because the national and international settings are not simple background contexts but sometimes determinant forces shaping the Wellington district. And although the latter has unique features it shares some broader characteristics that constitute the film industry in New Zealand such as film distribution patterns (which are also measured statistically as a national sector) and national film policies. For this reason, some of the findings of this research, including the analytical and theoretical framework of sustainability as well as some suggestions for policy areas, are transferrable to the New Zealand film industry.

Although this project will not undertake a cultural analysis of the films made in Wellington or their cultural impact on society—topics best reserved for stand-alone research—I believe that, in general terms, the cultural aspect of films is the most relevant as it provides a space for people to communicate, create and generate a sense of community. Therefore, a study of the socio-economic factors that enhance film production and dissemination is necessary in order to develop and protect such an important cultural space. Needless to say, cultural policies which foster, plan, and regulate the industry are crucial (Van Cuilenburg & McQuail, 2003). The cultural relevance of films has driven most of the film industry research in New Zealand, where "domestic production {…} has been perceived to contribute significantly to New Zealand's broader attempt to nourish and foster a sense of *cultural identity*" (emphasis added) (Dunleavy and Joyce, 2012, p. 17). The latter can be understood not as a "homogeneous set of national characteristics or affiliations but instead to the many permutations of identity" (Dunleavy & Joyce, 2012, p. 17). Even though I share those views, my concerns as a non-New Zealander are somewhat broader, framed by the right to *cultural diversity* as an ethical imperative "that all cultures can express themselves and make themselves known" (UNESCO, 2002). This has become more relevant as "economic globalisation and digital technologies have accentuated interdependence among societies that had developed in relative isolation in the past" (García Canclini, 2012). It is in this context that production, distribution and dissemination of cultural industries has been seen as a source to tackle contemporary issues on intercultural relations (UNESCO, 2002). The broader scope of my interest differs from other studies concerned with New Zealand's cultural identity as they have paid greater attention to the instruments that enable domestic production such as funding agencies and production policies (Blomkamp, Dunleavy & Joyce, 2012; King, 2010). My research integrates those valuable contributions but in focusing on cultural diversity it factors in cultural dissemination as much as cultural expression. As a result, the research delves into the potential for self-sustaining mechanisms—including the canalisation of state resources—and consequently expands on meso- and macro- levels of analysis of a wider ecology of industrial organisation that links production with dissemination settings.

Cultural Industries Studies: A Theoretical Background

The approach I take in this thesis is based in the field of cultural industries studies. It is an interdisciplinary field nurtured by disciplines like sociology, economics, film and media studies, public policy, organisational studies and economic geography. These disciplines have contributed to the development of useful approaches to study cultural industries such as the political economy of culture (PEC), the theory of geographical industrialisation (GI) and the production of culture perspective (PCP).

Accordingly, this research employs an interdisciplinary scope and draws on PEC, GI, PCP as well as organisational studies (OS). Although they are very useful approaches, when used individually they have certain limitations.

Therefore, the following theoretical background draws on all these approaches to identify the main analytical tools that could be relevant, specifically to this research. The first set of approaches (GI, PCP and OS) will help me to map my object of study. The second set (PEC and GI) will allow me to generate theoretical explanations. The last approach (PEC) provides critical devices to make a critical analysis of my findings. The concluding part of this theoretical background presents an integrative conceptual framework for my research.

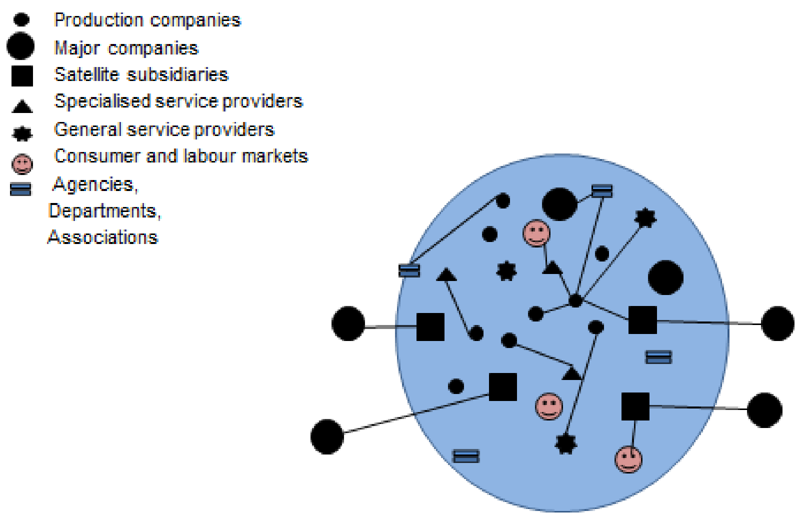
Mapping

In this section I discuss the theories that help me to map—to describe and conceptualise—the characteristics of my topic. The theory of geographical industrialisation, developed by the California school since the 1980s, has generated useful and innovative explanations about endogenous regional development. Accordingly, regional development is generated by the articulation among industrial district components. Markusen and Park, defined an *industrial district* as "a sizable [*sic*] and spatially delimited area of trade-oriented economic activity which has a distinctive economic specialisation, be it resource-related, manufacturing or services" (cited in Markusen, 1996, p. 296). The GI school has specifically studied cultural industries, in particular film industrial districts (Scott, 2000b; Storper & Christopherson, 1987).

The relevance of GI as a mapping tool for this project stems from the identification of the industrial district components that entail specific institutional forms of organisation. For example, it tells us that a film industrial district is comprised of an *industrial atmosphere* (see Figure 2) that consists of production companies; general and specialised service providers like catering and equipment rental; industry-related companies such as advertising firms; local labour markets; associations and agencies;

consumer markets; legal frameworks; and public policies and infrastructure (Porter, 2000; Scott, 2005). Another important component is the *cultural atmosphere* that captures the social phenomena involved in the film industry such as forms of creativity, innovation and tacit knowledge rooted in the production system and its geographical milieu (Scott, 2005). The conceptualisation of the industrial district is similar to models of "media ecologies" that "emphasize relational dynamics and processes between agents, in particular their lived professional realities marked by collaboration as well as competition in an evolving media economy" (Baltruschat, 2010, p. 18). Although authors use the term *ecology* to refer to the interconnectedness of screen institutions comprising interdependent networks of mutually beneficial relations (Corner, 1999), it is important to emphasise that power imbalances also involve a nuanced range of relations from symbiotic to parasitic.

Figure 2 An abstract model of the components of a film industrial district



Note. Own elaboration

Another important approach this research draws from comes from the sociology of culture. Since the 1970s, the so-called production of culture perspective, examines cultural industries according to their analytical dimensions: technology, laws and regulation, industry structures, organisational structures, occupational careers, markets and management structures (Peterson & Anand, 2004). The PCP approach is useful as it reminds us of the different angles to consider in regard to the film industry.

As suggested by the PCP, the work of organisational studies, which has researched creative labour and management in cultural industries, has flourished over the last two decades. Film production, for example, entails complex management practices, "But at the heart of this managerial scaffolding is a creative space that is jealously guarded {…} an intimate and exclusive space is created around the actors and directors, where they could 'do the unimaginable'" (Kavanagh, O'Brien, & Linnane, 2002, p. 281).

The OS constructs such as project-based organisations (Blair, Grey, & Randle, 2001), flexible firm boundaries and the rationales for these (Schilling & Steensma, 2002), social networks, careers (Rowlands, 2009), and hierarchical and centralised management structures (Davenport, 2006) are key to understanding the organisational models that dominate the contemporary film industry, including Wellington's.

Furthermore, OS is the discipline behind the conceptualisation of *boundary spanners*. Boundary spanners are defined here as intermediaries that link different kinds of people, knowledge and resources. They are producers, service providers, facilitators, advisors, and gatekeepers. They span the boundaries of an organisation between its members and non-members (Aldrich & Herker, 1977). Boundary spanner studies have contributed to the field of knowledge management as they study key agents through which social capital is produced (Burt, 2004). In other words, it is through boundary spanning activities that diversity in interorganisational dynamics achieves knowledge translation and can potentially identify and develop opportunities:

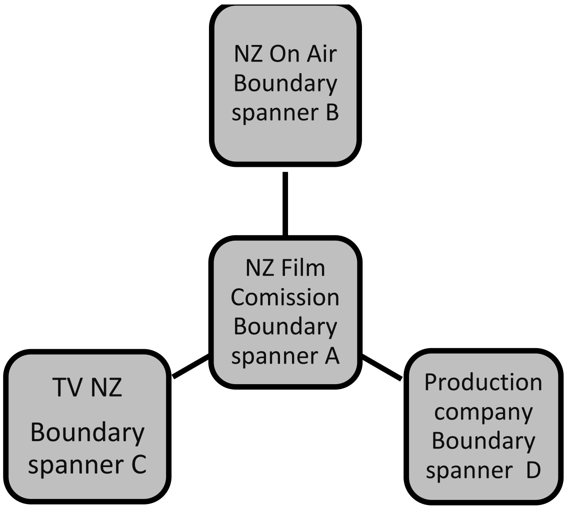
> Given greater homogeneity within than between groups, people whose networks bridge the structural holes between groups have earlier access to a broader diversity of information and have experience in translating information across groups. This is the social capital of brokerage. (Burt, 2004, p. 354)

The production of culture perspective was one of the first fields to introduce the term boundary spanners to study cultural industries (Hirsch, 1972). Since then a body of literature has collected empirical evidence and has proposed theoretical constructs around this figure in different cultural industries and different phases of their value chain (Kawashima, 1999; Lingo & O'Mahony, 2010; Powell & Friedkin, 1986).

This study contributes to the idea that the film industry is articulated not only through brokers (creativity-financial negotiators, managers of creative processes or gatekeepers) but also through the more general figure of boundary spanners (see Figure 3), whose role is to link the organisation with the environment (Friedman & Podolny, 1992).

Boundary spanners make the intermediations necessary for the film industry's institutional components to function. As mentioned in the Field Studies (see Chapter 2), conceptualising the work of boundary spanners is an important element in this research design and in the study of the relations in the film district. Based on such conceptualisation, I conducted interviews with practitioners who have a boundary spanner role—that gives them the advantage of strategic vision—in order to collect information about the characteristics of the institutional interrelations and the film industry as a whole (Lingo & O'Mahony, 2010).

Figure 3 Institutional interrelations through the roles of boundary spanners



Note. Own elaboration

Theorising and critical analysis

In this section I discuss the approaches that helped me to theorise; that is, tell a story that explains how and why something is happening—as well as the approach that gave me the elements to undertake a critical analysis (in order to see the implications of what is happening). Nowadays, there are two main theories that scholars have developed in order to explain how film industries work in contemporary capitalist societies. The first is GI, as mentioned previously, and the second is the political economy of culture (PEC). The latter is also a critical approach concerned with the sociopolitical implications of its theoretical explanations.

As mentioned above, GI identifies the components of a film industrial district, but it also argues that the relationships between the industrial district components can generate good or bad outcomes for the industry. Such relations have been framed within the capitalist stage of *flexible production* (Storper & Christopherson, 1987). In order to explain flexible production historically, the researchers Hirst and Zeitlin (1997), Piore and Sabel (1990) and Storper and Salais (1997) looked back to the world economic crisis of the nineteen-seventies. From that period onwards, international economic competition increased. The world economy, which was mainly characterised by mass production, was changing and flexible production—where labor, machinery, inputs and diversification of goods can quickly adjust to changes—turned out to be the most appropriate means of satisfying the new market demands (Hirst & Zeitlin, 1997). As such, the use of infrastructure and labour by flexible film production companies could quickly adjust to changes in the environment and the new market demands. This phenomenon can be perceived in large conglomerates and small companies that outsource work or provide service work for a third party.

Based on such assumptions, GI suggests that, as core film productive activities need supplier services, inputs and specialised work, film production companies are able to create economic spillovers or secondary economies to other businesses. As a consequence, film production facilitates the involvement of other economic agents and generates increasing returns with each stage of reinvestment (Scott, 2005). For example, a film production company might require special effects, and these, in turn, might need the services of software development. But film production activities also spawn the participation of non-commercial organisations which create synergies between them. For instance, companies might need more specialised workers trained by film schools. In other words, due to the dynamic interdependence among institutional players, core film production activities engender new activities and rounds of production in a spiral of expansion where accumulation forms are in growth (see Figure 4) (Young, 1928). According to GI, the degree of interaction, interdependency and stability in the components' transactions impacts on the welfare of the local industry (Nelson & Winter, 1982). This is because as the relations among the components become more frequent, there is greater trust and communication among them (Williamson, 1981). This familiarity can be a potential competitive advantage as it increases the customised relations in regard to the specificity of the assets, the sharing of tacit knowledge, and the reduction of transactions cost (Scott, 2000b; Williamson, 1981). This is why GI argues that an industrial district generates an adhesive quality, becoming an amalgam that has the ability to attract and maintain the attraction among the district's components (Markusen, 1996).

In spite of the primary focus on endogenous industrial development, GI has expanded its scope, acknowledging criticisms of the PEC approach that observes how the development of the film industry is influenced by the external bonds of the industrial district with outside economic forces, such as film distribution and exhibition subsectors, with other manufacturing or service industries (like DVD retailers, video on demand, and TV industries), as well as with broader national and international economies and economic players (e.g. foreign investment or transnational outsourcing) (Aksoy & Robins, 1992, Coe, 2001).

From a GI perspective, Markusen (1996) acknowledges that the cohesive capacity of industrial districts can be threatened by changes in the global economy. Their ability to persist depends on the "power relationships, sometimes within the district and sometimes between district entities and those residing elsewhere" (Markusen, 1996, p. 297). Markusen elaborates a typology of industrial districts that varies according to firm configurations—including flexible firm boundaries, their vertical and horizontal disintegration—their internal versus external orientations, and governance structures, all of which have different repercussions for regional development. An actual district may be an amalgam of one or more types, and districts may mutate over time. The "marshallian" industrial district (the typical cluster type) is seen in regions whose business structures are composed of small, locally-owned companies. The "hub and spoke" district comprises business around one or more dominant and externally oriented firms such as monopolistic transnational firms. The "satellite" district is "an assemblage of unconnected branch plants embedded in external organisation links", and it has been used to theorise the Hollywood runaway productions in Vancouver (Coe, 2001). Finally, the "state-anchored" district is focused "on one or more public-sector institutions" (Markusen, 1996, p. 296).

An important contribution of GI to my research project is its emphasis on the relevance of place. Although film locations, distribution channels, and the mobility of film workers and capital might tend to be geographically dispersed in the current transnational capitalist environment, it is not a coincidence that centres of production, including satellite production centres, have been rooted in specific urban regions. Cities are protagonists in contemporary global capitalism. They "constitute dense polarized masses of capital, labour, and social life that are bound up in intricate ways" (Scott, 2006, p. 814). Furthermore, cities have a hinge-type function linking local flows to global ones (Parnreiter, 2002).

Economic geographers have studied how the production of cultural industries located in a specific place can generate endogenous regional development (Scott, 2000b; Storper & Christopherson). GI explains that "the endogenous conditions underlying local economic development are cultural or institutional, in the specific sense that they entail the formation of routines of behaviour—carrying knowledge and information—that potentiate and shape activities such as production, entrepreneurship and innovation" (Scott & Storper, 2003, p.8). The importance of place relies on the fact that such habits, relationships and symbolic practices are strongly bound to a specific place and culturally rooted, therefore they cannot be transferred easily from one place to another (Power & Scott, 2004).

In conclusion, GI provides an explanation of why and how there is endogenous development in a film industrial district. It also provides a framework for an empirical analysis. For instance, GI analyses the patterns of labour, industrial, and institutional organisation as well as the geographic location of the film-related players. Therefore, this theory is useful because it links the theory to an approach to study the film industry empirically.

However, authors of PEC [2] emphasise economies of scale and distribution as the key to the development of cultural industries rather than having a primary focus on production whereas GI does (Aksoy & Robins, 1992). Contrary to the approach of GI, which is preoccupied with explaining how things work, the PEC critical approach is more involved in analysing the problems and power imbalances in the film industry.

Since the 1960s PEC has spread around the world developing a wide range of approaches. PEC work has in common the study of cultural and communication industries mediated by political, economic and social systems (Hesmondhalgh, 2007; Mastrini & Bolaño, 2000). In other words, PEC "is the study of social relations, particularly the power relations, that mutually constitute the production, distribution and

[2] Also referred as political economy of communication or political economy of information.

consumption of resources, including communication resources" (Mosco, 2009, p. 2). There are four characteristics of the PEC tradition, "a strong commitment to historical analysis, to understanding the broad social totality, to moral philosophy or the study of social value {…}, and, finally, to social intervention and praxis" (Mosco, 1996, p. 17).

PEC's critical analysis of film industries in capitalist structures around the world, converge on finding oligopolies[3] in the phases of distribution and commercialisation of the film industry value chain (Aksoy, 1992; Aksoy & Robins, 1992; Pendakur, 1990; Sánchez Ruiz, 2003; Wasko, 2004). Oligopolistic control creates barriers to entry for competitor businesses that want to enter the markets or expand the existing ones (Picard, 2002). This is due to major Hollywood studios competitive advantages: their broad distribution networks have created economies of scale and scope, resulting in highly capitalised transnational companies (Garnham, 2005) with great lobbying power to influence regulation (Christopherson, 2006). This in turn has allowed them historically to expand ownership to control other phases of the value chain (vertical integration) allowing them to control prices and supply, as well as expand to other media industries (horizontal integration); such concentration allows them to use a crossover marketing strategy (Picard, 2002).

According to PEC, capital concentration has generated difficult access to financial pools for independent small- and medium-sized production companies, as well as adverse policy environments for publicly funded cultural industries. Consequently, there is limited access to production and consumption of cultural industries due to rising prices and distribution blockage (Garnham, 2005). In summary, this approach analyses the cultural and social consequences of a non-competitive (or oligopolistic) economy.

However, GI has observed processes of vertical and horizontal disintegration as opposed to integration. GI authors have discerned how major companies outsource semi-independent companies instead of internalising tasks in-house (Storper & Christopherson, 1987). Nonetheless, PEC has emphasised the existence of hierarchical and power structures in the relationships of major companies within flexible disintegrated networks (Aksoy & Robins, 1992). Some of the economic interdependencies that GI assumes as symbiotic have been questioned by PEC. For

[3] Defined as "control of a commodity or service in a given market by a small number of companies" (Neufeldt & Guralnik, 1996, p. 944).

example, the possibilities of varied forms of interaction in film industrial districts could range from forms of cooperation (co-productions) and cooperative competition—which involves some forms of outsourcing, as when two companies in the same market work together in some phases of the value chain and compete in others (McGovern & Mottiar, 1997)—through to oligopolistic competition and practices. In the cooperative competition, power is localised in the district itself (mainly in the marshallian type) or in the district and the satellite headquarters (in the satellite type). In oligopolistic competition, the dominant power relations are localised in the financial, distribution and lobbying capacity of a few large companies (hub-and-spoke type).

In a way, oligopolies are more than economic entities, they are also cultural organisations exerting power on the market and the rest of the institutional environment (Aksoy & Robins, 1992). The present research incorporates critical concerns similar to how PEC problematises the film industry as it provides explanations of how market structures of capital concentration that lack the appropriate regulation have generated powerful players that "dictate the rules of the game"—through business models, revenue stream financial structures, and shaping legislation—at the expense of other social players. Therefore, it gives an account of the social repercussions of the state of the film industry in Wellington as seen through employment quality, profits share, diversity of products and access to production and consumption of films by diverse social groups.

Having said that, this research echoes some of latest PEC calls to engage in meso-levels of analysis to acknowledge the specificities and complexity of capitalist modernity and avoid macro-level overgeneralisations (Garnham, 2012; Thompson, 2011a). The challenge is to "ground critical-political economic analysis in empirical specifics" (Thompson, 2011a, p. 2). In this way, for example, the concept of oligopolistic control needs to be understood not as a conscious deliberate plan from any players but as an abstract term that describes the effects on market shares, as well as the results of the stakes involved in institutional interactions and their negotiation of macro-level forces (Thompson, 20011a, p. 3). In Chapter 6, for example, I have developed an explanation of the pervasiveness of oligopolies in film distribution in New Zealand based on my empirical findings over distributors' relationships with exhibitors, not from the point of view of oligopolistic imposition but from the interdependency generated by demand-side network economies of scale.

To sum up, PEC pins down the exogenous factors that shape the development of the film industry. Its empirical analysis is based on historical-structural characteristics, sectoral indicators that expose the value chain articulation, the forms of industrial organisation, the public policies that regulate the industry as well as the socio-economic indicators that give reason of the social access to production, and consumption of films. Hence, besides providing elements to theorise and to critique, PEC offers a useful empirical analysis to study the film industry.

An integrative conceptual framework for an empirical analysis

Integrating the cultural industries studies' approaches mentioned in this theoretical background provides a preliminary framework for my research findings and the criteria with which to evaluate their relevance (a more definitive framework is provided in Chapter 2). The selected approaches have been used to study cultural industries in various capitalist environments that make them completely relevant to studying the film industry in Wellington.

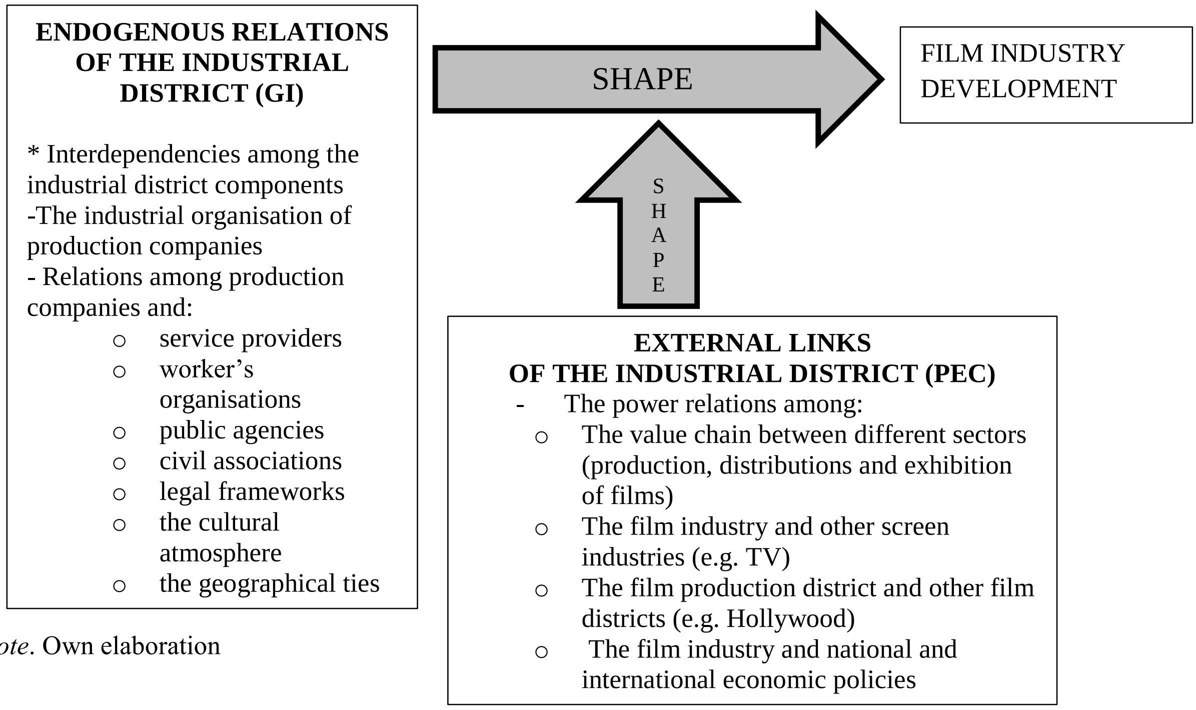
GI and PEC are methodologically and analytically complementary as each of them studies a different aspect of the same topic, namely the production versus the dissemination of films. GI provides a *meso scope*—an endogenous insight including satellite production centres—while PEC has a *macro scope*—external links including historic-structural socio-economic factors—to study the film industrial districts. More specifically, they share an economic foundation based on the political economy tradition. For example, both are based on heterodox institutional economics where the economy is influenced by social and institutional frameworks and which considers that markets tend to constant disequilibrium and are based on limited rationality and inadequate information. As a result, PEC and GI justify the role of the state as a regulator of market mechanisms (Garnham, 2012; Storper & Walker, 1989). This is in contrast to the arguments of orthodox neoclassic economics which emphasise the self-regulatory market tendency to equilibrium, accurate sources of information and rational decision-making.

Initially, the schools also differed, as Conor well observed, in their notions of power structures. The PEC model emphasised the corporate power of major transnational companies, their oligopolistic organization, and their "vertical and horizontal re-integration as strategies of consolidation, risk minimization and profit maximization"

(Conor, 2004, p. 14). On the other hand, the GI model argued that a partial dispersal of power had occurred through flexible organisation and specialisation, with the accompanying disintegration and de-concentration of the majors' activities in favour of local independent companies, local service providers, and overseas destinations (for example, the Hollywood runaway productions) (Conor, 2004).

Despite the early debate between GI and PEC (Aksoy & Robins, 1992; Storper, 1993; Storper & Christopherson, 1987), so far authors from both models agree on the others' proposals. For example, GI authors Scott (2005) and Christopherson (2006) incorporated into their study the oligopolistic power of transnational companies and other external links, while Garnham (2012) and other PEC authors revised the need to avoid overgeneralisations and to look for historical, empirical evidence of the changes in the development of cultural industries including specificities of production relations.

Figure 4 Integrative conceptual framework: the factors shaping the film industry



Note. Own elaboration

Integrating both theoretical contributions allows for a preliminary conceptual framework (see Figure 4) that guides the question of the influence of the film industry's interrelations on how the industry works. According to GI, the degree of institutional relations among the components of the industrial district shapes the development of the film industry. Following PEC, the type of institutional relations with external ties (among production, distribution and commercialisation of films, with other industries, or with other industrial districts) shapes how the film industry works as well. In Chapter 2, the links to assess how the industry works with regards to sustainability criteria will be explored in order to answer: What are the interrelations in the film industry that enable sustainability?

In this research, I incorporate the analytical approaches that PEC, GI, PCP and OS have undertaken in studying the film industry. For instance, I make use of the type of institutional and industrial analysis they have utilised. I examine the functional and power relations facilitated by cultural policies, regulations and legal frameworks, the market and organisational structures as well as patterns of labour, industrial and geographic organisation (see Table 1). This integrative framework and model of analysis makes logical sense of the relationships among the several factors that have been identified as important to the research problem (Easterby-Smith, Thorpe, Jackson, & Lowe, 2008).

Thesis Structure

The thesis is divided in three parts and nine chapters. Part I introduces the main argument of the thesis to the reader. Chapter 1 provides a thorough introduction to the topic, line of enquiry, research questions and the theoretical background reconciling the disciplinary strands on cultural industries studies providing the theoretical argumentation with regards to why and how the film industries develop. Chapter 2 integrates the theoretical accounts described in Chapter 1 to present a normative and analytical framework of self-sustainability with which to organise and evaluate the empirical findings. In Chapter 3 the previous theoretical underpinnings are translated into methodological steps to collect and analyse empirical data.

Part II of the thesis addresses the research findings. Chapter 4 offers an overview of the international dynamics shaping the film industry in New Zealand and its position in Asia-Pacific. It pinpoints how such arrangements potentially limit or enable sustainability in the film industry in New Zealand and Wellington. Chapters 5 and 6 analyse the historic and current relationships between the film industry value chain in New Zealand with emphasis on its articulation. Chapters 7 and 8 provide an industrial and institutional analysis of the film district in Wellington with emphasis in its components' relations.

Part III of the thesis presents the discussion and conclusions. Chapter 9 gives a summary of the line of enquiry and the previous findings in the context of interview accounts, normative statements and links back to the theory with special emphasis on issues on sustainability. Finally, Chapter 10 provides concluding remarks on the analytical contributions of the thesis, potential paths for policymaking in Wellington, as well as possible routes for future research.

Table 1 Comparison of cultural industries' institutional approaches

Approach	Function	Scope	Units of analysis	Socio-spatial levels	Dimensions	Explanatory Cues
PEC	Theorise/ Critique	Macro	Economic systems Industrial sectors	International, national and local	• Policies, regulations and legal frameworks • Market structures • Social implications	Film distribution is key. Articulation of the value chain and external power relations, as well as historical-structural factors
GI	Map/Theorise	Meso	Industrial districts	Local	• Policies, regulations and legal frameworks • Patterns of labour • Geographic patterns • Industrial organisation	Film production is key. Functional internal relations among the industrial district components
PCP	Map	Meso/Micro	Cultural industries systems	Institutional entities	• Technology • Laws and regulation • Industry structures • Organisational structures • Occupational careers • Markets • Management structures	---------------------
OS	Map	Micro	Firms, workers, entrepreneurs	Organisations and individuals	• Management structures • Occupational careers • Labour patterns	---------------------

Note. Own elaboration

Chapter 2

Theoretical and Normative Models of Sustainability

This thesis argues that the inability of the Wellington film industrial district to generate a sustainable industry is explained by the structural difficulties it faces. Those structural difficulties include unstable production and a lack of financial capacity. The argument of this study is that, to overcome those obstacles, efforts should be made to develop a sustainable industrial complex. This chapter addresses one of the secondary questions in this thesis: *How can we give an account of sustainability in the film industry?* By *account* I mean a device to evaluate sustainability theoretically and empirically.

For the purposes of this study, in this chapter I propose a definition of sustainability as a concept which provides a potential analytical and normative framework. In order to do so, I review previous studies that link sustainability to culture. I also reinterpret, in the light of sustainability outcomes, the explanatory cues of political economy of culture (PEC) and geographical industrialisation (GI) around how the film industry works. I draw on the integration of both theories presented in the previous chapter to develop a framework on sustainability to be tested against the Wellington case in the remainder of the thesis. Neither PEC nor GI are necessarily prescriptive theories; instead, they are analytic and critical theories. Nonetheless, both contain normative statements and hence provide the possibility of reinterpreting their potential application for the needs of this study. The objective of this chapter is to revise how they can contribute to thinking of film industries in terms of sustainability.

Besides clarifying what I understand by sustainability I also address a set of related normative concepts often used in the same context such as *self-sustainable, developed, successful, self-sufficient, self-funding, wellbeing, viable,* and *healthy*. Then I question the relevance of the concept sustainability to study the Wellington case outlined previously and the need to rethink the sustainability of cultural industries in the current transnational environment.

Normative Concepts

Despite a substantial research tradition in fields such as cultural policies, creative and cultural industries, academic and policy accounts have overused and, at the same time, overlooked the issue of sustainability in the film industry. When sustainability has been mentioned by these studies it has been done rather superficially, or dealt with implicitly or indirectly. Here, I propose that at the core of the main theories explaining contemporary film industries lie some ideas that imply sustainability.

Having said that, there are no single definitions, for example, about what a "successful film industry" is, or what the "wellbeing of the industry" consists of. This is mainly because each region and each stakeholder involved in the industry has particular characteristics and objectives. It would be unrealistic to hope for a universal agreement on such an issue. Therefore, such concepts are rather fields of flexible and contesting positions that I consider important to expose and to negotiate socially. The objectives of this thesis include identifying general criteria used to refer to the process of enhancing the film industry.

The literature which focuses on cultural industries uses a vocabulary to evaluate the positive outcomes of the cultural industries such as *successful*, *developed*, *wellbeing*, *viable* and *welfare* among others. Phrases like "the success of the industry" (Coe, 2001, p. 1770; Scott, 2005, p. 170), "industry development" (Chaminade & Vang, 2008, p. 401), and "to establish cultural industries that are viable and competitive" (UNESCO, 2002) lack an explicit definition. However, by using them, authors refer to implicit criteria to evaluate and leverage cultural industries. In other words, in using them the authors assess what they think the industry should be.

Authors from other disciplines studying those concepts regard them as belonging to a similar semantic field whether they constitute nouns, adjectives or verbs, as the term *sustainable development* attests (Avila-Pires, Mior, Aguiar, & Schlemper, 2000; Lélé, 1991). The words of a semantic field share a core meaning represented by a semantic component. To explain what such terms might have in common I explored their semantic components in Table 2, that is, their semantic 'atomic predicates' drawing on their definitions and etymology (Fodor, Fodor, & Garret, 1975; Goddard, 2011). For instance, the table shows that the set of words in question connotes a "state of things". However, those words require other syntactic structures to be operational. For example, all of them require a noun that embodies such a "state of things". The words also need conditions of reference to be able to interpret them and make sense of them. For example, the first group—*success, health, and wellbeing*—expresses "a positive state". Using those words requires having in mind a previous set of positive standards to be collated with the subject they are describing. The group which includes *development* and *progress* connotes “a state of positive change along certain trajectory”. They require being associated not only with a set of positive standards but with the idea of a trajectory towards a preconceived goal. However, concepts like *perpetuate*, *reproduce* and *sustain* imply “a state moving along a trajectory whose essence remains without change.” In turn they also require definition of what are the conditions which must be preserved in a certain path or trajectory. Finally, concepts like *self-perpetuate*, *reproduce* or *self-sustain* ask for a set of conditions to be preserved in a reiterative course of action that reverts on the subject itself.

Table 2 Semantic analysis of normative concepts in the film industry

[state] + [positive]	**[state] + [change]+ [trajectory]**	**[state]+ [trajectory]+ [positive]**	**[state] + [change] + [positive] + [trajectory]**	**[state] + [trajectory] + [change]+ [reiterate]**	**[state] + [trajectory] + [change] + [auto] + [reiterate]**
Success	Process	Viable	Develop	Perpetuate	Reproduce
Health			Progress	Sustain	Self-perpetuate
Wellbeing			Growth		Self-sustain

Note. Own elaboration based on Fodor. et. al. (1975), Goddard (1998), and Lewis (1992).

Although those concepts give valuable information, they do not provide the normative answers I am looking for. Other research has similarly highlighted the ambiguity and vagueness of such terms questioning the “development of what?” or “the success with regards to what?” (Avila-Pires et al., 2000; Lélé, 1991). It is the work of scholars studying the film and cultural industries which contains the conditions (nouns, positive standards, goals and paths) enabling an interpretation of their normative vocabulary. The difficulties for such analysis are varied. For example, scholars concur on the need for regions to develop film industries but they do not make explicit what the outcome of such development should be, or what steps are necessary for that to happen.

In the following list I summarise some of the implicit conditions (criteria or standards) highlighted by PEC, GI and other studies of the cultural industries as essential parts of a positive state of the film industry. They are:

- local financial capacity (cycles of reinvesting and increasing economic returns),
- pools of specialised workers and a production system with the ability to generate and maintain quality jobs,
- the capacity to feed from creative sources (or creative environments),

- appropriate levels of productivity and infrastructure, and
- captive local and/or international audiences.

For PEC authors it is also desirable to have access to production and consumption of films by different social groups. All those factors are part of what I consider 'theoretical normative statements' and they will be further elaborated in the next sections. Many of those factors entail long-term temporality rather than proposing, for example, ephemeral box office success or revenue growth. The criteria also cover a wide range of cultural, economic, social and political aspects. I think that the term *sustainability*, among the set of terms mentioned before, is a very relevant concept to study leveraging the film industry. This is because in multiple disciplines (environmental, agricultural, engineering and economic sciences) the concept of sustainability has been used to encapsulate the long-term maintenance of systems and to capture a holistic interconnectedness of different dimensions such as economic, cultural, and social.

From the Latin word meaning "to hold up", "to nurture", the term *sustainable* denotes maintaining a certain state of things and *self-sustainable* has been used to refer to a system that fends for itself (Lewis & Short, 1969, p. 1822). Therefore, the word has evolved to be reframed in ethical reflections on agricultural, economic or ecological issues extensively used since the 1970s. The semantic elements of this word could be also applied to the cultural field as the ability of cultural systems to hold and fend for themselves.

Sustainability in the Cultural Field

The effort to postulate a link between sustainability and culture has come from the agendas of international organisations such as the United Nations (UN) and the European Union (EU). On the one hand, in the 1990s the World Commission on Culture and Development (WCCD-UNESCO), also known as the Brundtland Commission, linked sustainable ecological and economic outcomes to pursue self-perpetuating economic development that would not compromise the preservation of environmental values through the maintenance of natural ecosystems. However, the link between culture and sustainability was "only fleetingly suggested: 'Culture valuations and cultural activities can be looked at in terms of *cultural sustainability*'" (WCCD, as cited in Throsby, 1997, p.10). Nonetheless, the document suggested the need to do more research in the area. This call echoed Throsby's (1997) theoretical work which was taken up again by the United Nations Conference on Trade and Development report on Creative Industries (UNCTAD, 2010).

On the other hand, the European Task Force on Culture and Development argued that, historically, economic growth as a quantitative measure of success and an approach to development has been generating "undesirable ecological, social and cultural side-effects" (Council of Europe, 1997, p. 31). According to this task force, policies centred in economic growth had ignored the holistic notions that community development depends on the "interrelatedness of different actions with a larger environment, whether physical, cognitive or cultural" (Council of Europe, 1997, p. 30).

Later, Throsby engaged in a theoretical effort to define and link sustainability and culture. He described sustainability as "the long-term supporting viability of any type of system" (Throsby, 1997, p. 10). He also argued that culture has "an *instrumental* role in promoting economic progress and a *constituent* role as a desirable end in itself, the characteristic of civilisation that gives meaning to existence" (emphasis added) (Throsby, 1997, p. 9). Subsequently, he took further steps to see both aspects of culture as desirably sustainable.

However, it was more precisely the concept of *cultural capital* that allowed Throsby to build the bridge with sustainability, as it is a term more congruent with economic language. Bourdieu (1986) defined cultural capital as a form of accumulated labour that can be embodied—incorporated in the "dispositions of the mind and body"—or objectified, in "cultural goods" (1986, p. 243). In both cases accumulation takes time and resources, as other forms of labour do. Cultural capital, observed Bourdieu, could be appropriated by individuals or social groups both "materially—which presupposes economic capital—and symbolically—which presupposes cultural capital" (1986, p. 246). But in any case they were appropriating "social energy in the form of reified or living labour" (Bourdieu, 1986, p. 241). Similarly, Throsby (1997) suggested that cultural capital can take the form of tangible assets or services, from art works to cultural heritage. But it can also be intangible as found in art works like music, or as it embodies knowledge, values, beliefs and ideas shared with some community groups and even humankind. Both tangible and intangible cultural stocks carry a symbolic value that can vary across different social groups and which can also "decay through neglect or increase through new investment"—in other words, cultural deterioration, cultural preservation, or cultural growth (Throsby, 1997, p. 15). Furthermore, the maintenance of existing cultural capital and its creation requires resources just as other elements of economic and social systems do.

A set of concepts have been derived from the work of Throsby, EU and UNESCO which proposed a theoretical marriage of cultural sustainable development, as outlined by UNCTAD (2010). Those concepts are:

1. Inter-generational equity or the protection of the capacity of future generations to access cultural resources and meet their cultural needs.

2. Intra-generational equity or the provision of "equity in access to cultural production, participation and enjoyment to all members of community on a fair and non-discriminatory basis" (UNCTAD, 2010, p. 26). This attribute has also appeared among the normative statements of PEC (Golding & Murdock, 2000).

3. Diversity which takes into account the value of cultural diversity in the process of economic, social and cultural development.

4. Precautionary principles which cover protecting cultural heritage from destruction or the extinction of valued cultural practices.

5. Interconnectedness which is a concept embodying the idea that "economic, social, cultural and environmental systems should not be seen in isolation; rather, a holistic approach is required" (UNCTAD, 2010, p. 26).

If Throsby's ideas were to be applied to the film industry and its double cultural-economic component, addressing sustainability in the film industry would mean to ascertain the long-term supporting viability of the cultural aspects of film and the economic aspects of its industry. But the question is how to achieve it? In the next section I pinpoint general theoretical constructs that shed light on this query.

The Cyclical Dynamics of Sustainability in Theories of the Film Industry

In this section I apply the ideas around sustainability mentioned above to the cultural industries and particularly to the film industry. As with any other industry, the film industry can be conceived of in terms of a system with the ability to achieve long-term supporting viability of the cultural aspects of film and the economic aspects of its industry as well as the capacity to fend for itself without neglecting the interdependencies it establishes with the environment.

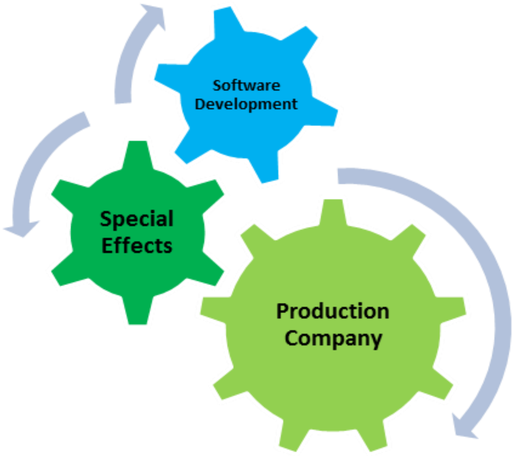
Interestingly, contemporary theories of film as a cultural industry have made use of visual metaphors like "spirals", "circuits", virtuous "circles" and positive "cycles" as adequate ways of depicting the dynamics of self-sustaining systems. In this chapter, I will use these visual metaphors to illustrate what the two main academic approaches have developed in order to explain how film industries work in contemporary capitalist societies.

The explanatory cues of PEC and GI imply a long-term maintenance of industrial outcomes. As mentioned in Chapter 1, the fundamental explanation arising from GI studies of industrial and regional development (Scott, 2007) is based on the expansion of the division of labour inside or outside of companies (Smith, [1776] 2005). Several institutional economists (see Chapter 3) preluded GI's location theory, such as the work of Young (1928) on industrial organisation. He suggested that production activities are *primary economies* that generate opportunities for other secondary economies or organisations to get involved. In a GI analysis of film districts, *secondary economies* include mainly services to production or film-related players. For example, companies' activities might justify the existence of government bodies. For instance, they might be logistically supported by a location office to cut the red tape; in turn, the location office survival as an institution depends on the core film production activities. With each round of investment at the core, the secondary players and economies might benefit and in turn the core benefits as well. Hence, when this system begins working, not only do increasing returns occur inside the company, they also occur in other sectors, or the economy as a whole (Young, 1928). Another milestone in industrial organisation was the observation by Coase in 1937 of a firm's institutional role in evaluating which activities should be internalised or outsourced within a market environment of uncertain information (1937). This is relevant to the study of why film production companies decide to integrate or disintegrate services, marketing or distribution activities. In the study by Williamson (1981) he explained that the decision to internalise or externalise activities depends on how (a) uncertain, (b) frequent, or (c) asset specific transactions are in the marketplace. Specificity of assets is particularly important as it refers to investments that are made because of the specificity of their location; the specificity of the product or service (for example, a unique component); or the specificity of the human input (a specificity arising from learning by doing). As Williamson explained "asset specificity is critical {…} once an investment has been made, buyer and seller are effectively operating in a bi-lateral exchange {…} [they are] 'locked into' the transaction to a significant degree" (Williamson, 1981, p. 555). The previous explanation is related to a central concept in GI accounts, and that is the development of *interdependencies* which are the processes where diverse agents learn from the experience and interaction among them. Nelson and Winter (1982) distinguished two types of interactions: formal (traded interdependencies) and informal or untraded interdependencies, such as cultural atmosphere, tacit knowledge, regulatory frameworks, etc. (Storper & Walker, 1989). Although depending on the decisions of others can generate a competitive advantage—mutual benefits, it can also promote uncertainty, and mutual decline. Nonetheless, agents that are able to codify such formal or informal links might have a better chance of being successful (Nelson & Winter, 1982).

The concept of informal interdependencies is related to other types of spillover effects that do not occur through the direct interaction among players. Bator (1958) defined them as *externalities*, that is, the benefits or costs that an activity generates for third parties that remain external to the transaction. In Scott's study of the Hollywood film district, industrial development was in itself the product of positive agglomeration externalities such as "inter-firm networks, the local labour markets and learning effects {…} [which are] frequently amplified by the physical and institutional infrastructures" (Scott, 2005, p. 14). Scott sketches the agglomeration process in Hollywood in three phases: (a) "an initial geographic distribution of production units over the landscape, possibly at random, possibly as a result of some pre-existing geographic condition"; (b) "one particular location starts to pull ahead of the others and form a nascent agglomeration {…} purely by random or it may stem from a peculiar conjuncture"; (c) "a breakthrough moment, in which the agglomeration, building on its intensifying competitive advantages, extends and consolidates its market reach" (Scott, 2005, p. 16).

In sum, for GI, primary film production activities propel new rounds of production generating spirals of increasing returns in a commercial but also a non-commercial way (see Figure 5) (Storper & Walker, 1989; Young, 1928). And it could be inferred that as a result of the functional interdependencies among institutional players and the development of positive externalities, a film industrial district develops and maintains the attraction of its components (Markusen, 1996). In other words their relations become sustainable.

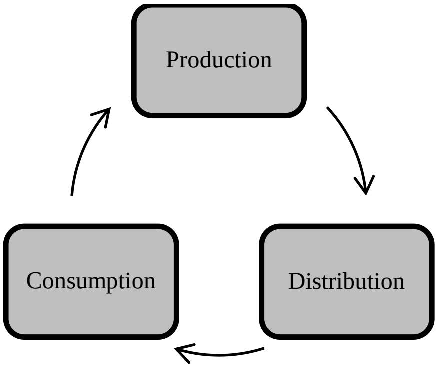
Figure 5 Spirals of increasing returns



Note. Own elaboration.

PEC's explanatory cues also address the long-term maintenance of the film industry by focusing on the articulation of the value chain. A strand of institutional economics (see Chapter 3) that resonated among PEC authors, was Marxian political economics and their observation of the "transition to monopoly capitalism or the tendency for a few large companies to dominate markets and restrict competition" (Mosco, 2009, p. 54). Authors using PEC as a theoretical guideline observed that in many capitalist societies, economies of scale in the film distribution phase—such as low or nill marginal costs per unit distributed—allowed large capital concentration (that is, the creation of oligopolies such as Hollywood's), and political influence over regulation (Garnham; 2005; Picard, 2002). As a result new players were disadvantaged and lacked the financial capacity to compete with Hollywood studios' large promotional expenses and distribution networks. Major studio productions and independent productions compete unequally for the opportunity to reach audiences. It can be inferred that the constraints on film industries, according to PEC authors, are demarcated by how the oligopoly of transnational conglomerates creates a bottleneck controlling the traffic of products (Garnham, 2005). The latter must be dislodged in order to make the capital flow from production to commercialisation and back to production. Consequently, that *positive cycle* is the key to a sustainable film industry (see Figure 6).

Figure 6 The value chain of the film industry



Note. Own elaboration

The system at work

The cyclical models of spirals of increasing returns and value chains depend on "complex synchronic and diachronic interrelations that must be present before the creative dynamics" can emerge (Scott, 2006, p. 11). In this way, the models represent sufficient conditions for the reproduction of capital. In addition, academic research has noted some necessary conditions that, I suggest, mutually constitute the cyclical models explained previously. These necessary conditions are a set of criteria which recur in what many authors consider viable film industries. Such criteria cover social, cultural, political, and economic dimensions. As a result these perspectives match the holistic properties of the sustainable approach to the cultural industries which sees the interconnectedness of such dimensions.

In the next sections, I explore these criteria. As it will be noted, they reinforce one another. In this manner, they can be seen as a giant machine comprised of different cogs that need to move together for the machine to operate. Having said that, they are necessary conditions but they fail to explain, by themselves, the sufficient conditions under which production system cycles operate. It is the value chain articulation and the spirals of increasing returns which sets the following factors in motion.

Financial capacity

The film industry business measures positive financial outcomes of single films by their commercial returns. In a similar way, economic and business reports measure entire film industries' financial success by aggregating annual commercial revenue including also box office, territory distribution sales, retail and ancillary returns from a bundle of films that comprise that industry (De Vany & Walls, 1999; MacPherson, 2010).

However, according to my theoretical stance the revenue captured by the commercialisation sector must be put in context to account for the long-term, positive outcome of any film industry. It is expected that part of that revenue will be reinvested to maintain the value chain cycles and the virtuous circles of increasing returns mentioned in the last sections. Even in publicly funded film industries within market economies, there is a widespread expectation that films will return money or social recognition, although, expectations vary in relation to different regional schemes. Scott (2002) stressed that "the distribution system disseminates the industry's products on wider markets, pumps revenues and information back to [producers], and hence is a basic condition of the sustained economic well-being of the [industry]" (Scott, 2002, p. 969). Similarly, Pendakur (1990) observed that in order for film production to be sustainable, production and distribution companies need to be integrated. For Garnham, "the problem in this circuit is how to establish a viable linkage between production on the one hand and exchange (exhibition) on the other" (Garnham, 1990, p. 183). As I will explain, there are four main obstacles to entering or maintaining such reinvestment circuits.

First, the long-term economic life span of films—cinema release, video rental, download, and television broadcast—and ancillary products can last years, which creates a negative mismatch between cost of inputs and commercial returns (Picard, 2002). In the same way the large number of participants in the value chain, including numerous distribution and exhibition businesses involved, leaves the producer at the back end of the revenue downstream. Despite the fact that independent producers deal with higher costs and risks they are often left undercapitalised (Magder, 1996; Ugalde, 2005). This has an impact on the opportunities for reinvestment and the expansion of the productive sector.

Second, film products need large capital investment in early production phases. This imperative derives from the economic characteristics of the film industry itself. High fixed and variable costs are required to produce the first prototype or master (Picard, 2002).

Third, there are low or nil marginal costs required for reproducing and distributing films, more so with digital technologies (Picard, 2002). High production costs and low distribution costs mean that increasing the number of units of production, decreases the mean costs, favouring the generation of economies of scale and market expansion (Garnham, 2005). Historically, once those economies of scale have been put in motion, their advantages have been such that they have created barriers to entry to new competitors and favoured the creation of oligopolies that dominate the value chain (vertical integration), diversify their businesses (horizontal concentration of firms) and concentrate the biggest shares of markets.

Finally, the level of uncertainty in consumption patterns presents other obstacles to obtaining returns. For example:

1. Cultural industries have unstable patterns of consumption including a demand that reverses in cyclic ways (as fashion cycles) as well as the uncertainty that *credence products* carry, as their desirability depends on collective social behaviour (Kretschmer, Klimis, & Choi, 1999).

2. Films constitute semi-public goods whose use by one individual does not prevent others from consuming them which has motivated companies to produce artificial scarcity through high prices, public screenings and digital right management devices.

In sum, long timeframes, blockages to recoupment, large initial capital investments, barriers to entry and uncertain demand all lead to a lack of financial resources for many production businesses or organisations that have not generated economies of scale. They have also become risk factors reflected in the investment structures of the film industry (Picard, 2002). This risk puts off external investors and commercial banks. Only big conglomerates enjoying control of the whole value chain have their own financial divisions which can be backed up by financial institutions and resources, including the stock market. Independent production houses resort to other forms of financing such as state subsidies or crowdfunding.

Maintaining a self-financing capacity in any film industry would require expanding “the audience to the maximum possible” (Garnham, 1990, p. 185) even for those depending on public funding following a commercial or not commercial logic to obtain social returns. It would also entail financial mechanisms that pursue “making the flow of money from the widely-scattered box-offices [and other outlets] back to production as efficient and rapid as possible (thus accelerating the turnover time of capital)" (Garnham, 1990, p. 185). To which I would add, guaranteeing a fair redistribution of the returns to the producer for their reinvestment.

Pools of specialised labour

Film production is a labour-intensive activity, meaning that in order to produce a film, relatively large amounts of skilled and non-skilled workers are required (Scott, 2000a). However, it is imperative to have a production system with the ability to generate and maintain quality jobs as companies need access to a wide variety of workers in order to adjust their activity networks. This is due to the project-base model of production of films and the variability of relations among companies which creates a functional disintegration (Scott & Storper, 2003). State-owned film companies also depend on having access to or developing permanent or flexible workers.

Maintaining jobs allows workers to acquire know-how, understood as the "relevant skills, experience and knowledge needed for competent performance" (Rowlands, 2009b, p. 31). Most of the technical, creative and managerial skills involved in filmmaking are learnt on-the-job because of the high amount of tacit knowledge involved which cannot be codified in training sessions. But schools, industry organisations and guilds do play a role in catalysing the integration of some codified knowledge. Nonetheless, film workers careers have become individualised paths of jobs sequences through which the workers learn and upskill their craft (DeFillippi & Arthur, 1994).

The inability to maintain the production system could result in losing labour pools through emigration, as well as raise unemployment rates. In these hostile environments for workers, "the organisation of efficient high-skill local labour markets" such as unions or guilds, is crucial to keep nurturing production (Power & Scott, 2004, p. 10). This is more so in the era of flexible production characterised by workers' mobility, short-term jobs and independent contractors (Storper & Christopherson, 1987).

According to Allen Scott, "whenever groups of interrelated firms gather together {…} in geographic space, extended local labour markets invariably develop around them" (Scott, 2006, p. 6). Yet, as Scott argues, agglomeration is not enough and importing a diversity of creative and technical workers alone, as proposed by Florida (2003), is not enough to explain industrial or urban development. On the contrary, specialized pools of labour "must be organically developed through the complex interweaving of relations of production, work and social life in specific urban contexts" (Scott, 2006, p.15). These last remarks are relevant in the light of the multiple dimensions that sustainability encourages.

Creative sources

Creativity occurs in the film industry in several respects. Creativity is the human ability to reinterpret and communicate a variety of human experiences with known or new configurations (Williams, 2001). However, films, like other cultural industries, have developed skills to transmit that experience so it can be literarily lived by others as they "command very powerful means of this sharing" (Williams, 2001, p. 24).

Creativity could be seen as the input of creative film workers comprising informal know-how derived from the socialised and intensive working transactions, which in turn become processes of acculturation that endow workers with "instinct like capacities" (Scott, 2000a, p.25). For example, tacit knowledge influences "workers' sensibilities (forms of empathy, feeling, awareness, imagination, expressiveness and so on) {…} which become manifest in final products in distinctive variable cultural codes, styles, conventions, fashions and all the rest" (Scott, 2000a, p.25). Creativity can also appear as part of the background of a cultural milieu. The latter is understood as, "the matrix within which the social machinery of production is entrenched and the main repository of the diverse cultural resources that are both consciously and unconsciously mobilized in the conceptualization and execution of cinematic projects" (Scott, 2000a, p.24). The cultural milieu gives film its distinctiveness as it mediates and infuses creative work with concrete character drawn from the frames of reference, visual styles, stories, and so on, which provide a "cinematic background vocabulary" (Scott, 2006, p. 26). It is not coincidental that film industries locate in cities which are centres of cultural and social life that are able to feed the industry in several ways: through synergies with arts and cultural industries, through the concentration of specialised workers, cultural institutions, aesthetic traditions and particular cultural ethos, as well as via the responses of film audiences' idiosyncrasies and discernment (Scott, 2000a).

For GI authors, “the potentiation of local industrial creativity and innovation” (Power & Scott, 2004, p. 10) could result in a comparative advantage as it could generate a constant “stream of vibrant cultural externalities” (Scott, 2000a, p.25). However, “as important as these assets may be, they are apt to be inert until energized and reproduced through an actually working production system” (Scott, 2000a, p.25).

Levels of productivity and the appropriate infrastructure

Another measurement of positive outcomes for film industries is the annual volume of films produced (MacPherson, 2010). This is particularly important for international reports concerned with global cultural diversity and the origin of films made and spread around the world. For example, in recent reports of annual film production only a few countries manage to make more than 100 feature films per year: India (1,091), Nigeria (872), US (485), Japan (417), China (330), France (203), Germany (174), Spain (150), Italy (116), South Korea (110) with the United Kingdom producing 104 films (UNESCO, 2009, p. 3).

It is fair to argue that countries with large populations have more opportunities to generate higher levels of productivity, but this is not always the case; countries like Denmark have more production per capita than other large-population countries (MacPherson, 2010). In addition to that, high productivity does not equal enjoying the advantages of having extended distribution through domestic and international networks (Sánchez Ruiz, 2003). In this regard, from the top countries with higher productivity, only US film productions have a global presence.

Having adequate levels of productivity is important as it relates to the maintenance of jobs and upskilling processes; the development of audience taste for films (provided that they are rightly disseminated); and the spillovers for infrastructure (services and facilities). Having addressed the first two in the other sections I will expand on the need to have an appropriate infrastructure.

The film industry depends on relationships with external services like hospitality, accommodation, and accountancy as well as intra-sectoral services providing set designs, casting agencies, gaffers, special and visual effects, film studios, talent, casting and distribution agencies, post-production services, as well as distribution, exhibition and retail activities (Coe, 2001). There is also a set of institutional infrastructure provided by the public sector, the civil society, academic organisations and private associations. As GI researchers argue, face to face contact, exchange of information, short- and long-term outsourcing as well as input and output flows are key to the creation of industrial complexes; and, more importantly, to their maintenance through the creation of interdependencies and spirals of increasing returns (Scott, 2000b).

Market audiences

The film industry depends on economic returns and social rewards to maintain production cycles, and these are generally provided by audiences who participate as receptors or consumers. Expanding captive audiences is one of the conditions of existence of the film industry as they represent the demand required to generate economies of scale (Picard, 2002). This is the reason why some authors consider distribution to be such a powerful phase in the value chain (Aksoy, 1992).

It is widely accepted that audience size—measured by cinema admissions, TV ratings, and units sold—is a quantitative indicator of positive financial and social outcomes of the film industry (MacPherson, 2010). Such figures are seen to capture commercial currency, social prestige and acceptance for film products. Despite the disadvantage of places with limited population, “small size can often find sustainable niches for themselves on world markets provided they offer sufficiently distinctive goods and services” (Scott, 2006, p. 13).

Although high levels of audience attendance and home markets can be seen as competitive advantages for an industry (Scott, 2000a), some films and film industries face obstacles in achieving them. In many regions “cinema audience is largely in thrall to Hollywood” (MacPherson, 2010, p. 2). The strategic position on distribution of films has made US films dominant in the global market (Garnham, 1990). In 1973, the Motion Picture Association of America claimed that US films had 50% of the world screening time (Garnham, 1990, p.175). For the year 2000, it was estimated that “85% of the films shown around the world” had originated in Hollywood (UNESCO, 2000, p. 18). In 2006, another report showed that in the majority of countries, “the top 10 films by admissions were of US origin” except for India, France, Japan and Morocco (UNESCO, 2009, p. 7). Therefore, the unequal representation of domestic versus US films has been a global concern.

As noted above, the uncertainty of audience demand can be explained by the inherent characteristics of film products and their relation to audiences. First of all, they are credence products whose quality cannot be determined before their consumption, nor even after it, as audience perception is a social construct based on the reputation of the product, which creates negative or positive social contagion: demand for films in the industry reverses in cyclic ways “once too many people enter a particular fashion, it ceases to be a fashion and, typically, the trend moves on” (Kretschmer et al., 1999, p. 64). Secondly, films are perishable products meaning that their value is exhausted by seeing them once. Finally, they are highly substitutable products competing with other cultural products and leisure activities (Garnham, 1990; Kretschmer et al., 1999; Picard, 2002). Even in Hollywood, studies have provided evidence that domestic box office conforms to a Paretian distribution curve where 20% of films account for 80% of revenue (De Vany & Walls, 1999). Therefore, there is “always a premium on expanding the audience to the maximum for each unit of production” (Garnham, 1990, p.185).

However, there are obstacles to expanding market audiences such as blockages in distribution and the oversupply of products. Nonetheless, audiences are not only captive but also potential, meaning there are always possibilities to create new market audiences away from the existing ones (Biltereyst & Meers, 2012).

It is a widespread belief that in mainstream media content production decisions are based on giving audiences what they want (Biltereyst & Meers, 2012). In this view audiences are irrational, emotional, and dependent, which in turn justifies producers’ resistance to risking on innovative, original or higher quality products which are more expensive. PEC and cultural studies’ academics have turned around such classical liberal views reminding us that audiences are not just given but made. Instead, audiences are rational, sovereign, active and autonomous as well as driven and created by corporate strategies (Biltereyst & Meers, 2012). In other words, “consumer wants are to an important extent determined by the system of production and consumption itself. {…} [Audiences desires are] shaped by what it is actually available for consumption” (Garnham, 2000, p. 136).

Furthermore, audiences are not only consumers of commodities but the audience itself is a commodity produced by the media industries and sold to advertisers, sponsors, branding strategists and political propagandists—including tourism: “Because audience power is produced, purchased and consumed, it commands a price and it is a commodity" (Smythe, 2006, p. 233). These characteristics help to understand why some types of audiences for certain types of products are fostered while others will remain potential in the mainstream context: "audiences with less material interests in common have been and will continue to be, less favoured" (Seaton as cited by Biltereyst & Meers, 2011, p. 425). This has implications with respect to the purpose for producing films and the purpose for producing audiences which, in turn, sheds light on the possibilities and constraints for audience development strategies.

The Local and the Transnational

The necessary and sufficient conditions mentioned above are also inevitably tied to specific places, as the interrelations that they entail potentiate positive outcomes. This is not only because workers and firms are circumscribed in space and time (Power & Scott, 2004, p. 7) but also because they "acquire a patina of {…} peculiar traditions, sensibilities and norms that hang {…} like an atmosphere over the *local* community" (emphasis added) (Scott, 2006, p. 7). It is not by chance that city-regions have accumulated competitive advantages as excellent producers of cultural industries attracting labour and businesses (Markusen, 1996; Power & Scott, 2004, p. 7).

But most importantly, even if there are transnational flows, international mobility of workers, and audiences trespass borders, at the core of the film industry positive cycles are "*inward* investment for increasing returns" (emphasis added) (Power & Scott, 2004, p. 21). Therefore, the struggle over foreign versus domestic audience market share is not only a matter of nationalism, rather it follows the logic of capital flows and local reinvestment required to locally finance the industry (Garnham, 1990). The place in this broad sense becomes a source of unique competitive advantages. Places could be:

1. Repositories of economic efficiencies which are potentiated by complex interactions in proximity that reduce costs of commuting, information exchange and search as well as costs of educational and training facilities (Scott, 2000a, p. 22).

2. Reserves of cultural and creative externalities that enhance learning and acculturation processes by socialisation.

3. The locus of human individual and community life, so the impact that film industries have on human quality of life and lifestyle are captured in specific places.

However, this "place-bounded" logic (Scott, 2006, p. 8) of film industry systems raises questions regarding changes in the definition of *place* in current transnational capitalism in the so-called era of globalisation. Economic geographers have already discussed that rather than eliminate the importance of the place, globalisation has accentuated it (Scott, 1997). Although, the last two decades have seen the denationalisation of film and TV industries (O'Regan, 2013) it is worth determining what effects this has on local communities.

Transnational firms and capital in the film and audio-visual industries are present in many phases of the value chain of regional film industries. Historically, trade and distribution of films has been held by transnational networks. Initially, rising exports accentuated the expansion of localized production activities (Power & Scott, 2004). Another focus of transnational activity is film production that has dispersed as the international division of labour has increased.

It is worth noting that the imbalances in local and transnational flows and in players' economic power present "political collisions over issues of trade and culture" (Power & Scott, 2004, p. 12), as well as industrial relations (Christopherson, 2006). If we factor in the social and cultural dimensions of a sustainable holistic perspective, it is easier to observe critically the impact of transnational activity on the local community life.

The Normative Aspect of Sustainability: Access, Agency and Policy

The film industry boundaries

The use of the term *self-sustainable* to study a particular film industry presents some issues in the current transnational environment as it requires solid grounds to define the limits between the industry and the environment to be able to establish the reference of *self*. In the first place, this brings to light questions of community sovereignty in which each social unit in any region could politically and culturally define itself. It would be unethical to impose a universal definition of the boundaries of a film industry. Nonetheless, based on the theory reviewed in this thesis, some general boundaries can be suggested and explored as they are justified by the film industry's endogenous economic dynamics and its socio-cultural implications to communities.

On the one hand, I adopt the word *community*—whether urban, sub-national, national, regional, or transnational—as the minimum level of collective interrelatedness into which film industries have immediate impact on people's lives. UNCTAD suggests that the main reasons to support the principles of culturally sustainable development are "the contributions that artistic and cultural production, dissemination and participation make to empowerment, cultural enrichment and social cohesion in the *community*, in order to promote major social progress" (emphasis added) (UNCTAD, 2010, p. 26).

This thesis also stands for the idea that there should be a place for the right of all communities to define themselves and even to overlap. In this sense, all cultures have the right to self-expression and cultural dissemination, as well as the recognition of cultural goods and services as vectors of social transformation, identity, values and meaning (UNESCO, 2002).

On the other hand, based on the film industry theories discussed here, it could be argued that the sufficient and necessary conditions of the film industry put limits on its boundaries, although they do not determine them. For example, it has been argued that the cyclical mechanisms set in motion create inward synergies among the system components in close relationship to each other. This does not mean to neglect transnational networks established to canalise inputs and outputs, or dispatch packages of outsourced tasks from the industrial system to the environment and vice versa (Aksoy & Robins, 1992; Scott, 2006). Neither does it mean to ignore links with state funding mechanisms. Nonetheless, those transnational connections or public resources can only become part of a self-sustainable model provided that the film industry incorporates them in internal positive productive cycles.

When those external links to the environment such as satellite investment or state subsidies fail to be canalised into inward investment they have established dependency relations that negatively shape the generation of endogenous interdependencies. As far as academic research has found, there are no satellite production centres whose external dependency has overcome structurally endemic issues to mobilise cycles of added value and increasing returns (Coe, 2001; Goldsmith & O'Regan, 2005): "An unanswered question thus far revolves around whether or not policymakers can really push the development of the film industry in any one of these satellite centers to the point where a virtuous circle of agglomerated growth is set in motion" (Scott, 2006, p.14). Such a question underlies the line of inquiry in this thesis and the empirical interest in the Wellington film district domestic and satellite production.

However, defining boundaries is a matter of understanding film industry dynamics as much as defining any community politically. The definition is therefore empirically flexible but difficulties in circumscribing the economic, social and cultural boundaries of impact, action and belonging can be reduced provided there is clarity on the social ends and the key factors that determine and condition the industry. For the purposes of this research, the *self* in *self-sustainability* refers to the sovereign definition that takes into account the long-term maintenance of the industry and its holistic extent (the interconnectedness of economic, sociocultural, and political aspects). The latter includes the concepts of inter- and intra-generational equality defined by Throsby (1997) as access to cultural participation, and by UNESCO (2002) as part of human rights.

Access to production and consumption of films

The concept of social access is attached to the definition of the film industry boundaries and the extent to which the film industry impacts on and is nurtured by the community. PEC has a long tradition of reflecting on the role of the media in contributing to social values (Golding & Murdock, 2000). The irony resides in the fact that, in capitalism, cultural industries are "mediated forms of communication [that] involve the use of scarce material resources and the mobilization of competences and dispositions which are themselves in important ways determined by access to scarce resources" (Garnham, 1990, p. 6). In other words, people's access to cultural production and consumption under capitalism presents fundamental issues of power inequality (Hesmondhalgh, 2007), putting at risk the inter- and intra-generational equality associated with sustainable development (UNCTAD, 2010). What is at stake is culture as "an indicator of positive human growth defined in qualitative, but measurable terms, for example, access to opportunities, positive self-definition, the ability to participate in social activity and intellectual and cognitive capacities" (Council of Europe, 1997, p. 31).

State intervention

The main theories explaining the film industry and the international reports reviewed here agree on the call for state intervention in regulating the film industry to counterbalance market failures and resource misallocation in contemporary capitalism.

As mentioned before, PEC authors characterise many cultural industries in the current capitalist economy as being in a state of imperfect competition. This environment has generated problems of gaining access to production by new entrepreneurs, and creative and technical talent. In the same way capital concentration and artificial scarcity (see the section above headed "Financial capacity") have created issues for consumer access through high prices and product homogeneity. In cultural industries these problems are intensified as they can affect cultural pluralism and diversity. For such reasons PEC authors have considered it necessary for states to intervene to regulate the economy of cultural and media industries. Other international regimes agree with this posture. Articles 9 and 11 of UNESCO's *Universal Declaration on Cultural Diversity* states that,

> market forces alone cannot guarantee the preservation and promotion of cultural diversity and there is need of cultural policies to create conditions conducive to the production and dissemination of diversified cultural goods and services through cultural industries that have the means to assert themselves at the local and global level. (UNESCO, 2002)

By the same token, GI studies have arrived at similar conclusions. Based on endogenous growth theory, it characterises the capitalist economy as being in a continuous state of disequilibrium. This is mainly because production competition implies the active application of technology and labour in original and creative ways. The latter represents a hard type of competition that alters the economic conditions towards a moving equilibrium. For this reason, some industries will grow faster than others (Storper & Walker, 1989; Young, 1928). The social implications of this disequilibrium coincide with the ones mentioned in the last paragraph, as this creates "enormous disparities between different groups of individuals in different societies in regard to their command of cultural resources and forms of self-expression" (Power & Scott, 2004, p. 13). To counteract the negative effects of such disequilibrium, GI theorists studying the film industries justify state intervention. Their view is further strengthened by place-bounded cultural industries having the potential to generate regional development understood not only as economic growth, trade, and employment but also as "social well-being" (Power & Scott, 2004, p. 10). The following sections pinpoint potential and desirable cultural policy areas suggested by authors guided by PEC and GI.

Structural measures

Individuals involved in policymaking could learn from understanding the main mechanisms of how the film industries work or do not work in contemporary societies. In this way, interventions can be implemented along different points of the value chain where blockages operate. One structural foundation is that "in the film industry there is no more important thing than wide distribution” (Garnham, 1990, p. 185). In this regard, any film production centre must “be capable of mounting effective systems of commercialization and distribution of their outputs. This, of course, is another area in which policymakers can play a decisive role” (Scott, 2006, p. 13). As Scott states, audience development is another structural measure as it targets the consumption phase of the value chain: “consumer choices and preferences are actively shaped along time through complex processes of socialisation and construction of personal needs” (Scott, 2005, p. 170). Audiences can be included “if enough investment is made on effective distribution and promotional campaigns in the long run” (Scott, 2005, pp. 170–171).

The other imperative argument outlined by the theory is the need to identify points of inward investment and externalities; that is, primary and secondary economies. For example, production companies are primary activities that propel service businesses that are secondary economies. I argue that that distinction is important to avoid expecting services to create wide externalities, which could create “severe problems of market failure and misallocation” (Scott, 2006, p. 2). In other words, there is a need for policymakers “to map out the collective order of the local economy along the multiple sources of increasing returns” (Power & Scott, 2004, p. 9).

Identification of competitive advantages

Once policymakers have localised the structural blockages mentioned previously, there are a series of competitive strategies to be implemented. Researchers highlight the structural importance of “high-road” strategies that are based on quality rather than low cost competition (“low-road”) as they are more prone to work in the long-term (Jeffcutt & Pratt, 2002). These include:

(a) specialisation strategies based on investment in human capital, technology to achieve a high degree of added value which is the institutional prize of creativity and innovation as sources of competitive advantage (Jeffcutt & Pratt, 2002);

(b) differentiation as a strategy to intensify distinction from Hollywood or mainstream products and businesses models (Scott, 2005);

(c) synergetic strategies with other multimedia content production in order to take advantage of pools of finance, cross promotion and ancillary markets; and

(d) strategies of scope with regards to the creation of new windows of commercialisation and niche markets that world-dominant centres do not control (Scott, 2005).

Another potential competitive strategy is collective coordination which involves,

> building collaborative inter-firm relations in order to mobilize latent strategies {…} [and] institution building in order to internalize latent and actual externalities within competent agencies and to coordinate disparate groups of actors. (Power & Scott, 2004, p. 10)

It also includes enhancing training and learning processes (a form of labour specialization), and labour organisation, as well as infrastructure and technology upgrades. The key is having a productive system that can generate inward investment, create added value and comparative advantages (Scott, 2006).

Strategic protection and regulation

There are calls for the desirability of achieving a balance between private enterprise and public intervention (Golding & Murdock, 2000; UNESCO, 2002) with some authors commenting on the possibility of implementing combinations of different types of governance such as public, social and private funding in the production and dissemination of cultural industries (Pratt, 2005). In addition, some authors insist in the importance of protection devices such as strategic trade and industrial policies to compensate the undesirable effects of stronger competitors (Frau-Meigs, 2006; Pendakur, 1990; Sánchez Ruiz, 2003). Such policies have been practically extinguished in the context of free trade agreements and state retraction (Gazol Sánchez, 2004). In cultural policy areas many governments maintain subsidies for film production. However, countries that failed to include a cultural exemption clause in free trade agreements have been less likely to establish new subsidies or quotas for film imports. Finally, another area referred to by research into cultural industries is the appropriate regulation and enforcement of competition laws to break up market concentration and eliminate unfair competition (Pendakur, 1990).

All these policy areas and possibilities carry economic and political costs in their implementation, as all policies do. Although beyond the scope of this thesis, it is worth mentioning that any policy proposal needs to consider hypothetical projections based on empirical data. However, this chapter has aimed to contribute providing a general theoretical framework to potentiate sustainability outcomes.

Conclusions

In this chapter, I have argued that among other terms used by the literature to evaluate the film industry—such as *developed*, *successful*, *self-sufficient* and *viable*—the term *sustainable* encapsulates the long-term maintenance of systems, and captures the holistic interconnectedness of economic, political, cultural and social dimensions. Based on the work of Throsby (1997), as well as international cultural organisations such as UNESCO and UNCTAD, I propose a definition of a self-sustainable film industry as one with the ability to achieve the long-term supporting viability of the sociocultural aspects of film and the socio-economic aspects of its industry as well as the capacity to fend for itself. I have argued that sustainability as a normative and analytical framework is a relevant tool to understand the struggles faced by many film industries. This chapter has also addressed the question of how to give an account of sustainability in the film industry.

In order to answer the question I drew on the explanatory cues of PEC and GI which use visual metaphors like "spirals", and positive "cycles" to implicitly depict the long-term dynamics of self-sustaining systems. On the one hand, GI suggests that film production activities are primary economies that generate opportunities for other secondary economies or secondary activities to get involved such as film facilities and services. Relations between both primary and secondary economies are sustained when they establish the functional benefits of interdependencies and externalities, and propel new rounds of production in spirals of increasing commercial and non-commercial returns. On the other hand, PEC focuses on the articulation of the value chain in which the flow of resources from production, distribution and commercialisation are able to be reinvested in production. These positive cycles are the key to a sustainable film industry. The cyclical models of GI and PEC represent sufficient conditions for the reproduction of capital, but I also identified in the studies using those approaches a set of necessary conditions that are mutually constitutive of such cyclical models. Those conditions are film industries with the financial capacity for reinvestment, pools of specialised workers in a production system with the ability to generate and maintain quality jobs, the capacity to feed from creative sources and environments, adequate productivity levels and the appropriate infrastructure, as well as reaching captive audiences at both local and international levels.

Due to the fact that workers and firms are circumscribed in a particular place and that inward investments lie at the core of the film industry's positive cycles, places become repositories of economic efficiencies, cultural and social externalities as well as community life. Hence, film industries have direct impact on the community through jobs, income and symbolic representation. However, community access to cultural production, dissemination, and consumption—what UNESCO considers to be part of human rights—is compromised within the current imbalances of local and transnational flows. Social access to cultural production and consumption in capitalism is nonetheless determined by access to scarce resources and thus, GI and PEC theorists justify state intervention through structural measures, competitive strategies, strategic protection and adequate regulation. Here, I argue for the relevance of achieving a self-sustainable film industry, where the prefix *self* refers to a community's sovereign definition of its film industry. There might be difficulties in circumscribing the economic, social and cultural boundaries of impact of a given film industry, but they can be reduced provided there is clarity on the social ends and an understanding of the internal mechanisms that set the film industry in motion. I contend for the desirability of a self-sustainable film industry whose inherent focus on the local community is not a matter of nationalism or localism, but rather a matter of following the logic of the internal, cyclical mechanisms of film production and the extent to which the film industry impacts on and is nurtured by the community. This does not mean neglecting the participation of transnational connections or public resources in a given film industry; however, these can become part of a self-sustainable model only when the film industry incorporates them into internal positive cycles.

The chapter has established links between academic theories, the normative values of international organisations and their potential policy implementation to leverage the film industry which, otherwise, could remain vague and impractical. The following chapters will attempt to use this framework to delineate the New Zealand's film industry opportunities and constraints to achieve sustainable outcomes according to international configurations, the articulation of its value chain and the relations of its film district.

Chapter 3

Field Studies

The main question of this thesis is: *What are the film industry's interrelations that enable its sustainability?* To answer the question I conducted an empirical study of the film industry's interrelations in Wellington to be evaluated in the light of sustainable criteria described in Chapter 2. The current chapter describes the wider theoretical concepts that inform the methodological steps taken to study the film industry's interrelations.

I consider the relations among film industry players in a specific industrial district a very complex object of study, due to the variety of players and interests involved in them. The integrative framework (see Chapter 1) allowed me to encompass such complexity through conducting a historical-structural, industrial and institutional analysis of the film industry in Wellington and New Zealand. Guided by the main theoretical approaches outlined in Chapter 1, I applied a *critical realist methodology* which I argue is the most appropriate to encompass the complexity of the study. This methodology combines qualitative with quantitative data and collects original and contextual data. The research involved an in-depth examination of the experiences, perceptions, practices, and relations of a group of 30 film industry stakeholders in Wellington. The qualitative information obtained was analysed by identifying emerging commonalities and patterns, and sometimes highlighting diverging accounts. In order to contextualise the findings, I complemented them with quantitative and qualitative data from other sources such as public and media reports. The contextualisation allowed me to capture integrative dimensions of social phenomena—social, cultural, political, and economic—as prompted by the political economy of culture (Hesmondhalgh, 2007) and accounts of sustainability (Throsby, 1997).

In this chapter, I position my study within philosophical considerations and a broader theoretical framework. The assumptions presented in this chapter underlie how I perceive the phenomena I am studying, how I think they can be studied and understood conceptually. I also explain the appropriate steps and methods to collect and analyse the data. In addition, I explain the rationale for my selection of interview participants based on a general conceptualisation of their roles as boundary spanners as well as the ethical considerations in conducting the research.

Theoretical Stance

Epistemological and ontological approaches: Philosophical considerations

My object of study is the interrelationships of the film industry which, at a broad level of abstraction, could be seen as the relations between individuals and their social and material settings. A flexible interpretation of materialism, one of the most basic philosophical traditions, reflects how I perceive the object of my study. In general terms, materialism "assumes that there is an objective material world which exists independently of and predates human existence" while "Idealism, in contrast, maintains that the material world is totally dependent on, and has no reality apart from, human existence, discourse or consciousness" (Marsden & Littler, 1999, p. 341). Materialism encompasses my theoretical approaches, the purpose of my study and the socio-economic factors I favour. My flexible interpretation of materialism avoids reductionism by acknowledging different forms of causality—material, ideal or both—depending on the dimensions and particular time frames I am referring to (Adler & Borys, 1993). In sum, philosophical traditions are overgeneralisations, but their stand–points help me build coherence into what I am researching and how I might research it.

There are many epistemological approaches—or ways to "understanding how we know things" (Mosco, 2009, p. 10)—under the materialist paradigm. One of them is the realist approach in which I position my work due to the nature of my object of study and the epistemological foundations of my main theories. As Mosco explained, the political economy of culture (PEC) is grounded in a realist epistemology which,

> calls for an approach to understanding that accepts as real both the abstract ideas that guide thinking as well as concrete observations or what our senses perceive. It thereby rejects the view, prominent in some theories, that only our ideas or only our observations, but not both are real. Political economy also rejects the position that there is no reality, that neither ideas nor observations are in any important sense real. Moreover, this philosophy means that reality is made up of many elements and cannot be reduced to one essence. Neither economics (e.g. money alone drives the media) nor culture (e.g. people's values shape the media) provide the magic key to unlock our understanding of communication. (Mosco, 2009, p. 127)

The fact that PEC rejects essentialism “which would reduce all social practices to a single political economic explanation” makes it inclusive, that is, open to a diverse social field but also open to choosing certain concepts or theories over others as “our thinking and experience warrants giving them priority {…} but they are not assertions of the one best, or only, way to understand social practices” (Mosco, 2009, p. 10). Another characteristic is its constitutive epistemology that recognises the limits of causal determination and instead “approaches social life as a set of constitutive processes, acting on one another in various stages of formation” (Mosco, 2009, p. 10). Its critical characteristic stems from its view of knowledge as “a product of comparisons between research findings and other bodies of knowledge as well as with social values” (Mosco, 2009, p. 10).

I also position my study within a realist ontological approach, that is a framework for “understanding the nature of being” (Mosco, 2009, p. 11). I consider of my object of study through a realist ontological perspective, as I conceive of the film industry as being composed by “real” sets of activities in the sense that they are based on social consensus. This consensus involves conventionalised social relations and practices around matters of aesthetics, copyrights, entertainment, markets, and so on. Despite the fact that these social practices are socially developed, they become more or less fixed structures as society establishes its institutions—common meanings, organisations, laws and habits. In this process, institutions are able to exert “real” power in societies. This matches PEC’s assumptions of structuration processes and human agency in which “social action takes place within the constraints and the opportunities provided by the structures within which action happens” (Mosco, 2009, p. 16). In turn, these ideas echo a dialectical understanding preoccupied by studying the interactions between human beings and their social and material environment (Marsden & Littler, 1999). In doing so, the dialectic principle regards social phenomena as processes rather than static events (as positivism does) and matches the constantly changing nature of my object of study. Through its dialectical scope, the political economy has focused “on structures as the business firm and government, by placing social processes and social relations in the foreground” (Mosco, 2009, p. 11). In other words, it has characterised processes instead of simply identifying relevant institutions. In sum, PEC’s dialectical perspective observes the constant human agent-environment interface as a structuration processes (Gottlieb, 1987, p. xvi); that is, it structures social reality as a relational totality deploying a system of interactions in which human agency engages in wide historical structuration, di-structuration and restructuration processes (Sánchez Ruiz, 1991).

An example of how the dialectic approach has been applied is the historical-structural methodology used by some political economists of culture in Latin America. For instance, the study by Sánchez Ruiz (2003) of the historical-structural factors that have shaped the global hegemony of the Hollywood film industry. He described Hollywood's gradual development as facilitated by long-term or structural processes such as the US' early and expansive capitalist development, its large domestic market, and its first-mover advantage in cultural industries and technological innovation. Nonetheless, he also identified a series of short-term factors, both historical and circumstantial, such as the wars that weakened European competition, internal policies for market protectionism as well as external market expansion through free trade policies, and the emergence of big conglomerates, state institutions and private associations which lobbied to mobilise their global channels of film distribution (Sánchez Ruiz, 2003).

Likewise, the kind of research proposed here calls for a methodology that pays attention to individual agency, historical change and, established social structures. The historical-structural approach, which aims to understand social changes despite the existence of stable structures, proposes that social relations are crystallized into interconnected institutions that determine—enable and limit—the way in which individuals create and recreate social meanings and practices (Sánchez Ruiz, 1991).

For the purposes of my study, the previous epistemological and ontological assumptions match the idea that within environmental constraints humans can have a limited but active role in the process of constructing and transforming their social and economic life with important implications for social praxis, for example, to film policies. This is of special relevance since underlying my research is the political principle that some socio-economic activities can be transformed to have more positive social and economic outcomes such as better film jobs and increased access to production and reception of films.

Institutional economics as a general theory

In this section I discuss my topic at a lower level of abstraction: the field of institutional economics as a general perspective that links the philosophical assumptions mentioned in the last section with the specific theories I am drawing from. Both PEC and GI explicitly acknowledge being rooted in institutional economics which provides a general framework of assumptions about socio-economic life (Herscovici, 2005; Scott, 2005). Due to space restrictions, I will mention only the general assumptions underlying institutional economics (or heterodox economics) and its opponent theory neoclassical economics (or orthodox economics) but more detailed analysis of the theories in each field can be found elsewhere (Cassidy, 2009; Mosco, 2009; Storper & Walker, 1989).

In the last half of the nineteenth century, several developments cohered around what later would be called neoclassical economic theory, which became a dominant paradigm in economics and public policy to this day (Mosco, 2009). This theory proposed a natural state of equilibrium in the capitalist economic system based on its axioms of market rationality, perfect information and market competition on equal opportunities (Garnham, 2005; Herscovici, 2005; Storper & Walker, 1989). However, at the turn of the century, institutional authors observed the pervasiveness of monopolies and non-competitive markets, that is, “a world in which the exceptions to the neoclassical world appeared to be the rule” (Mosco, 2009, p. 52). Then, institutional economics departed from “neoclassical economics by maintaining that the organisational structure of the economy, not the market, is the major force in the production, distribution, and exchange of goods and services” (Mosco, 2009, p. 52). Opposed to neoclassical assumptions, institutional authors saw limited market rationality, unequal access to information and disequilibrium as intrinsic characteristics of capitalist economic activity (Garnham, 2005; Storper & Walker, 1989).

> In its most basic form, the institutional paradigm replaced the neoclassical emphasis on markets as the measure of social worth and the solution to social problems with an understanding of the constraints imposed by social custom, social status, and social institutions on all behavior, including market behavior. (Mosco, 2009, p. 52)

Those ideas resonated in the work of political economists of culture and geographical industrialisation theorists in the late twentieth century. Such ideas acknowledge the mutual constituency between the social and the economic spheres. Over the years institutional economics has developed the notion that institutional forms provide the codification of basic social relations (Boyer, 2005) that define the main arenas for human activity and organisations to operate in (Clegg, Kornberger, & Pitsis, 2011). As institutions produce conventionalised accounts and practices they embody governance structures, conferring legitimacy on them and guidance through historical patterns which constrain and enable social actions (Scott, 2004).

> Social action is primarily explained by reference to institutional agents {…} whose interests are shaped contextually by their formal roles, interactions with other institutional agents, and their negotiation with macro level forces. This requires consideration of positions of formal authority, control of resources, and available channels of action. (Thompson, 2011a, p. 3)

As the thesis progresses, I use the term *institutions* to connote self-regulated social entities like the New Zealand Film Commission. Institutions and institutional practices are self-regulating because deviations from them are economically costly; they risk social legitimisation, and they are cognitively challenging (Scott, 2004). Secondly, I use *institutions* to denote processes of institutionalisation; that is, the conventions and taken-for-granted-facts that set conditions on people's actions (Phillips, Lawrence & Hardy, 2004). Within the processes of institutionalisation-deinstitutionalisation, institutional accounts (such as texts and practices) play a huge part as they create forms of regulation that have an important role in legitimising or delegitimising the texts of others, either to produce institutional continuity or change (Phillips, Lawrence, & Hardy, 2004). At other times, institutions mobilise resources and power "to ensure their texts are acknowledged and consumed" (Phillips et al., 2004, p. 648), or to prevent others' texts from being influential.

It is in this context that I understand my research sources as texts—documents and interviews—and the practices and accounts of my interviewees and other influential stakeholders.

To illustrate the existence of institutionalised practices in the film industry, movie theatres, DVD retailers and video shops are institutions that frame conventionalised habits and establish rules that confer legitimacy to such organisations as outlets of commercialisation of films. This legitimacy contributes to their social reproduction and creates a tendency to resist change. Take, for example, the slow transition towards the online distribution of films around the world, and the assumption that other forms of distribution that deviate from the established rules (such as piracy forms) should be discredited and conceived of as illegal.

Critical Realist Methodology

Consistent with PEC and GI research, as well as their realist epistemological and ontological assumptions, I used a critical realist methodology. This type of methodology uses a combination of qualitative and quantitative data by collecting data in natural settings as well as contextual data or secondary data as defined below. Critical realism employs methods which elicit participants' "ways of knowing and seeing" such as interviews and document analysis (Cohen & Crabtree, 2006). As a relatively recent methodological perspective 'critical realism' deals with relations between various elements of social systems in "multidimensional open systems" (McEvoy & Richards, 2006, p. 70). And although it acknowledges the value of focusing on human perception it relates discourses to the underlying social structures that constrain or enable them (McEvoy & Richards, 2006).

Critical realism assumes there is an "objective reality" but our ability to know it is imperfect and mediated by our perspective of it. Nonetheless, a critical examination of reality is possible (Cohen & Crabtree, 2006). In other words, "we can get empirical feedback from those aspects of the world that are accessible" (McEvoy & Richards, 2006, p. 69). For critical realists the value of credibility in best research practice entails not only rigorous research but also openness to revision and peer dialogue. Another research value is methodological triangulation, that is "using more than one method or source of data in the study of social phenomena" (Bryman & Bell, 2003, p. 291). Triangulation allows for confirmation to enhance the reliability and validity of findings, completeness to reveal different facets and provide various perspectives of examination. Similarly it facilitates retroduction which is logic of reasoning where "detail[ed] observations provide a platform for making retroductive inferences about causal mechanisms that are active in a given situation" (McEvoy & Richards, 2006, p. 72).

Retroduction "involves moving from the level of observations and lived experience to postulate about the underlying structures and mechanisms that account for the phenomena involved" (McEvoy & Richards, 2006, p. 71). I argue that triangulation is relevant to my study as it allows me to contextualise my interviews as accounts of film industry interrelations within broader political, industrial and institutional structures. Therefore, critical realist methodology underlies the empirical analysis of my specific theories —PEC and GI— as well as my own research.

Methods of Data Collection and Analysis

Type of data, methods, sources and tools

As part of the integrative framework to examine the interrelations of the film industry in New Zealand, I drew on previous examples of studies to conduct a thematic analysis based on:

- a historical-structural analysis of the value chain phases of New Zealand's film industry such as the one conducted by Sánchez Ruiz (2003) analysing Hollywood;
- an institutional analysis of policies, legal frameworks, and organisational structures; and
- an industrial analysis focusing on patterns of labour, industrial, and geographic organisation.

Both, the institutional and industrial analysis of the Wellington film industry are based on Scott's (2000a) and Coe's (2001) studies of film districts in Paris and Vancouver, respectively.

Although my original research of the Wellington film district mainly used a qualitative method involving interviews, I also collected original quantitative data such as my count of production and distribution companies. I complemented this original research with both qualitative and quantitative secondary data, previously collected by others (O'Leary, 2010), such as data from media reports or official statistics.

My sources of data collection included secondary sources which report or discuss empirical evidence (Wysocki, 2007) such as previous academic research. They also included primary sources which provide a "first-hand account" or direct evidence concerning a topic of investigation (Wysocki, 2007, p. 167), such as official documents (reports, policies and legislation); institutional reports; business' documents (annual reports, companies' websites and business news); artefacts and recordings (movies); and demographic and economic indicators found in census, official and consulting statistics such as the Screen Industry Survey of Statistics New Zealand.

Table 3 An integrative institutional and industrial analysis: Dimensions, data, sources and indicators

Dimensions	Type of data	Sources	Accountability and indicators
Institutional organisation, policies and legislations	QL/QN	Official documents, media reports, informants' perceptions, academic articles and books	Comparison of self-proclaimed objectives of policies and legislations against their intended and non-intended outcomes. See how policies and laws interrelate. See how they satisfy the needs of a range of industry players, commercial and non-commercial organisations as well as public interests.
Organisational structures	QL	Informants, organisations' self-descriptions, academic articles and books	Types of management structure. Career building. Forms of organisation (networks, project-based organisations, companies).
Market structures	QL/QN	Official statistics, media reports, official documents, business reports, consulting agencies' reports	Sectoral indicators for production, distribution and commercialisation of films. Capital concentration or market share, investment figures (and origin), window sales. Percentage of domestic and foreign film revenue. Geographical networks of distribution.
Patterns of labour	QL/QN	Official statistics, media reports, legislation, informants, academic articles and books	Labour figures, types of labour, labour conditions, employment relations, labour specialisation and capability. Contrasting "reality" with normative statements from theory, informants and self-proclaimed policy objectives.
Patterns of industrial organisation	QL/QN	Official statistics, media reports, legislation, business reports, consulting agencies' reports, informants, academic articles	Sectoral analysis (production volume, sectoral growth). The degree of articulation and profit sharing among the value chain. Industrial district firms' characteristics (firms' size, firms' integration or disintegration). Relations among: firms, non-commercial organisations (government departments, film schools) and labour (independent contractors, unions and guilds). Relations with other industries and districts.
Patterns of geographic organisation	QL/QN	Official statistics, media directories, academic articles and books	Firms' agglomeration, regional specialisation , agglomeration benefits (specialised services), urban benefits (infrastructure, creative and cultural environments).
Social implications	QL/QN	Academic articles and books, official statistics, media reports, legislation, informants	Social groups' demands. Access to consumption (market share). Access to distribution channels (TV, DVD, and Internet). Annual theatrical attendance per capita. Local production figures.

Note. Own elaboration.

My statistical analysis entailed my own systematisation of descriptive statistics. Overall, the sources were selected for their capacity to inform about issues such as industrial, institutional and historical-structural relations, as outlined in Table 4. The latter shows a summary of the type of analysis, data and sources that my selected approaches have utilised to conduct their case studies.

The tool I chose for collecting original qualitative data was semi-structured interviews which gave me the flexibility to explore new insights as well as the structure to generate standardised data (O'Leary, 2010). The interviews were designed to deliver knowledge about the phenomena that my participants and my study were addressing. However, a cautious contextualisation and comparison of the accounts of the interviewees was undertaken during the analysis to check for reliability. The use of semi-structured interviews fits into the nature of my research as theory driven in some aspects, and also driven by open lines of inquiry without preconceived theoretical categories for other aspects.

The interview questions were designed to shed light on diverse core issues such as: (a) participants' background to contextualise their responses vis-à-vis their motivation, career experience and expertise (e.g., *Can you tell me about your background?*); (b) institutional practices (or participants' working practices) in order to understand their job position and their available channels of action within the institution (e.g. *What would a typical workday be like for you?*); and (c) participants' normative statements to evaluate their perception of the current film industry and their ideal film industry (e.g. *In a perfect world, what would be the ideal Wellington film industry for you?*).

In addition, specific questions were addressed only to "key personnel" interviewees to gather information on institutional functions and relations (e.g. *How does your organisation fit into the Wellington film industry?*). Others were addressed specifically to "boundary spanner" interviewees regarding their brokerage and institutional relations (e.g. *Based on your experience, who do you need to work with outside the organisation?*) (Please refer to all the questions in Appendix B).

Gathering the original data occurred in four stages:

1. An exploratory interview with an expert on the film industry in Wellington who helped me to identify institutional players and interview candidates.

2. Pilot interviews with five film practitioners, allowed me to test the interview questions and analyse the pilot data before proceeding with the two main rounds of interviews. As a result I reduced the number of questions to better fit the interview timeframe which was 1–1.5 hours. I also took the opportunity to review the data obtained and assess them against my study purpose. For example, the pilot experience allowed me to identify the five boundary spanner categories and thus select candidates for the main rounds of interviews.

3. The first main round of interviews took place with 12 key personnel—film practitioners with specialised insider knowledge within a film organisation—and that is detailed below.

4. Then the second main round of interviews with 13 boundary spanners―intermediary roles linking the film organisation with the rest of the film industry―took place and that is also detailed below.

Interview participants

Recruiting informants required having previous knowledge of film industry players. I drew on secondary research and my own mappings of the film industry in Wellington, assisted by the aforementioned exploratory interview. Contact details for the candidates for participation were searched on media directories as well as through my informal connections with industry insiders. This latter process facilitated other contacts. Selection rested on a purposive sample―a non-random sample, selected with an a priori defined purpose (O'Leary, 2010)―determined by the range of institutions that play important roles in the film industry, whether main or marginal, as well as the boundary spanner categories (see below). The final sample was selected to attain a certain degree of diversity by balancing its member's composition (e.g., career experience, large and small organisations, commercial and non-commercial organisations).

First round of interviews with key personnel

This round consisted of 12 interviews with key personnel working in some of the main organisations related to the film industry in Wellington. However, to protect participants' confidentiality these organisations are not identified. As shown in Table 4, the general job descriptions attest that respondents worked in organisations along the three main phases of the value chain―production, distribution and commercialisation—as well as private, public and social organisations—such as service companies, government bodies and professional associations. Participants also covered the main creative, technical, and administrative areas of film work.

Table 4 List of key personnel interview participants (includes pilot participants)

	KEY PERSONNEL
1	Film producer/film director
2	Service provider/crew
3	Exhibitor
4	Service provider
5	Film producer
6	Film director
7	Public service facilitator
8	Film director
9	Training organisation staff/administrative
10	Exhibitor
11	Training organisation staff/ writer
12	Public service facilitator
13	Exhibitor
14	Film producer

Note. Own elaboration.

Whilst questions for this round of interviews with key personnel were centred on institutional functions and relations, the round of boundary spanner questions focused on brokerage. Nonetheless, both key personnel and boundary spanner rounds shared entire sections of questions about their personal background and their evaluation of the film industry (see Appendix B).

Boundary spanners' round of interviews

I decided that half of my interviewees would be boundary spanners. Those people have a "bird's eye view" of their organisation and the film industry environment which made them key in studying the film district's inter-organisational relations (Friedman & Podolny, 1992). Therefore, the boundary spanners' round consisted of 13 interviews with people in managerial positions like producers, gatekeepers, service providers, policy advisors and representatives of advocacy groups. These interviews provided strategic vision and knowledge of the boundary spanners' functions, as well as the type of relations among different players and institutions (see Appendix B).

Table 5 List of boundary spanner interview participants (includes pilot participants)

	DESCRIPTION	TYPE OF BOUNDARY SPANNER
1	Film Producer	Creative
2	Film Producer	Creative
3	Film Producer	Creative
4	Funding body	Gateway
5	Public service facilitator	Technical
6	Rights Executive	Gateway
7	Funding body	Gateway
8	Public service advisor	Advisory
9	Service Provider	Technical
10	Exhibitor	Gateway
11	Distributor	Gateway
12	Broadcaster	Gateway
13	Broadcaster	Gateway
14	Distributor	Gateway
15	Association representative	Technical/Advocacy
16	Association representative	Creative/Advocacy

Note. Own elaboration.

Table 5 presents the list of interviewees according to the basic categories of boundary spanners found in the pilot phase. The specifics have been analysed elsewhere in more depth than I have space for here (Muñoz Larroa & Jones, 2013). The categorisation drew on details produced by Lingo and O'Mahony (2010) which examined the stages of the creative-project process. After a preliminary analysis of the data collected through the pilot interviews, five different categories of boundary spanners were distinguished: creative, gateway, advisory, technical and advocacy (Muñoz Larroa & Jones, 2013). The categorisation was based on the final outcome of the boundary spanning processes: producing a creative outcome, functioning as a gateway, providing advice, offering a technical service and advocating for groups of people (for the boundary spanners' working processes stages please refer to Appendix C). This information was particularly useful as it guided me in the process to select interviewees.

Ethical considerations

Due to the small size of the industry in Wellington, personal and commercial sensitivity were important ethical concerns for this study. Ethics approval for this study was obtained from Victoria University after specifying that working positions in film-related institutions (especially the boundary spanner roles) rely on trust and reputation. As such, they may be especially sensitive to any information that has not been treated with the appropriate level of confidentiality. Furthermore, employees' freedom to express their points of view and concerns with regards to the organisational policies and industrial politics depended on making sure their identities remained confidential for their own protection. In addition, commercial organisations' concerns about exposure to market competition also required caution and confidentiality for both individuals and organisations. Therefore, the research kept strict confidentiality which included the non-disclosure of the participants' organisational membership and ensuring participants' names were not attached to any comments. Rather the reports were abstract and disclosed only in an aggregated way. For example, "a public servant interviewed mentioned the importance of {…}" (see Appendix A).

Thematic analysis of original and secondary data

When analysing the interview data, I looked for factual information. I contextualised "this subjective data by looking at the economic, political, organisational and cultural dimensions that shape and refract these experiences" (Hesmondhalgh & Baker, 2011, p. 7). In order to do so, I examined responses for internal coherence and compared them with the data derived from other informants and sources of information (triangulation). Particularly, I contrasted them with secondary data which was also systematised and analysed using the historical-structural approach in Chapters 4, 5 and 6.

All the interviews were recorded and transcribed then examined according to a thematic analysis based on categories to code a specific pattern found in the data in which I was interested. Such codes can refer to either manifest or implicit content in the data. An example of manifest data would be a participant commenting on the impossibility of making film profits in New Zealand due to "its small consumer market", coded as "Small market". However, those same comments could exemplify implicit content, or what I consider to be conventionalised beliefs about the constraints on achieving sustainable outcomes; these were coded as "Mindsets". Overall, the codes selected were determined by the purpose of my study to identify the interrelations relevant to sustainable outcomes: the articulation of the value chain (within a historical-structural analysis), and interdependencies and externalities (within an industrial and institutional analysis). The aim was to systematically analyse the themes addressed in the interviews according to several steps that were drawn from Burnard (1991) and Lapan and Quartaroli (2009) and which complement my own research needs. These were:

1. The transcription of the interviews, which enabled me to become familiar with the data.

2. The coding system was enhanced by NVivo 10 software that allowed me to create 66 codes and sub-codes organised thematically and hierarchically in ‘parent’ and ‘child’ folders. The codes were drawn from existing theoretical ideas brought to the data (deductive or top-down coding). This type of coding was particularly useful to establish general codes or tags to organise the data: for example, “industrial relations”, “labour patterns” and “normative evaluations”.

3. A series of sub-coding categories were also drawn from the raw information (inductive coding). This bottom-up coding consisted of my making annotations on the transcriptions to describe aspects of the content, recognising recurring ideas and compacting them into themes, and systematically regrouping and reviewing a final set of themes. This process helped me to organise ideas into coherent codes and, eventually, new NVivo nodes. For example, within the code “labour patterns” was the subcategory “voluntary work” stemming from the provisional labels suggested by the data itself, “free work”, “solidarity”, “unpaid work”.

4. NVivo software allowed me to open one node (or theme) containing all the quotations under that code. This facilitated data analysis immensely. It enabled commentary and comparison, searching for patterns and interconnections, linking findings to the literature on the topic and drawing preliminary conclusions.

5. In the final stage, opening NVivo nodes, memos and notes were equally useful for writing up thematic sections which presented the research findings, incorporated selected interview quotations and enabling further discussion.

At the same time, a similar and intertwining thematic analysis was used to examine the secondary qualitative data (found in documents and academic research) as well as quantitative data which had been systematised through descriptive statistics.

The Critical Assessment

The thematic analysis of original and secondary data was used to carry out the historical-structural, institutional and industrial analyses suggested by my theoretical framework. The historical-structural analysis allowed me to examine the outcomes in regard to their sociohistoric context which was essential to articulate the totality of the findings at that stage (see chapters 4–8). At that point, I had completed a descriptive panorama of the interrelations of the Wellington film industry and an explanatory account that prepared the ground for a discussion based on a critical assessment of the type of power relations they entailed, and their social repercussions.

A critical assessment entails the "comparisons between research findings and other bodies of knowledge as well as with social values" (Mosco, 2009, p. 10). At this stage, I focused on sustainability criteria and linked back to the political underpinnings of my theoretical perspectives. These conceive of the human agency having the opportunity to influence the social reality. My analysis of the film industry in Wellington uncovered contradictions affecting the balance of interests of different social sectors. This occurred, for example, between the domestic and satellite models of production as well as conventionalised ways to "do" and "think" the film industry (for example, the belief in the immutability of the current economic arrangements of the film industry). Those contradictions and conventionalised mindsets were collated with normative statements of the desirability of sustainable outcomes. As a result of this critical analysis I pinpointed where transformation is necessary to achieve different paths of 'doing' and 'thinking' the film industry. This was based on what my chosen theory, my informants, and examples from other regions suggested was necessary for transformation (see Chapter 9).

The Scope of my Findings

The qualitative nature of my research, together with a moderate sample, its method of selection and its low level of representativeness, prevents any form of simple generalisation of the findings to a broader population of film industrial districts. However, it aims to generalise the theoretical constructs and categorisations developed by my general observations. I also looked for dependability, that is, attest that methods were systematic. Furthermore, this research sought to learn from Wellington's example and suggest the applicability of the findings to other cases (along with comparisons with existing literature). In other words, this research considers there is the possibility of a cautious transferability (O’Leary, 2010) to other film industrial districts and national film industries.

Table 6 Summary of research methodology

<table>
<tr><td>SCIENTIFIC PARADIGM</td><td>Philosophical & scientific tradition.</td><td colspan="2">Materialism</td></tr>
<tr><td>PHILOSOPHICAL CONSIDERATIONS</td><td>Epistemological and ontological perspective</td><td colspan="2">Realist epistemology (a variation of materialism): inclusive, constitutive and critical
Realist ontology: Dialectical processes of structuration</td></tr>
<tr><td>GENERAL THEORY</td><td>Broad explanations about socio-economic phenomena</td><td colspan="2">Institutional economics</td></tr>
<tr><td>SPECIFIC THEORIES</td><td>Specific explanations about object of study</td><td colspan="2">Theorisation and Critique:
Political Economy of Culture
Geographical Industrialisation Theory
Mapping:
The Production of Culture Perspective
Organisational Studies</td></tr>
<tr><td>METHODOLOGY</td><td>Framework for research design and interpretation of findings</td><td colspan="2">Critical realist methodology: Factual data and source triangulation for confirmation, completeness and retroduction</td></tr>
<tr><td>ANALYSIS</td><td>Framework for thematic analysis (focus on what is said)</td><td colspan="2">1. Historical-structural analysis: long-term processes and short-term circumstances

2. Industrial analysis: patterns of industrial and geographic organization

3. Institutional analysis: patterns of labour and institutional organisation</td></tr>
<tr><td rowspan="2">METHODS</td><td rowspan="2">Type of data</td><td colspan="2">Qualitative method
Complemented with quantitative data</td></tr>
<tr><td>Primary data
Original research of qualitative and to a lesser extent quantitative data</td><td>Secondary data
Indirect data collection of qualitative and quantitative data</td></tr>
<tr><td>TOOLS</td><td>Data collection</td><td>Primary sources: semi-structured interviews with key informants, media, official reports, policies, legislations, artefacts, recordings, business news</td><td>Secondary sources
Previous research</td></tr>
</table>

Note. Own elaboration

Conclusions

This chapter has focused on how I conceptualised and addressed my object of study: the interrelations of the film industry or, in more abstract terms, the relations between individuals and their social material settings. Accordingly, the materialist philosophical paradigm assumes the existence of an objective material world independent of human individual existence. In turn, my specific theories are in line with a variation of the materialist stance, realism, which suggests epistemological and ontological reflections—such as our thinking being guided by abstract ideas as well as perceptions—and that reality is made up of many elements that cannot be reduced to one essence. In the same way, I consider that relationships within the film industry have multiple angles to be studied. Along with these philosophical considerations, institutional economics theory and a dialectical understanding of the film industry allow me to see the constant human agent-environment interface. For example, I conceptualise the film industry as entailing real sets of activities based on conventionalised socio-economic relations and practices that, although socially developed, become fixed structures as society establishes institutions. Consequently, social action occurs within the constraints and opportunities provided by social structures.

Within that philosophical and theoretical framework, my specific theories, PEC and GI, have developed historical-structural, industrial and institutional analyses of the film industry which, in turn, have guided my thematic analysis of film industry relations for this thesis. My empirical research was based on a critical realist methodology as it suggests triangulation, that is, the use of different sources and data to reveal several facets of the object of study as well as providing reliability of findings. Therefore, I have discussed the strategic advantages of conducting semi-structured interviews with key personnel and boundary spanners as a data collection tool, as well as its triangulation with other sources of information (see Table 6). In addition, critical realism proposes retroduction, logic of reasoning where observations provide the ground to make inferences about underling structures and mechanisms shaping the phenomena involved. Those methodological properties fit my intentions to study film industry relations—a form of social action—within wider socio-economic structures.

All these considerations allowed me to identify the social dynamics, players, levels of analysis, dimensions and relations underlying my topic. In the next chapters, I will put such considerations into practice to present the findings of my research.

Chapter 4

New Zealand's Standing in the International Film Industry

The research question that this chapter addresses is: *What are the international relations shaping opportunities of the New Zealand film industry with respect to achieving self-sustainable outcomes?* In order to answer it, this chapter explores three main areas in which the international context influences the film industry in New Zealand: international trade regimes, the new international division of labour in the film industry, and independent transnationalism. Each section purposes to open discussion about the potential implications of those arrangements for a sustainable film industry in Wellington.

The recent growth in film production revenue in Wellington has been heavily influenced by the international landscape. However, according to some media and academic criticism (Conor, 2004; Jones & Smith, 2005; Rothwell, 2010) the rise of satellite productions hosted in Wellington as well as its specialisation in post-production activities have been overestimated by other media and government accounts in terms of its potential to develop a New Zealand film industry. The difficulty the Wellington film industry faces in establishing a sustainable domestic industrial complex raises questions about the convenience of satellite production as a model of development. Studying the international context of the film industry will provide a more realistic account of the Wellington film industry's position in the world and the conditions that hinder or enable the accomplishment of its sustainability than the celebratory statements provided by media and government. This chapter also informs following chapters on the relations between the satellite, domestic and independent transnational film industries based in Wellington.

Using the theoretical approaches of political economy of culture (PEC) and geographical industrialisation (GI), this chapter gathers evidence of the socio-economic, political, cultural and technological dimensions influencing international arrangements in the film industry. When appropriate, the New Zealand case will be compared with other production centres, mainly in the Asia-Pacific region. The information presented here is not only a background but a discussion of the determinant forces that enable and limit the development of sustainability in Wellington, as it will be addressed in Chapters

7–9. This chapter draws on empirical data from primary sources such as industry statistics (economic census and business surveys), media releases, news, business reports, and policy documents. It also draws on secondary sources like journal articles, books, and media reports. The analysis of these data entailed elaborating comparative systematisations of statistics, facts and qualitative information as well as establishing links with the theory presented in Chapter 2.

The International Film Industry

The film industry in New Zealand is embedded in a regional and international context. Policy regulations and market environments shape the flow of films, audio-visual products, services, financial resources, and film and creative workers in and out of the country. Like many other local film industries around the world, New Zealand's is linked in one way or another to Hollywood's global supremacy, firstly in the market place and, secondly, in the production sphere (Scott, 2005). In this chapter, I argue that the New Zealand film industry relates in three important ways to the international context:

1. In the second half of the twentieth century, Hollywood targeted the world as its consumer market for films. It built extensive channels of distribution through aggressive policies on the market front aided by its oligopolistic concentration and the United States Department of Commerce (Aksoy and Robins, 1992; Scott, 2005). Since the 1990s this tendency towards *transnational trade* has grown as many more countries join international free trade agreements led by United States lobby.

2. Since the 1990s, satellite productions—the allocation of specialised tasks along the film industry value chain to different regions—from Hollywood increased significantly. In the 2000s, this became a global trend[4] (Goldsmith & O'Regan, 2005) as the number of runaway productions from Hollywood rose in what Christopherson (2006) called a *new international division of labour*. In this new arrangement, large transnational conglomerates established networks of productive alliances and joint ventures to capitalise on other regions' state subsidies, lower costs, as well as make use of the competitive advantages of diverse clusters of talent, or specific market niches (Hess &

[4] Hollywood majors have always resorted to other locations outside California to shoot films (Klein, 2004; Scott & Pope, 2007).

Ezra, 2006). The domination of power relations by the major Hollywood studios can be seen at the financial, distribution, and lobbying levels.

3. In addition, cooperative relations have developed among different countries. This *independent transnationalism* is evident in partnerships for co-productions and organisation of film markets, where small or independent local companies are integrated into global circuits of cooperation or dissemination (Hess & Ezra, 2006). This collaboration also targets innovation, know-how, and regional grants. Independent transnationalism contrasts with the tendencies mentioned previously, which are mainly based on corporatist transnationalism where Hollywood is a big player.

According to researchers, the three trends mentioned above are only part of more complex phenomena: the flexible specialisation of economic production (Scott, 2005) and the internationalisation and transnationalisation of contemporary capitalism (Rosenberg, 2005). In the matter of trade, cultural industries have been regarded as pioneers in the processes of internationalisation (Bustamante, 2003). The economic characteristics of audio-visual products—such as low distribution costs and their quality as semi-public goods—exacerbated mass production and market expansion in the form of audio-visual exports (Bustamante, 2003). Mass production was historically captured by consolidated producers from countries with large markets and earlier capitalist environments. The expansion of Hollywood's film industry in the first half of the twentieth century is a good example of this first-mover lead. However, it was not until the neoliberal policies and technological changes of the 1980s that international trade in cultural industries grew exponentially as countries opened their borders to cultural products (Arizpe & Guiomar, 2001; Galperin, 1998).

Likewise, Hollywood's major studios expanded satellite production and subsidiaries around the globe. According to PEC they represent vertical and horizontal integration strategies to gain economies of scale, minimize risk, maximise profit and expand markets, which are the natural tendencies of capitalism (Aksoy & Robins, 1992; Christopherson, 2006; Conor, 2004). GI authors also argued that satellite productions were part of a new production paradigm of flexible specialisation that had generated a partial dispersal of Hollywood's power (Conor, 2004). Flexible specialisation was characterised by economies of scope or variety goods through the use of specialised technology and service providers as well as a skilled labour force that could quickly adjust to change (Hirst & Zeitlin, 1997). As a consequence, GI authors observed the disintegration and de-concentration of the activities of the major companies in favour of local companies, local service providers, and overseas destinations (Conor, 2004).

The dialogue between PEC and GI has given way to a nuanced approach that sees the coexistence of power relations of both subordination and collaboration between Hollywood majors and other film industries in actual film districts. As Markusen (1996, p. 296) defines it, the "satellite district" is "an assemblage of unconnected branch plants embedded in external organisation links." Following Coe's research (2001), I use the satellite district as an appropriate construct to theorise the regions hosting Hollywood runaway productions. However, this type of district can also coexist with others which are embedded more locally like the "state-anchored" district which is focused "on one or more public-sector institutions" (Markusen, 1996, p. 296). As a later discussion, New Zealand and the majority of the countries mentioned here are characterised by the state providing governance to their film districts.

Through examining corporate concentration and flexible specialisation, PEC and GI have succeeded explaining a changing balance of power in the world's audio-visual trade and the new international division of labour in the film industry. The next sections will provide an overview of the sociopolitical and economic factors underlying those transformations. It will set the backdrop for the thesis to study the film industry in Wellington as an example that captures the complexity of the international and local variables at stake in the contemporary film industry.

New Zealand in International Trade Regimes

The audio-visual sector's free trade imbalances

By the end of the twentieth century, a series of historical factors had allowed the US to control 75% of the international trade of cultural products (Galperin, 1998). In 2008, the US had a surplus in its audio-visual trade balance of $US 11.7 billion due to its significant exports and low amount of imports (UNCTAD, 2010). Therefore, removing trade tariffs internationally represented a priority to maintain and expand economic benefits rather than to pose a threat to US cultural industries (Galperin, 1998).

The main international mechanism used by the US to promote trade was the General Agreement on Trade and Tariffs (GATT) at the World Trade Organisation (WTO).

Although GATT excluded service sectors, the film industry *was* included but was subject to domestic quotas. In 1979, during the Tokyo Round, the US attempted unsuccessfully to incorporate services into free trade commitments. However, it succeeded in the Uruguay Round of 1994 which considered services as subject to liberalisation in the General Agreement on Trade in Services, known as GATS (Arizpe & Guiomar, 2001). This implied the following trade principles: (a) market access, which involved, removing tariffs and quotas, as well as eliminating restrictions to businesses of member states regarding employment, organisational structures, property or investment; (b) national treatment for businesses of foreign member countries; (c) the principle of the "most favoured nation" was introduced by which members agreed to make previous bilateral commitments multilateral (Acheson & Maule, 1994). In addition, the Agreement on Trade and Related Aspects of Intellectual Property Rights (TRIPS) was set to enforce and resolve intellectual property disputes through WTO proceedings and sanctions (Freedman, 2003).

These changes were accompanied by debates about the propriety of treating cultural industries as any other good or service in international free trade forums. One side of the debate was represented by the Canadians and Europeans who stood for the so-called "cultural exemption." The position had a demarcation value which considered that leaving cultural products to the free market—already dominated by the US—would reduce *cultural diversity*. According to this view, public policies were needed to balance market failure through subsidies, funds, tax breaks, and positive discrimination—or quotas to foster local products (Frau-Meigs, 2006). The other side of the debate consisted of free trade advocates like the US and Japan. They considered cultural industries as entertainment goods and proposed that the free flow of information created cultural pluralism while protectionism restricted competition, wasted public resources, and limited freedom of expression and consumption (Frau-Meigs, 2006).

It was in this context that New Zealand's GATS negotiations on its audio-visual services took place from the late 1980s to 1994. A *Historical Note of the Ministry of Commerce*, recounts the highlights of the negotiations (Kelsey, 2003). In 1991, the document reported pressure from Canada and the European Commission to exempt New Zealand cultural products. However, "New Zealand joined the US in opposing these proposals" (Kelsey, 2003, p. 5).

The first drafts from New Zealand trade officials offered modest commitments (Kelsey, 2003): broadcasting quotas were to be allowed, foreign ownership of broadcasting would be limited to 15% and there would be protection for employment for New Zealanders in granting foreign workers' visas. In exchange, officials offered fewer subsidies for the production, distribution, exhibition and broadcasting to New Zealanders and local businesses. However, the new drafts by the Ministry of Commerce, removed the limitations for quotas and ownership and made only a reference to granting working visas with special procedures (Kelsey, 2003). The new version was eventually signed by the National-led government in 1993. In the memorandum, New Zealand reserved the right to allocate funding for Māori TV programming and to support the film industry via the New Zealand Film Commission. Officials commented that the commitment would

> preclude certain policy options such as the introduction of compulsory local content requirements. Should we pursue a more restrictive approach in these areas, we would be breaking our GATS obligations and would be exposed to dispute settlement procedures – and possibly the requirement to offer compensatory benefits in other areas {…} Once engrossed, they will become binding legal commitments at international law. They will effectively lock in the present state of openness of these service sectors (as cited in Kelsey, 2012, p. 6).

In other words, New Zealand's GATS commitments limited the possibility of significantly changing the existing subsidy schemes or to establish local content quotas in the audio-visual sector in the future. New Zealand had never had local film quotas except for the British and Commonwealth film quotas which were in place from the 1930s until 1976 (see Chapter 5). New Zealand had never had local television quotas either. However, a couple of years after signing the GATS, New Zealand did find a loophole to access Australian film and television content quotas through the bilateral trade agreement with Australia (Lealand, 2006, p. 227; NZPA, 2000).

The Closer Economic Relations (CER) agreement between Australia and New Zealand (1983) included the Protocol on Trade in Services (1988) which liberalised telecommunications in 1995 (Australian High Commission, 2014). In the same spirit of free trade, Project Blue Sky was formed in 1993 as a public-private screen sector initiative in New Zealand to create a common market in the trans-Tasman region. The project aimed "'to develop and maintain a strong, viable and stable domestic base of production' and 'increase the amount of foreign exchange being invested and earned by the industry'" (Project Blue Sky, as cited in Lealand, 1996, p. 224). Blue Sky advocates lobbied for a redraft in Australian legislation to include New Zealand TV programmes as local content to comply with CER. One of the arguments was the disparity between Australian-New Zealand audio-visual trade relations at the time, where New Zealand imported the majority of products (Lealand, 1996).

In 1998, the High Court in Australia "ruled that Australia's international treaty obligations {…} [overrode] the ABAs [Australian Broadcasting Authority's] domestic rules for Australian commercial television" and, therefore, New Zealand television programmes should be included in the 55% of local content quotas (Australian Film Commission, 1998; Kaufman, 1998). The decision was opposed by Project True Blue representing Australian television and film industry practitioners (Australian Film Commission, 1998). The opposition feared that because acquiring programmes is less costly than making them, TV "networks would eventually find the cost savings irresistible" and rather buy New Zealand-made programmes (Martin, 1998). Furthermore, they feared that Hollywood would "cash in on it" with programmes shot in New Zealand like *Xena: Warrior Princess* or *Hercules: The Legendary Journeys* (Martin, 1998).

The audio-visual sector's lock-in on free trade

The previous events illustrate New Zealand's available channels of action in international regulatory frameworks at a macro level. In other words, free trade regulation influences the possible scenarios for: (a) film policymaking, for example, with regards to major modifications to subsidies, tariffs or quotas along the value chain phases of screen production, distribution and consumption; and (b) economic development as it also restrains New Zealand's control of transnational dynamics in every phase of the value chain.

Particularly free trade opens the domestic sector to unrestricted competition from foreign products and services, to which New Zealand audiences are already captive (see Chapter 5). As a consequence free trade regimes created a favourable framework for foreign companies in film distribution, exhibition and broadcasting sectors. Such companies benefit from the lack of a capital gains tax, limitations on the repatriation of profits, and the absence of constraints on the operation of companies totally under foreign ownership (Huffer, 2012). Consequently, to this point, the earnings of transnational companies from film distribution and exhibition are transferred to the overseas headquarters of those companies (Huffer, 2012).

In New Zealand, free trade rules engendered restrictions on broadcasting policies. I incorporate such events in this discussion as the broadcasting context has indirectly influenced the film industry with regards to limiting synergies at the level of screen production companies (see Chapter 7). Furthermore, television affairs set a precedent for potentially equivalent initiatives in the film industry.

After signing the GATS, subsequent New Zealand governments attempted to get advice about the possibility of establishing local quotas. In 1998, the Ministry of Commerce provided legal advice to the National government that stated "compulsory local content quotas would clearly breach New Zealand's GATS commitments" (Kelsey, 2003, p. 7). As a result of this ruling, a study conducted by New Zealand On Air (NZOA) in 1999, found that, compared to other developed nations, New Zealand had the lowest local content on television, only 24 %. By contrast, Ireland had 41 %, Australia 55%, Britain 78 %, and the US 90 % (Perry, 1999).

In 1999, the Labour Party's prime ministerial candidate, Helen Clark, promised to establish local broadcasting quotas. Once in power, her Broadcasting Minister, Marian Hobbs, acknowledged the free trade obligations but expressed that New Zealand culture was "more important than the agreements" (NZPA, 2000) and stated her intention to take legislative action to establish the quotas (NZH, 2003). This decision however, encountered inter-ministerial scepticism. The Ministry of Foreign Affairs and Trade noted that modification or withdrawal of GATS commitments would risk international sanctions (Bingham, 2000). The Minister of Culture and Heritage observed that because of CER, Australian programmes would have to be allowed in under any quota system in New Zealand (NZPA, 2000). Furthermore, the initiative faced industrial opposition:

> commercial broadcasters TV3, Prime and Sky Television formed a coalition in mid-2000 to fight the introduction of any compulsory quota, primarily attacking a quota model put up by the Screen Production and Development Association, the flag-bearer for independent producers (NZH, 2003).

According to Kelsey (2003), the New Zealand government had options available, such as: "(i) to implement the quotas and see whether any WTO member lodged a complaint or (ii) seek to modify or withdraw the relevant commitments under GATS and address any objections" (Kelsey, 2003, p. 9). The government would need to compensate by further liberalisation in other sectors, "something that other exporters and certainly the country's farmers would object to" (Kelsey, 2003, p. 9). Kelsey also identified the US, Canada and Australia as the origin of the majority of foreign audio-visual companies in New Zealand and, therefore, the most likely to raise a complaint if dissatisfied with the compensation. Nonetheless, they would be required to prove 'tangible losses' of their firms to justify the costs of bringing the dispute. Even in that case, Kelsey considered that "the risk of significant sanctions being authorised seem[ed] minimal" (Kelsey, 2012, p. 9). Furthermore, Kelsey argued that opposition from the Australian public towards treating New Zealand content as local would favour the renegotiation of cultural services in the agreements.

In 2003, Helen Clark reconsidered her position and conceded that concerns around GATS were valid. Instead, as a solution, the government promoted voluntary quotas with broadcasters and main players—TVNZ, TV3, SPADA and NZOA (Kelsey, 2012, p. 8). The Television Local Content group set their objectives for local content in 2003: TV1 53%, TV2 17 % and TV3 20% (Kelsey, 2003, p. 8; NZPA, 2003). By 2012, the targets had remained similar and local content accounted for a total of 32% across the six free to air channels (NZOA, 2012). According to Kelsey, despite the liberalisation, the New Zealand government had available channels of action "it just does not have the political will to use them" (Kelsey, 2003, p. 9). Moreover, I argue that free trade became institutionalised and the government considered the political and economic costs involved in changing the regulation were too high to justify the changes.

Free trade regulation and sustainability

In this section, I discuss how the free trade regulations presented above might limit or enable the development of sustainable outcomes for the film industry. Over the years, New Zealand's lock-in on international free trade regulations has made it difficult to control transnational forces or to even consider the possibility of doing so. For example, the entry of vast quantities of foreign audio-visual products have dominated the commercialisation slots over the years and have developed local captive audiences. Foreign audio-visual products comprise 68% on free-to-air television programming and 97% of films released to theatres for 2012. As a result, local audiences are hitched up to foreign audio-visual value chains. This has a major impact on the commercialisation phase of the local products' value chain, as they are unable to compete with foreign ones (see Chapter 5). Despite the existence of other reasons underlying the lack of competitiveness, as the previous figures show, the availability argument is a compelling one. New Zealand is characterised by a deficit in its trade of creative goods. For instance, in 2008 New Zealand exported $NZ275 million while importing $NZ1.2 billion in creative goods[5] (UNCTAD, 2010).

Another consequence of the unrestricted transnational forces is the repatriation of film industry distribution, exhibition and broadcasting companies' earnings. The outflow of capital overseas hinders the financial capacity of the local screen industry and its ability to reinvest locally. In other words, macro-level regulatory forces impact on structural issues over the value chain affecting the long-term viability of the local film industry. As I argue in this thesis, those regulations influence criteria related to sustainability such as limiting financial capacity, mobilisation of local creative sources, audience development for local products and access to production by diverse local groups.

Having said that, according to research there are other options to optimise the current arrangements, such as creating competitive advantages based on product differentiation and economies of scope to avoid direct competition with foreign products (Scott, 2005). Nevertheless, achievements in this area would not succeed without the capacity to distribute and promote products on a wider scale (Scott, 2005). Therefore there is a need to think of structural measures (see Chapter 2).

New Zealand and the New International Division of Labour in the Film Industry

Hollywood's new demand and digital technologies

Another main area of influence in which the international context shapes the film industry in New Zealand is the expansion of satellite film production and post-production activities, especially from Hollywood. In this section, I outline the international environment in which New Zealand must compete to attract satellite production and post-production (which includes digital animation and visual effects [VFX]) which are being decentralised from Los Angeles.

5 Creative goods include arts and crafts, audio-visuals, design, new media, performing arts, publishing and visual arts.

Hollywood satellite production centres have been extensively examined in recent years (Coe, 2001; Goldsmith & O'Regan, 2005; Scott & Pope, 2007). Although the Hollywood majors resorted to other locations outside California to shoot films throughout the twentieth century, in the 1990s runaway productions became structural within Hollywood production (Klein, 2004; Scott & Pope, 2007). The reasons for this were varied, from Hollywood's need for locations with different landscapes and weather, to cheaper costs of production (Christopherson, 2006; Klein, 2004).

The United Kingdom, for example, has historically attracted Hollywood satellite productions based on its reputational advantages of creative status, access to markets, and Hollywood's familiarity with London's production and post-production facilities and crew. Another example is Prague in the Czech Republic which became an attractor of runaway productions in the 1990s based on its architectural styles, substantial infrastructure and cost-effective, non-unionised labour pools. By that time, Canada challenged the UK as a principal location for Hollywood runaway productions as a result of geographical proximity, government subsidies, and building studios. Similar government strategies were used by Australian states. However, all these places have experienced cyclical periods of foreign investment (Goldsmith & O'Regan, 2005). As Aksoy and Robins observed, satellite production complexes might have "a precarious existence" (1992, p. 19).

Yet, I argue there is a new variation of that trend. Nowadays, super-productions and franchise films like *The Lord of the Rings* (Jackson, 2001, 2002, 2003), *Avatar* (Cameron, 2009) or *Iron Man* (Black, 2013), are examples of the current tendency of taking not only production but post-production activities to many regions in the world including New Zealand and other competitor countries in the Asia-Pacific region. Such films characterise the "New Hollywood" era in which "size matters": major studios are owned by gigantic media conglomerates and they produce "event" movies that become "digital attractions" to capture bigger audiences (Gurevitch, 2010; King, 2002).

Scott and Pope (2007) anticipated that changes in technology and communications as well as the specialisation of film workers in other regions would eventually eliminate the constraints to decentralising post-production activities from Los Angeles. Countries like New Zealand, South Korea, Hong Kong, Singapore and Australia are in one way or another technology-oriented industrialised or service economies which made it easier for them to engage in labour-intensive film digital post-production opened up by New Hollywood’s needs. For example, a film location office manager declared: “New Zealand has become the home of the blockbuster movie” (Film New Zealand, 2012). In fact, the domestic or satellite film industries in some Asia-Pacific countries have deliberately focused on developing VFX-driven blockbusters in an attempt to “globalise” their contents (Kong, 2000; Pang, 2009; Yecies, Goldsmith, & Shim, 2011).

Although 3D animation and computer graphics were used since the 1990s, it was only around the mid-2000s that digital technologies allowed digital film production on a larger scale outside the US (Yecies et al., 2011, p. 137). In the ongoing digital revolution, technologies have dramatically increased the capacity to transform, store and communicate information (Hilbert & López, 2011). These advantages propelled the decentralisation and transnationalisation of film production, and especially, film post-production. First, the enhanced computational capacities provided the possibility to manipulate images through design; for instance, VFX through animation and computer graphics. Secondly, compression files facilitated the storage and transferring of audio, images and video files “over global broadband networks” (Yecies et al., 2011, p. 137). Finally, improved telecommunication systems leveraged the transmission of information to overcome distances and in turn resulted in the development of more flexible workflow processes (Hilbert & López, 2011, p. 61).

In other words, digital changes have made it possible to produce VFX in multiple locations and regions as they “increased the opportunities for film-makers to work with foreign investors, partners and service companies” (Yecies et al., 2011, p. 137). This has suited Hollywood whose movies release patterns have specific dates on a global scale. Since slots in theatres are booked in advance there are strict deadlines to comply with. Digital technology facilitates the work of hundreds of VFX workers around the world at the same time enabling them to deliver on specific dates. In addition, local business in the Asia-Pacific region gained access to the industry because of the radical drop in production costs which included more affordable digital cameras, editing suites, or VFX software (Yecies et al., 2011). The cost decline has also enabled mature companies to relocate or outsource work to other regions to save on labour costs and props from art departments.

Rise in production and post-production in New Zealand and the AP region

The recent growth of film production revenue in the Wellington region is driven by post-production activities, particularly, digital animation and VFX which doubled $NZ362 million during the period 2007-2009 (SNZ, 2010a). New Zealand is not an isolated case: in the last couple of decades the Asia-Pacific region has experienced a similar increase of satellite production and post-production service work. Although the US, Canada, and the UK have the largest number of VFX companies (Squires, 2012), post-production and "shooting in Asia have usually had more to do with tapping into growth markets and low costs" (Noh, 2008). As discussed below, the region provides a series of policy strategies based on cost-effective economic factors.

The Creative Industries policy

There are political factors making the Asia-Pacific region attractive to Hollywood outsourcing production and post-production activities. For example, in New Zealand these activities have benefited from the appropriate environment where the creative industries have achieved a special place in policy agendas. This is similar to what happens in other countries around the world—including Asia (Cunningham, 2009).

The *creative industries*, as a mainstream political construct, consolidated in the UK in the late 1990s (Garnham, 2005). Eventually, it passed from having a marginal position within the affairs of the ministries and departments of culture, to become part of core economic strategies for many governments. From then on, the creative or cultural industries were regarded for their potential to generate economic growth in the form of job creation, revenue and trade (UNCTAD, 2010).

To better understand the place of New Zealand in Asia-Pacific, where many of its competitors and collaborators are located, it is important to make some distinctions. Asia-Pacific countries mentioned here can be gathered into three different groups.

1. *Developed nations* like Australia and New Zealand which transferred the creative industries policy from the UK experience around 2000–2004 (Cunningham, 2009; Prince, 2010; Volkerling, 2001).

2. The cities of *newly industrialized economies* (NIE's) like Hong Kong, Seoul and Singapore which introduced cultural industries policy since the 1990s aspiring to achieve "world city" status (Kong, Gibson, Khoo, & Semple, 2006, p. 174). But it was

not until 1999 that the term "creative industries" appeared to be crucial to the economy for South Korea; and similarly, in the year 2000 for Hong Kong and Singapore (Kong, 2000; Kong et al., 2006).

3. Finally, China, the prime example *of developing countries* in the region, explicitly incorporated the concept of cultural industries in 2009 as a key element of the national economy. This strategy was built upon previous plans to industrialise cultural and creative practices after China's incorporation to the WTO in 2001 (Keane, 2013).

Creative industries policy was not adopted in all these regions in identical ways. On the contrary, the adoption process presented "different nuances and areas of emphasis" (Kong et al., 2006, p. 178). However, such policies generally centre in the industrialisation of culture and creativity as key to local economic development. In this process, research has described the dominance of economic over cultural aspects (Garnham, 2005; Kong, 2000; Lee, 2004). The economic imperative has driven creative industries policies to focus on foreign investment strategies, tourism, and branding, especially in relation to film (Garnham, 2005; Hesmondhalgh & Pratt, 2005; Kong, 2000). For example, official documents in New Zealand are constantly justifying subsidies to international productions coming to the country as they will increase "tourism from the use of New Zealand locations in large budget productions" (MED, 2009b, p. 3).

Low-road regional competition

In order to compete for Hollywood or other international outsourcing, New Zealand and most of the Asia-Pacific countries mentioned here have established low-road (Jeffcutt & Pratt, 2002), cost-effective strategies to attract foreign direct investment (FDI) to their film industries (see Table 7).

Table 7 Chart of financial and tax incentives available for foreign productions in some Asia-Pacific countries and regions

NEW ZEALAND	AUSTRALIA	CHINA	HONG KONG	SINGAPORE	SOUTH KOREA
Large Budget Screen Production Grant (LBSPG) **(2003, reviewed 2013)** Income tax refund: 20-25 % off **Post, Digital and Visual Effects Grant (PDVG) (2007)** -Post-production, digital and visual effects (same criteria as for the LBSPG) **Screen Production Incentive Fund (SPIF) (2008)** Funding grant for projects with significant NZ content. -40 % off	**Division 10BA and 10B (1999)** replaced by **Producer Offset (2006).** Refundable tax offset: -40% of a Qualifying Australian Production Expenditure (QAPE) for feature films and 20% for others **Location Offset (2001, reviewed 2006)** For producers of large budget films to locate in Australia -15% off **PDV Offset** -Post-production -15 % refund	No specific tax laws governing the film industry. General tax provisions apply. **Joint Productions**, Foreign and Chinese investors fund a production and share rewards and risks. The film might be distributed and exhibited in China. **Assisted and contracted co-productions** with a foreign investor providing the capital and the Chinese participant to assist with equipment, labour and services or a Chinese contactor to perform certain tasks. The foreign investor solely enjoys the rewards and compensates the Chinese party for undertaking the production. The films cannot be distributed or exhibited in China.	No specific tax laws governing the film industry. General tax provisions apply. **Film Development Fund (FDF) (1999 revised 2007)** -35% off	**Film in Singapore Scheme (2004)** -50% off **New Feature Film Fund (NFFF)** -Supports emerging directors (citizens or residents) in collaboration with a production company with minimum 30% of local shareholding	**Seoul Location Incentive Program.** **Production Cost-Support (2007, reviewed 2012)** -25% off **Location Scouting-Support (2007, reviewed 2012)** -Round-trip airline tickets for 2 people and accommodation in Seoul for foreign producers and staff

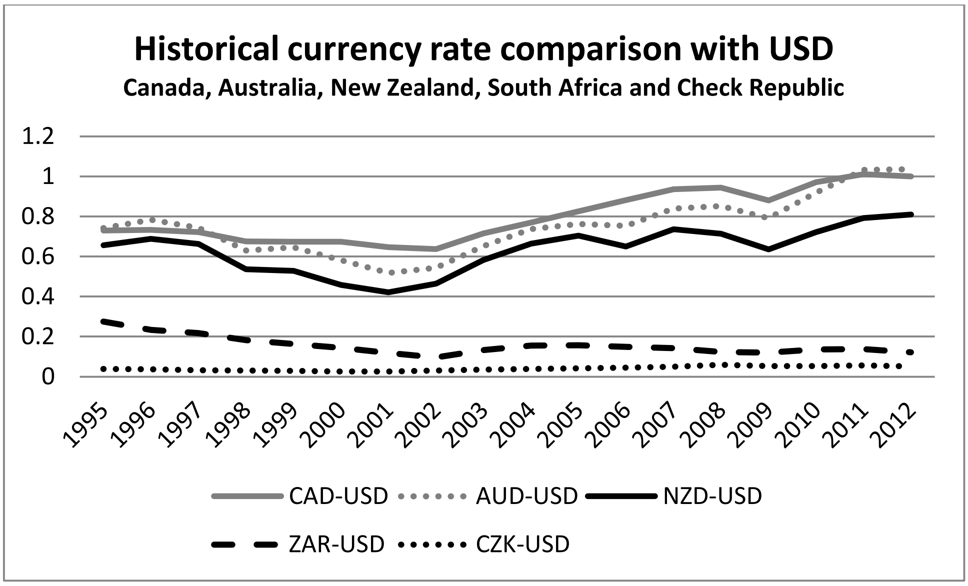
Note. Hong Kong Film Development Council (2013); KPMG (2009); Seoul Film Commission (2007)

Tax and financial incentives in the film industry are part of the policies governing the creative industries but they have also been a consistent step in terms of the economic policies of some Asia-Pacific countries. In New Zealand, for example, economic development policies have "relied heavily on foreign direct investment" (Scott-Kennel, 2004, p. 41) accounting for 49% of the GDP in 2002. Singapore and Hong Kong are similar examples with FDI comprising 30% of their GDP (Stiglitz &Charlton, 2005). It is not surprising that New Zealand, Singapore, and Hong Kong film industries have also been characterised by their attraction of FDI as can be seen in Table 7 (Conor, 2004; Kong, 2000; Pang, 2009).

A diverging example is South Korea's industrial model which has focused on "large domestic corporate conglomerates and actively restricted flows of foreign direct investment" which amounts to only 5% of its GDP (Stiglitz & Charlton, 2005, p. 15). Accordingly, Korea's film industry has not relied much on FDI, but its film production has consolidated domestic sources of funding and domestic markets as well as having an export sector. In China FDI accounted for 2.5 % of its GDP in 2010 and it has restricted foreign investment in production and distribution of films (祁澍文, 2010). However, in 2003 a provision was made whereby "a foreign investor may incorporate a film production company in the form of equity joint venture or cooperative joint venture with state-owned film studios in China" (KPMG, 2009, p. 117).

Another form of regional competition is having favourable currency rates. This is key to satellite productions that are driven by a desire to maximise revenue. One way to look at the volatile influence of currency rates is to observe their history and compare them with the amount of satellite production in particular regions. Figure 7 shows the currency fluctuations of Canadian and Australian dollars whose upward trends coincided with decreasing satellite investment. Canada as a host region for Hollywood films was receiving "more than 80 per cent of all runaways in the late 1990s" (Klein, 2004). However, when the Canadian dollar became stronger against the US dollar, satellite production declined and forced the establishment of more local incentives since it had to compete more and more with regions like Czech Republic, South Africa and New Zealand (CEIDR, 2006; CHAC, 2005; Klein, 2004). Likewise, in Australia: "{…} the damage done to the local industry by the robust [Australian] dollar {…} shows [that] an average of just $2 million a year was spent by foreign productions in the first two years of this decade [2010s], compared with an average of $137 million a year in the previous decade [2000s]" (Quinn, 2013).

Figure 7 Comparison of Canadian-US currency rate with other countries', 1995-2012



Note. Onda (2013).

Another form of competition that attracts FDI in the form of satellite productions is labour costs. With the exception of New Zealand and Australia, minimum wages in the Asia-Pacific countries were below the $US7 minimum wage in the US during 2012-2013 (see Table 8). Comparison of the medians of salaries in some film occupations by country show the wage gap differential. In jobs like Computer Graphics and 3D Animation, Film Editors, Production Managers and Set Designers, US film workers earn from $10 to $15 thousand dollars per annum more than their counterparts in other Asia-Pacific countries, except for Australia (see Table 9). In China, "companies such as Base FX [are] offering their services for sometimes a third of their U.S. counterparts, [and consequently] more American studios are outsourcing post-production work to China" (Jaffe, 2012).

Labour relations and working conditions are also factors influencing film costs in the region. Film requires large numbers of workers and long working hours are considered necessary, which increases costs. Some producers' cost-effective strategies have led to reducing the quality of working conditions and avoiding overtime compensation. New Zealand attracts FDI by advertising a non-unionised film industry (Jones & Pringle, 2013), and its 2010 legislation defines the status of *independent contractors* and precludes them from engaging in collective bargaining agreements (McAndrew &

Risak, 2012). Similarly, there are no unions in China (Jaffe, 2012). In South Korea, the story is quite the opposite. In 2013, the Federation of Korean Movie Workers' Union, after years of unstable employment status, achieved an agreement in which

> all production companies should adopt a standardised contract guaranteeing better income as well as subscription to the national pension, national health insurance, unemployment insurance and industrial accident compensation insurance for film crews {…} Companies that do not abide by the guidelines will be banned from releasing their films and will be excluded from government investment, the Ministry of Culture, Sports and Tourism said {…}. (Ji-Sook, 2013)

Yet digital media workers, like animation and VFX professionals, are not unionised anywhere around the globe (Middleton, 2010). The most concerning issues are massive overtime and unpaid work which are related to film exhibition release patterns and a problematic business model (Squires, 2012). In this business model, major studios "insist on fixed bids from VFX providers which can lead to a lot of unpaid extra work when a director decides he doesn't like the look of certain shots" (Strauss, 2013). As a result, several VFX companies have gone bankrupt and workers have been laid off and not been compensated. With the major studios having a monopsony, or only buyer, advantage and so many VFX businesses competing at an international scale, it is difficult to change the business model: "There are just cheaper countries in Asia and elsewhere to get the work done, which studios can also play off against L.A. facilities" (Strauss, 2013).

Table 8 Comparison of minimum wage per hour, 2012-2013

Country	National Currency		USD
Australia	Australian Dollar	16	14.79
Korea	Won	4580	4.09
New Zealand	New Zealand Dollar	13	10.26
United States	US Dollar	7	7
Hong Kong	Hong Kong Dollar	30	3.86
China	RMB	8.5	1.38
Singapore	Singaporean Dollar	No minimum wage	-

Note. Hong Kong Labour Department (2013); Lexology (2013); OECD (2013); XE (2013). 1 NZD= 0.78 USD; 1 HKD =0.12 USD; 1SGD= 0.79 USD; 1 KRW= 0.00089 USD; 1AUD= 0.92 USD.

Table 9 Comparison of annual median wages in film occupations by country

Country	Animator (CGI, 3D)		Film Editors		Production Manager Film/Video		Set and Exhibit Designers	
	Pay in local currency	Equivalent in USD	Pay in local currency	Equivalent in USD	Pay in local currency	Equivalent in USD	Pay in local currency	Equivalent in USD
US	52, 224 USD	52, 224	45, 274 USD	45, 274	53, 925 USD	53, 925	36, 900 USD	36, 900
NZ	52,000 NZD	40, 883	36, 539 NZD	28, 713	32, 500 NZD	25, 540	____	___
HK	203, 999 HKD	26, 297	168, 000 HKD	21,656	249,221 HKD	32, 127	____	____
SG	35, 060 SGD	27, 750	33, 223 SGD	26, 292	63, 599 SGD	50, 331	29, 980 SGD	23,727
SK	16, 000 KRW*	14.276 KRW	___	___	___	___	____	_____
AU	62,634 AUD	57, 708	52, 000 AUD	47, 909	50, 615 AUD	46, 639	58, 500 AUD	53, 909

Note. *2D Animator. PayScale (2013); XE (2013). 1 NZD= 0.78 USD; 1 HKD =0.12 USD; 1SGD= 0.79 USD; 1 KRW= 0.00089 USD; 1AUD= 0.92 USD.

Trade-offs of satellite production: Building capability

Christopherson's analysis (2006) of satellite production centres in the new international division of labour in the film industry identified two major reasons underlying Hollywood's transnational companies use of international outsourcing. The first reason is to reduce overall production costs, and the second is to address their need for specialised labour in the production process (Christopherson, 2006). By the same token, Ruth Hauer from Walt Disney Company explained satellite productions, "don't (move) […] based just on the numbers […]. It's filmmaker driven, location driven, we're looking for the best houses that do a certain type of work" (Heusser, 2012). So far, Asia-Pacific has offered global profile film-makers, high quality and innovative VFX such as those found in Wellington.

As mentioned in Chapter 2, most film work skills are learnt on the job (DeFillippi & Arthur, 1994). Satellite productions are seen to transfer accrued knowledge from Hollywood to local workers and firms. The argument of benefiting from building human and organisational capacity has found an echo in many policy documents justifying financial incentives to attract FDI to the Asia-Pacific region. In New Zealand, for example "in establishing the grants [for big budget foreign productions and VFX], the Government recognises that {…} [they] contribute to New Zealand's economic development by providing {…} employment and skill development opportunities" (MED, 2011b, p. 3).

The establishment of satellite productions in New Zealand took advantage of digital technologies in post-production activities which had become cheaper, portable and personal, making experimentation and innovation easier to attain. Weta Digital, the VFX firm with the highest capability in the Wellington region, achieved an international reputation in a short time for their work on computer graphics, winning Academy awards for several projects (MED, 2012a). Weta is part of director Peter Jackson's complex in Wellington, which has attracted service work from the most ambitious film projects in Hollywood (see Chapter 7). The state-of-the-art technologies in VFX and live action have maintained the attractiveness of Wellington as a satellite centre. But remaining competitive in terms of technological innovation and know-how is a big challenge, as it can be easily transferred to other satellite centres. For example, the bid between New Zealand and China to host *Avatar 2* which led the New Zealand government to increase tax incentives from 15 to 25% (see Chapter 6) (Hartmann, 2012b). Nonetheless, studio activities can be easily transferred to different regions, where specialisation in high quality post-production offers more stability: “while production can bring specialized crew and equipment with them for a shoot, visual effects requires local infrastructure and talent” (Heusser, 2012).

New Zealand has definitely pioneered the specialization in cutting-edge technology in the film industry in the region. However, Asian countries have quickly become aware of the importance of innovation and leveraging know-how in this industry. As the Nobel economist Joseph Stiglitz observed, the Asian countries have a tradition of “high rates of investment in physical and human capital” and governments have acted as catalysts which has “helped markets by providing the requisite physical and institutional infrastructure” (Stiglitz & Charlton, 2005, p. 15). Countries like South Korea, Singapore, Hong Kong, and China have strategised the knowledge transfer in film industry activities by competing to host Hollywood productions. However, major Hollywood studios with satellite activities and subsidiaries are confident that their competitive advantage is storytelling, and that the jobs they are outsourcing to China and to other Asia-Pacific countries are purely technical and do not involve intellectual property: “In terms of what we do, anyone and everyone can have a paintbrush. But that doesn’t mean they can be a painter. That requires great storytelling” said the chief executive of the Hollywood subsidiary Dream Works Animation in China (Barboza & Barnes, 2012). Although in New Zealand Peter Jackson’s satellite movies have local scriptwriting credits, storytelling is also a matter of general concern to the Wellington film industry (see Chapters 8 and 9).

Satellite production and sustainability

Governments’ enthusiasm to attract foreign direct investment in the form of *satellite productions* mainly from Hollywood, reflects the belief that runaway productions could be a window of opportunity to develop domestic film industries. This could occur, for example, through building a base of local revenue; leveraging working skills; and creating infrastructure (McAnany & Wilkinson, 1996). But so far, based on the experience of satellite hosting regions, researchers wonder if satellite centres would be able to set up sustainable local industries (Scott, 2006). The UNCTAD (2010) report on

Creative Industries described the failure of these types of creative industries initiatives in Asia-Pacific countries:

> Often those economic activities fail to maintain the economic growth foreseen in the projects as soon as external support stops either because of constrains in terms of infrastructure or inadequate funding. It is gradually being understood, therefore, that a comprehensive development strategy is needed to realize the potential of these industries for economic development. (UNCTAD, 2010, p. 47)

Research in Canada has noted that dependency on external sources, the maintenance of macroeconomic conditions, competition with lower-cost regions and government subsidies make this type of development vulnerable in the long run (Coe, 2001). In financing satellite productions, major studios can always threaten to leave to other countries to put pressure on the satellite regions to maintain favourable legal and political frameworks (Pendakur, 1990). Chapter 6 provides examples of this in New Zealand's employment legislation and tax incentives schemes (for instance, *The Hobbit* dispute and the *Avatar* bid). These are examples of the altered balance of power between transnational companies, labour and regional states in the new international division of labour in the film industry (Christopherson, 2006).

Furthermore, satellite productions are temporary, project-based endeavours; they lack investment in domestic fixed capital, and the major studios keep complete control over the creative and financial aspects of the project, such as: intellectual property, financial capability, distribution and commercialisation networks and even key technologies (Coe, 2001; Huang, 2013). In other words, the governance of the industry is exercised by big conglomerates in California. The creative and financial aspects of the project are the core structural activities to recapitalise and reinvest revenue in positive cycles of sustainability. Satellite regions can only offer advantages in one part of the productive process, say cost-efficiency in production or post-production, but not in the whole value chain (McAnany & Wilkinson, 1996). In other words, according to the theory outlined in Chapter 2 and the information contained in this chapter, it can be argued that satellite activities have exclusively entailed outsourcing of production or post-production services, which are secondary economies which have limitations when it comes to generating industrial development. On the contrary, it is primary economic activities that could become the motor which produces externalities in cycles of reinvestment with increasing returns.

Furthermore, although in isolated cases some New Zealand companies and local policies have engaged in high-road strategies which aim to compete through quality, innovation, product differentiation and creativity (see Chapters 7 and 8), low-road strategies are dominant. As mentioned before New Zealand has focused on cost-effective competition to attract FDI. According to previous research (see Chapter 2) the high-road strategy has the greatest likelihood of being a window of opportunity to develop long-term film industries.

The positive impact of satellite activities in relation to sustainable criteria are the generation of technical labour pools, low-end know-how and technology transfer as well as, in the case of post-production houses, investment in infrastructure and fixed capital. However, the limitations to industrial development faced by satellite activities include the inability to reproduce financial capacity from film production, the lack of significant use of local creative sources and talent, and a lack of interest in developing audiences or providing access to production by diverse local groups.

New Zealand and Independent Transnationalism

Regional collaboration

After the debate in the 1990s on trade and culture, a nuanced position between free trade advocates and supporters of cultural exemption was included in the UNESCO *Universal Declaration on Cultural Diversity* (2002) to counterbalance WTO's free market position. Issues of inequality in the cultural economy of the world were acknowledged and cultural practices were recognised as human rights. In this view, cultural diversity is seen to favour intellectual, affective, moral and spiritual life as well as economic development. Consequently, cultural goods and services are "vectors of identity, values and meaning, [which] must not be treated as mere commodities or consumer goods" (UNESCO, 2002). The Declaration states that each state should guarantee plural and equal access to the creation and circulation of cultural goods and services through cultural policies in the form of direct support or regulatory frameworks.

Around 2001, New Zealand had reconsidered its previous position on the GATS negotiation supporting free trade of cultural goods and it "voted for the UNESCO declaration {…} whereas USA, Australia and Israel voted against it" (Kaino, 2007, p. 52). Of special interest for the issue addressed in this thesis is Article 10, which states:

> In the face of current imbalances in flows and exchanges of cultural goods and services at the global level, it is necessary to reinforce international cooperation and solidarity aimed at enabling all countries {…} to establish cultural industries that are viable and competitive at national and international level[s]. (UNESCO, 2002)

Accordingly, New Zealand developed a Cultural Diplomacy International Programme in 2006 that considered cultural exchanges with “Asia, especially, China, Japan and Korea” to be a priority (Kaino, 2007, p. 58). In the last couple of decades the Asia-Pacific region developed international organisations to foster links and cooperation within the film industries in the region. Examples of collaboration were international events (such as film festivals, forums, and symposiums), and the establishment of government film agencies with international branches and co-production treaties.

Some of these events have helped build networks of film-makers and business people as well as establishing collaboration between governments. Such events have included the Busan International Film Festival, the Shangai International Film Festival, the Hong Kong International Film and TV Market (FILMART), the Asia Cultural Co-operation Forum in Hong Kong (UNCTAD, 2010), and the Asia-Pacific Producers’ Network symposium. Some itinerating events also provide a showcase of the hosts country’s facilities (Tan, 2011). The region has also generated a rich network of bi-national official co-production treaties (see Table 10). These co-production deals are mechanisms that allow film producers to attract funding and film workers from other regions and gain access to wider audiences. Such treaties “extend to official co-productions the funding, tax incentives and distribution arrangements available in either country, as well as making it easier to import crew and equipment” (Crewdson, 2010).

New Zealand has signed official co-production treaties with Asia-Pacific countries such as China, Singapore, Korea and Australia (NZFC, 2014a). Its co-production treaty with China extends the benefits to Hong Kong and Taiwan as the three of them are members of the Closer Economic Partnership Arrangement or CEPA (Pang, 2009). This allows Hong Kong and Taiwan to escape China’s film importing quotas of 20-34 foreign films per year. Furthermore, New Zealand signed an Economic Co-operation Agreement (ANZTEC) with Taiwan in 2013. It stipulates the elimination of duties for New Zealand exports in the following four years. And it will “set the framework for television and film co-productions, which could allow backdoor access to the restricted Chinese cinema market, with Taiwan exempt from the restriction of foreign films entering China” (Rutherford, 2013b).

Table 10 Official co-production treaties and free trade agreements with Asia-Pacific countries

	China	Hong Kong	Taiwan	Singapore	Korea	Australia	New Zealand
China		1979 China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004	2010	Temptative 2013	2008	2010 (TV included 2014)
Hong Kong			China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004
Taiwan				China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004	China-HK-Taiwan CEPA 2004	2013 ECA China-HK-Taiwan CEPA 2004
Singapore					2007	2007	2004
Korea						-	2008 (excludes TV)
Australia							1994
New Zealand							

Note. NZFC (2014a); Screen Australia (2013); Singapore Government (2013). CEPA= Closer Economic Partnership Agreement

So far these film co-production possibilities with Asia-Pacific countries have not been used except for *The Tatooist* (2008) with Singapore. Official co-productions are used more with European and other Commowealth countries. New Zealand has official co-production treaties with South Africa, Canada, UK, France, Germany, Italy, Ireland and Spain (NZFC, 2014a). From 2000 to 2012, New Zealand participated in 11 co-productions, seven of them with the UK, and the rest with UK-Canada, Germany, France and Singapore (NZFC, 2014c). Although it is too soon to see the outcomes of official cooperation with Asia-Pacific countries, New Zealand is well linked with those countries (see Table 10). Furthermore, data from Statistics New Zealand that includes non-official co-productions states that in 2011 from 30 businesses with co-production partners, 15 of them were in Asia, 12 in Australia, 15 in North America, nine in the UK, and three in Europe (SNZ, 2013c). However, independent transnational links, established among equals is not coincidental; there are evident agendas accompanying these forms of collaboration.

The trade-offs of collaboration

Innovation and knowledge transfer

Countries like South Korea, Singapore, Hong Kong, and China have specially strategised the knowledge transfer in film industry activities by collaborating with each other and with developed nations like Australia and New Zealand. For example, in the last couple of decades South Korea has been able to develop popular films with universal story lines exported especially to Asian countries. In recent years, it has received significant input from Australian and New Zealand post-production services, including Weta Digital and Park Road Post in Wellington. This has allowed the Korean film industry to achieve high production values: “Since 2007, Korean digital and visual effects companies have moved outside the local market and have worked on major international features and television productions” (Yecies et al., 2011, p. 141) including US, Chinese, and Taiwanese productions.

> The internationalisation of the Korean cinema is clearly not a one way process. Not only have Australian practitioners played a role in it but Koreans are presently doing the same in China {…} Film-makers in greater China are looking to partner with members of the Korean film industry in order to advance aspects of digital film production. (Yecies et al., 2011, p. 141)

In addition, the flow of Hollywood film workers to work in the Chinese film industry corresponds to having more opportunities to upgrade skills and positions, and even to be involved in more creative and managerial tasks during the workflow process. As one article reported, “with more than 500 movies shot here [in China] annually, there is huge demand for Hollywood expertise” (Jaffe, 2012). As the vice president at Chinese CTC Entertainment explained "The goal is to bring over U.S.-trained supervisors to train young people here” (Jaffe, 2012).

China’s recent concessions in the form of co-production treaties, joint ventures and bigger shares of box office revenue to imported films have more in mind than a simple trade-off to affix Chinese names to the films’ credits as some patronising media coverage suggested (G.E., 2012). At the core of these Chinese concessions is the desire to secure creative technology and know-how to the film and screen industries (Keane, 2013, p. 192). In this sense, the Chinese “government wants to turn the country into a cinematic titan, and sees co-productions as a way to reach global audiences" (Crewdson, 2010).

In the midst of negotiations to sign a co-production deal between China and New Zealand, Weta Digital general manager, Tom Greally said "New Zealand could help to satisfy China's desire for higher standards including innovation, creativity and quality" (Crewdson, 2010). Even though the Chinese film industry has become more comfortable with their technical skills over recent years, one of the problems they face is storytelling. This is a drawback shared to some extent with other Asia-Pacific countries, including New Zealand (see chapters 8 & 9). The head of the Shangai Animation Film Studio said, "Chinese animation has not become strong enough to block out foreign competition yet {…} I am very confident that at the level of art and design quality our films have reached the international level. Time will tell whether our story telling will appeal to a Western audience" (French, 2004). Entrepreneurs in China are aware of their weakness and as a representative of Global Digital Animation Holdings said, "Our goal, within 5 or 10 years, is to be much less involved in the production side, and much more in the creative side, in order to get this industry off the ground in China" (French, 2004).

The change of gravitational centre and access to new markets

At the turn of the new millennium, China emerged as a new superpower having the fastest economic growth in the world and the biggest potential market of 1.34 billion inhabitants captivating the attention of the rest of the business world (UNESCO, 2012a). The trend was even clearer in the aftermath of the global financial crisis that left the US and Europe with unemployment, deficit and stagnation while Asia recovered faster than other developed nations, including New Zealand and Australia (see Table 11). The change in international economic dynamics had an impact on the international film industry with respect to the regions' ability to attract satellite productions. Asia, being less vulnerable to the crisis, was able to compete in growing technological infrastructure and employment capability. And while Asia kept lower-value currencies against the dollar, stronger Canadian, Australian or UK currencies, made these countries less attractive as satellite production centres, as per Figure 8 (Goldstein & Xie, 2009).

The impact of the crisis on the US economy and the consolidation of China's economic power also started to shift the gravitational centre away from the US, as one article reports: “While box office revenue is falling off in North America, China's ticket sales rose by one-third last year—and now many media companies are trying to get a foothold in the country” (Hartmann, 2012a). The financial power of Chinese companies was reflected in the acquisition of some visual effects studios in Hollywood that were “running out money instead of a lack of orders” (Huang, 2013).

Table 11 Historical gross domestic product by country (in percentages)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
New Zealand	4.349	3.124	3.045	3.499	-0.808	-1.637	1.753	1.418	2.537	2.742
Australia	4.089	3.11	2.723	4.633	2.67	1.419	2.617	2.436	3.579	2.961
Hong Kong	8.7	7.388	7.033	6.465	2.128	-2.459	6.793	4.85	1.442	2.958
Korea	4.619	3.957	5.179	5.106	2.298	0.319	6.32	3.634	2.022	2.845
Singapore	9.159	7.37	8.623	9.02	1.748	-0.787	14.781	5.16	1.319	2.012
China	10.085	11.31	12.677	14.162	9.635	9.214	10.447	9.295	7.8	8.038
US	3.468	3.07	2.658	1.913	-0.337	-3.069	2.391	1.808	2.211	1.851

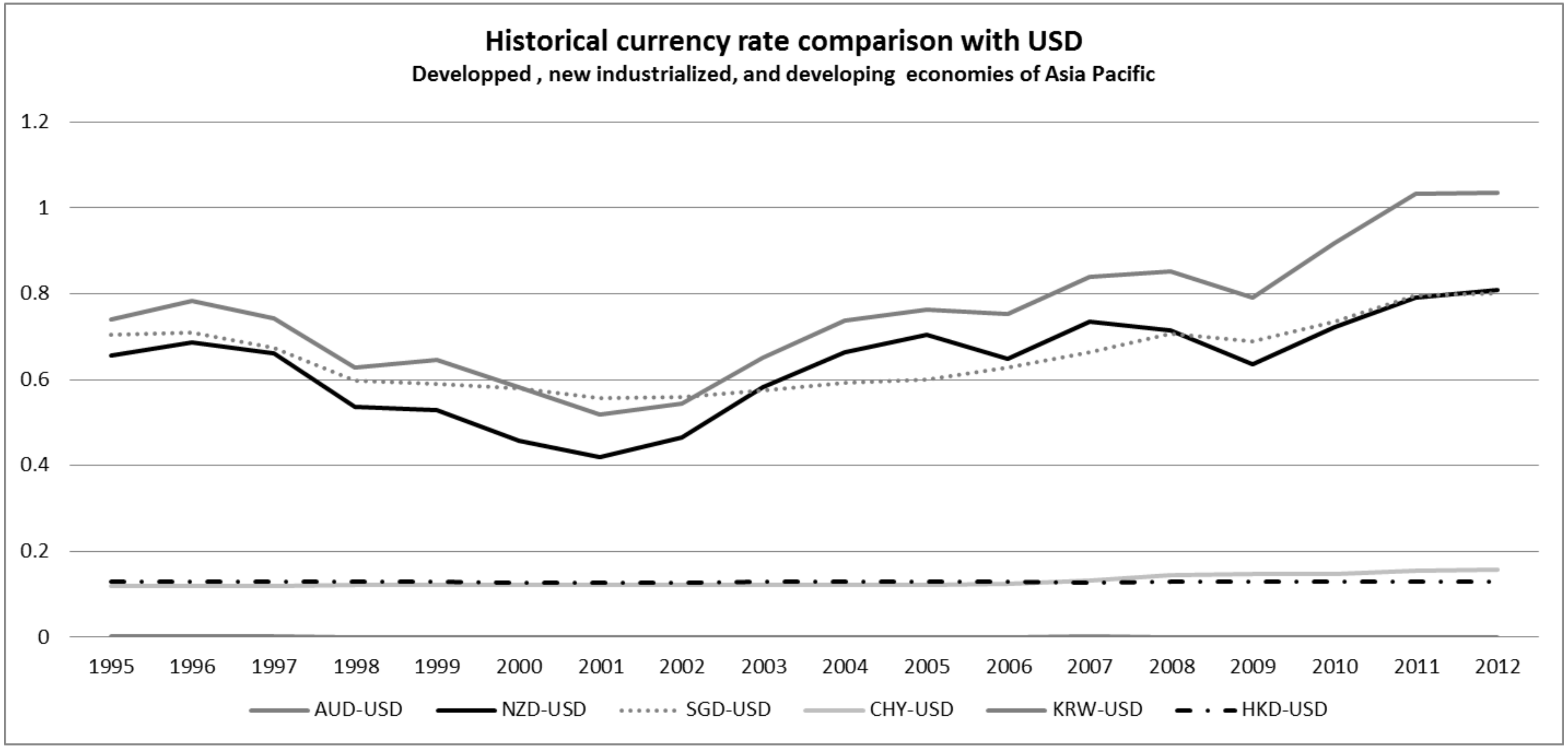
Note. International Monetary Fund (2013). Estimates start in 2011. Light grey highlight= around the Global Financial Crisis of 2008.

However, opening state-controlled Chinese film production to private companies inherited structural difficulties, such as: lack of credit (UNCTAD, 2010); low international competitiveness (Keane, 2013); thematic exhaustion due to censorship’s “safe narratives” (Keane, 2013, p. 185); piracy; and, a high 40% of production of service work or outsourcing (Keane, 2013, p. 185).

These challenges contradicted the “catching up” strategy of the central planning policy in China which aimed to revitalise its cultural industries and “reform the cultural system as a precursor of the soft power movement” (Keane, 2013, p. 178).[6] The idea was to move on from “made in China” to “created in China” in an attempt to become an innovative nation by 2020 (Cunningham, 2009; Keane, 2007). The challenges increased with pressure to open the market to foreign films. For instance, after China’s accession to WTO, a concession in the form of film quotas was established to allow the “import [of] 20 films a year for release on a revenue-sharing basis” (KPMG, 2009, p.17). The Chinese audience’s historical fascination for Hong Kong, Taiwanese, Japanese, Korean movies and Hollywood blockbusters has evidenced the vulnerable state of Chinese content. Keane reports that in 2012, 73% of films released in China were foreign as well as 90% of the biggest box office movies (2013, p. 190).

[6] Soft power is defined as “the attractiveness of a nation’s culture” (Keane, 2013, p. 182).

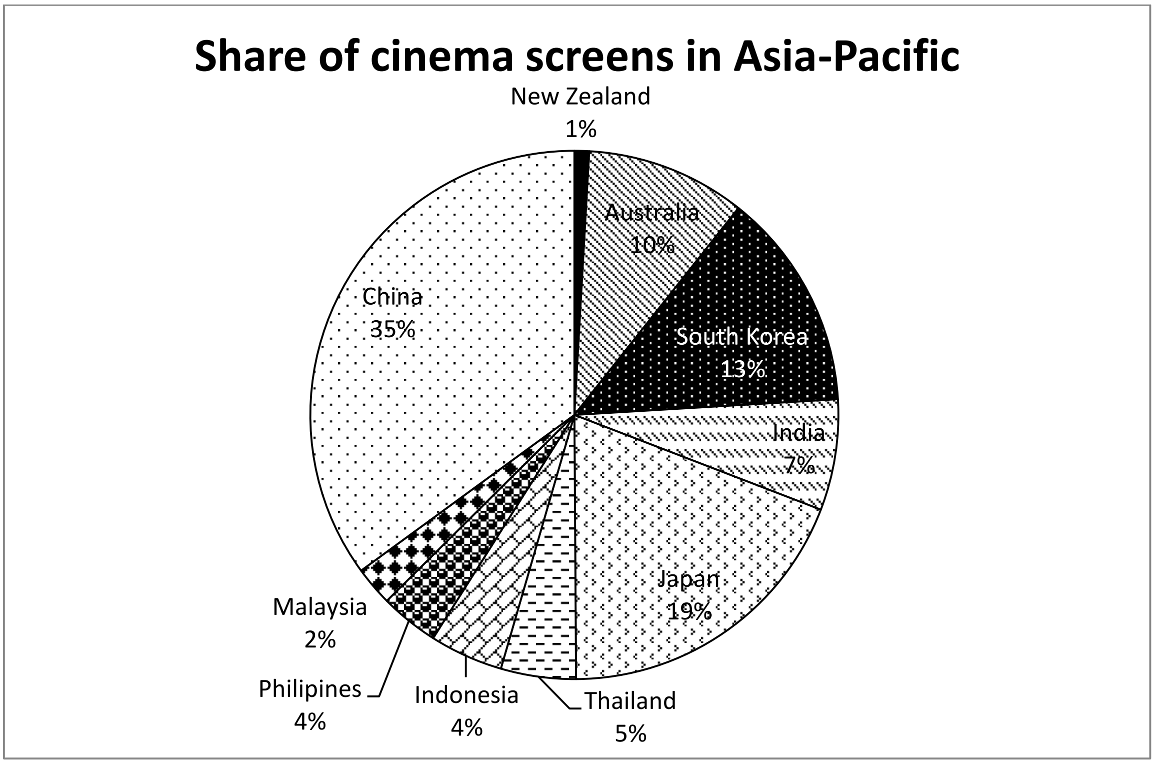
Figure 8 Historical currency rate comparison with USD by country in Asia-Pacific



Note. Onda (2013). 1 August 1994-11 July 2013.

In order to deal with these difficulties, China implemented structural reforms "involving the Bank of China and the Export-Import Bank [of China] to finance projects" (UNCTAD, 2010, p. 48), and to support animation, movies, and TV. These financial products were aimed at financing supply chains, expediting exports and promote mergers (UNCTAD, 2010). As mentioned, another Chinese strategy has been learning through collaboration with other countries, via co-productions and providing service work for film, TV and video games (Keane, 2013). In turn, the attractiveness of China as a financier and potential consumer market is widely acknowledged. In 2013, Chinese screens accounted for 35% of all the screens in Asia-Pacific (see Figure 9). The interest of other countries in establishing informal co-productions with China responded to this opportunity.

Figure 9 Share of cinema screens in Asia-Pacific region



Note. Own elaboration based on Screen Digest (2010c).

Excitement was evident in New Zealand with media reporting "China's box office grew 62% last year and the country is set to become the second biggest movie market behind the United States" (Tan, 2011). Looking to capitalise from the shift of the world economic power to Asia in recent years, Michael Brook, head of Film Auckland explained, "New Zealand is well placed to seize new opportunities the region offers" (Tan, 2011). By the same token, and looking outside Hollywood to provide service work, Cameron Harland, General Manager of Park Road Post-production said, "we are smart to get in here [in China] as early as we can {…}"(Crewdson, 2010). Hoping to achieve economies of scale Michael Stephens, a Wellington entertainment lawyer commented "'true opportunity for' kiwi film-makers in China, lies in developing joint projects suitable for international markets" (Crewdson, 2010). Also in 2012, the annual conference of the Screen Production and Development Association of New Zealand (SPADA) programmed a series of roundtables and presentations about partnering with Hong Kong, a hub for foreign companies seeking to benefit from mainland China's market (Lim, 2006).

New Zealand is not the only country where investors and financiers are attracted to China; Hong Kong, Japan (Pang, 2009), Korea (Yecies et al., 2011) and the US see it as "a tempting market" as well (Barboza & Barnes, 2012). Major US studios, through the Motion Picture Association of America (MPAA), have been pushing for negotiations to open the Chinese theatrical market: "The decision to allow the importation of 14 more 3D or large-format films per year and a profit-sharing increase from 13% to 25% for foreign film companies is a major victory for U.S. negotiators" (Abrams, 2012). During the last few years, Hollywood studios have been looking for financial investment through co-production deals with Chinese companies as this will allow them to obtain more returns than going through the import quota; that is, an increase from 25% to 45% of the box office. "The gravitational pull of the Chinese movie market, non-existent less than a generation ago, is now an undeniable force, sucking in all Hollywood blockbusters (and lesser projects) that venture within its event horizon" (G.E., 2012).

Independent transnationalism and sustainability

According to this analysis, it is independent transnationalism that represents the most opportunities to develop structural and peripheral aspects of a sustainable film industry in Wellington. This is because regional collaboration allows a wider control of transnational flows through selective strategising to target areas of concern. For example, as discussed in Chapter 9, Wellington's areas of concern are to maintain innovation, and to develop local businesses, storytelling, market audiences and financial resources. Although co-productions are commonly one-off and short-term projects, they do entail partnering among primary economies which in theory can generate industrial spin-offs. In relation to sustainability criteria, co-productions facilitate financial resources and returns, they generate technical and creative labour pools, provide opportunities for learning and knowledge transfer, use creative sources and infrastructure, and open market audiences.

The isolated cases of high-road innovation and quality—for example the state-of-the-art VFX—have already given Wellington and New Zealand bargaining power to collaborate with other regions in exchange for opening new markets, which eventually translate into financial sources. New Zealand could benefit from making the most of its co-production deals and maintaining ties with European countries, Australia, and US independent projects. Of the Asia-Pacific countries studied in this chapter, South Korea and China are of significant interest to New Zealand. Korea's film industry has a healthy domestic and international market built from a film quota system (Jin, 2006) and creative and storytelling development (Yecies et al., 2011). This gives South Korea bargaining power to transfer know-how in exchange for opening new markets. China is the country with most bargaining power in the region because of its economic performance, its huge market size, years of protectionism and the film quota system. Despite its low-road, cost-effective conditions and issues of censorship, its government and business strategies include the structural development of sources of funding and high-road leverage of core technical and creative capabilities in film and screen industries. In exchange for markets and financial resources, New Zealand could trade off innovation capability and provide a link to overcome cultural barriers offering familiarisation with Western cultural sensibilities. Furthermore, New Zealand could also benefit from learning and collaborating in policymaking areas with other Asian and European countries. In conclusion, as the co-founder of Pacific Data Images, Richard Chuang commented, "in order to survive and thrive, {…} [it is necessary] to move up the food chain from providing technical support to making original content {…} The growing appetite for local content in the region, especially on the mainland [China], could support the industry" (Nip, 2013).

Conclusions

This chapter addressed the question: *What are the international relations shaping the opportunities of the New Zealand film industry with respect to achieving sustainable outcomes?* I have argued that transnational relations have influenced the country—and therefore the film district in Wellington (see Chapter 7)—in three main areas. Firstly, free trade regulations have fenced in New Zealand's audio-visual trade deficit, fixed New Zealand's role as a net consumer of foreign screen products, and facilitated the establishment of audio-visual transnational companies and their flow of capital to overseas headquarters. This in turn, has hindered the articulation of the local value chain at the commercialisation phase affecting its sustainable cycles of reinvestment. Secondly, New Zealand has played an important role as a satellite centre—as exemplified by Wellington film activities—providing production and post-production service work for major Hollywood transnational companies. New Zealand's film policies have emphasised a branding strategy selling the film industry as a facility and the country as a location and tourist destination. Although mainly based on low-road strategies (see Chapter 6), New Zealand has also resorted to high-road strategies (see Chapter 7). Unfortunately, satellite activities are secondary economies with limited ability to set spirals of increasing returns as examined in Chapter 2. These positive cycles are key to self-sustainable industries. Thirdly, New Zealand's role as a high-quality satellite film centre has conferred upon the country the persuasive power to collaborate with the Asia-Pacific region and other European and Commonwealth countries. Independent transnational collaborations entail primary economies (see Chapter 2) where key finance pools, access to markets and high-end creative and technical learning take place. Furthermore, the global financial crisis and the role of China as an emerging economic superpower overtaking economic performance in Western countries are two major historical events also reshaping the international role of New Zealand and Asia-Pacific in the film industry. Those shifts could represent an opportunity to redirect New Zealand's objectives towards its international position to canalise flows towards a self-sustainable film industry.

Chapter 5

Analysis of the Value Chain: Distribution and Exhibition

Chapters 5 and 6 address the question: *What are the relations among the phases of the film industry value chain in New Zealand and what do they mean to its sustainability?* In other words, it targets the relations between production, distribution and consumption of films in New Zealand. As mentioned in Chapter 2, value chain articulation is the core of the political economy of culture's explanatory cue to understand film industry development. In order to answer the research question, in Chapter 5 I centre on the value chain phases of distribution and consumption of films, while Chapter 6 focuses on the production phase. Both chapters present each value chain phase looking at three different areas that complement each other: industrial development, policy accounts and sectoral economic indicators. This overview allows me to provide a general analysis of the value chain relations in New Zealand and make remarks about their influence on the Wellington case in Chapter 8.

Despite being connected, the phases of production, distribution, and consumption respond to a different logic. First of all, production and postproduction subsectors are capital and labour intensive activities focused on content creation of films. Secondly, the distribution phase is an intermediary activity consisting of acquiring, managing and administering licenses to promote, lease, wholesale or disseminate films and video. Finally, the film consumption phase (also referred to as dissemination or commercialisation) entails mainly services with direct contact with consumers to market or disseminate films to be consumed in several windows such as cinema theatre exhibition, physical and online rentals, and retail, television broadcasting (Scott, 2005; SNZ, 2006). In this chapter, I expand on the development of distribution and consumption of films in New Zealand.

The chapter presents a brief historical overview followed by discussion of the current environment shaping the distribution and commercialisation sectors, particularly characterising the contemporary transnational period (that is controlled by transnational companies and foreign supply). I expose the interplay among each sector's industrial organisation, economic indicators, and policies and regulations. By taking a historical-structural approach, I identified the existence of long-term, entrenched relations among various stakeholders in the film distribution and commercialisation phases in New Zealand. Major stakeholders in those phases have become a de facto economic power and their relations have been institutionalised influencing the possibility of generating sustainable outcomes. Yet a closer look shows distribution and commercialisation sectors are also dynamic, and contingent upon social and political action.

Despite their importance, the study of film distribution and consumption in New Zealand has been neglected. Two exceptions are the work of Churchman (1997) on the history of distribution and exhibition in the country until the 1980s and the recent analysis of exhibition in Wellington by Huffer (2012). This chapter draws on these studies and builds on statistical sources.

Historical Overview: Industry and Policy

For the purposes of this research I suggest a historical periodisation of the three sectors of the film industry in New Zealand (see Table 12). The periodisation is based on economic and political developments; for example, the level of industrialisation, the origin of ownership of dominant capital, and the general policy models influencing industrial outcomes. Under these criteria the history of the distribution and consumption (particularly, cinema exhibition) sectors can be classified into two main periods: (a) a first stage from 1896 to the late 1920s comprising a pre-industrial and semi-artisanal phase; and (b) a second stage from the late 1920s up to the present consists of an industrial phase. The following sections describe these periods to better understand similarities or disparities in past and current trends. In doing so, I identify the overall effects of such configurations on the value chain articulation and pinpoint their influence on sustainable outcomes.

Pre-industrial period

Exhibition was the first sector to develop industrially in New Zealand. The gradual introduction of film exhibition technologies to New Zealand was done by small itinerant shows or vaudeville spectacles in established theatres. Eventually, some travelling showmen started running permanent theatres and even constructed purpose-built theatres (Churchman, 1997).

Table 12 Periodisation of the film industry in New Zealand

<table>
<tr><td></td><td colspan="7">PERIODISATION OF THE FILM INDUSTRY IN NEW ZEALAND</td></tr>
<tr><td></td><td colspan="7">1896 l 1900 l 1910 l 1920 l1930 l 1940 l 1950 l 1960 l 1970 l 1980 l 1990 l 2000 l 2010</td></tr>
<tr><td rowspan="2">EXHIBITION SECTOR</td><td colspan="2" rowspan="2">Pre-industrial phase</td><td colspan="5">Industrial Phase</td></tr>
<tr><td>National</td><td colspan="2">International</td><td colspan="2">Transnational</td></tr>
<tr><td>DISTRIBUTION SECTOR</td><td>National</td><td></td><td colspan="3">International</td><td colspan="2">Transnational</td></tr>
<tr><td>PRODUCTION SECTOR</td><td colspan="2">Pioneer period</td><td colspan="2">Crisis period</td><td colspan="2">Welfare State period*</td><td>Growth-Model period*</td></tr>
</table>

Note. Own elaboration. * Based on King (2010) and Potts & Cunningham (2008).

On the film distribution side, the supply of shorts and features came mainly from overseas sources. Cinema, being an imported technology, meant that the films exhibited came from the regions where such innovations had been developed and which had the first-mover advantage. Around 1910, an unofficial second-hand market of film stock started up in New Zealand. It was initiated by a former travelling showman who bought other exhibitors' unwanted material to rent it for a profit (Churchman, 1997). Driven by competition to acquire first-run films, two local successful exhibitors, Hayward and Fuller, merged in 1913 and tackled film distribution with the company New Zealand Picture Supplies (NZPS). However, seven years later NZPS ceased operations as "Hollywood studios began concerted efforts to control film distribution around the world with their own local exchanges and forcing exhibitors to accept films on their terms" (Churchman, 1997). From then on, major Hollywood studios have dominated the New Zealand film market through their distribution branches.

But the exhibition business kept growing through the 1920s when the cinema-building boom occurred. For example, many of the old theatres in the city of Wellington were built at that time. The 1920s marked the constitution of big theatre chains that operated in a competitive environment of mainly independent exhibition businesses; this, however, would change.

The industrial period

The second period symbolically commenced with the first talkie movie shown in New Zealand in 1929. This opened up a new industrial era which coincided with quick expansion and capital concentration of few dominant exhibition businesses which were first nationally owned and later internationally and transnationally owned.

The introduction of sound, under the monopoly of American Western Electronics, imposed high prices on technology conversion; this coupled with the economic depression of the late 20s, felt also in New Zealand, created barriers to entry to new and existing businesses (Churchman, 1997). This stage was intensified with the consolidation of economies of scale among successful businesses resulting in capital accumulation and sometimes in unfair competition practices. As a result, a loose combine to coordinate hiring and screening of films was formed by four major national chains: Fuller-Hayward, Kemball, Williamson, and Kerridge (Churchman, 1997). The major chains' strategy was to focus on buying independent businesses. As Churchman (1997) documents, Kemball and Kerridge used dirty tactics: independents that were unwilling to sell to or join the combine would be threatened with the deprivation of good movies controlled by the combine or made to believe that a new cinema would open nearby. This last measure pressured independents to accept the deal to sell 50% of their profits in order to buy off the proposal of a new competitor. These unfair competition practices were reflected in the government intervention of 1932 when the Minister of Industry and Commerce, Hon. R. Masters, was empowered to scrutinise all proposals for new cinemas. Accused of government interference in free enterprise and competition, the Minister claimed that certain traders "were behaving no better than gangsters" (Churchman, 1997, p.20).

On the distribution side, around the talkie era, the government identified unfair practices as recognised in the Cinematograph Films Act 1928 and its Amendment in 1934. The Committees of Inquiry and eventually the Act, addressed the question of fair trade identifying two dubious practices: block-booking, where to obtain the best Hollywood films, exhibitors were forced to also buy the worst films; and blind booking, where exhibitors were forced to commit in advance to screen films before they could see them or even before they had been produced; sometimes they ended up being big flops (Churchman, 1997). John O'Shea quoted entrepreneur Nathan Scheinwald's words about the distribution business in the 1930s when he called it "the most corrupt industry around" (Dennis & Bieringa, 1996, p. 22). British films in New Zealand had also been affected by Hollywood tactics which led the government to establish 20% screen quotas gradually from 1834 to 1939 for British, and later on, Commonwealth films

(*Cinematograph Films Act*, 1928).[7] With the quota requirement exhibitors were allowed to reject at least 5% of the low quality or unwanted films from big distributors (Churchman, 1997).

In 1936, the independent exhibitor Moodabe's Amalgamated Theatres had expanded fast through successfully transforming the business model. Moodabe had built cheaper one-floor theatres and had integrated with Hollywood major, 20th Century Fox, which gave it financial back up and guaranteed supply of films. Following the government's intervention and Moodabe's competition, the combine dissolved. The 1940s saw a further concentration of capital with Kerridge's acquisitions of the Kemball, Fuller-Hayward and Williamson theatres. Kerridge also emulated Moodabe's alliance with foreign capital, in this case with UK-based Arthur Rank Odeon Holdings to form the Kerridge-Odeon chain (Dennis & Bieringa, 1996). By 1946 Kerridge-Odeon and Moodabe's Amalgamated Theatres were the only competitors controlling 29% of theatres but also the most profitable and well located ones (Churchman, 1997). Another Committee of Inquiry recommended that the two chains were not allowed to grow any larger, but their "control" was "unbreakable" (Churchman, 1997, p. 22).

With the introduction of television in the 1950s, cinema around the world entered into a crisis period. In New Zealand, by the 1960s, many theatres had closed down, especially in Wellington. The two major theatrical chains in New Zealand were completely or partially acquired by foreign capital. From the 1950s to the 1980s Amalgamated Theatres were entirely owned by 20th Century Fox while in the 1980s Pacer (with New Zealand capital) bought Kerridge-Odeon only to go into receivership (Churchman, 1997; Watson, 1988, p. 93). Since the 1980s, exhibition in New Zealand entered into a new phase of transnational reconfiguration characterised by the entry of big conglomerates formed by mergers, alliances and acquisitions. This coincided with the renovations and construction of multiplex theatres. Amalgamated Theatres was sold to Australia's Hoyts Cinemas, and some Pacer-Kerridge theatres became the property of Australia's Hoyts while others became the property of Australian Village Roadshow's alliance with New Zealand-based Force Corporation (forming Village Force). In 2000, a

[7] The quotas for Commonwealth films were abolished by the Cinematographic Films Act 1976 (IRD, 1988) but by 1981 the film hire tax gave preferential rates to Commonwealth films compared to a rate of 10% of net receipts for other foreign films (IRD, 1988). Such taxes were then repealed by the New Zealand Income Tax Act in 2012 (CCH New Zealand Limited, 2013; *Taxation Act*, 2012).

joint venture was established between Village Force, its sister company Village Rialto, and Hoyts which then controlled two thirds of the box office in New Zealand (Scherer, 2000). The New Zealand Commerce Commission was increasingly concerned and the companies voluntarily split a year later (Village Roadshow Limited, 2000). In 2001, New Zealand Force Corporation was acquired by Skycity Entertainment Group to form Village Skycity (Drogemuller, 2001; Skycity, 2013). This entity then became a subsidiary of Australian Amalgamated Holdings in 2010 which had rebranded their theatres as Event Cinemas (NZPA, 2010; NZPA-Reuters, 2009; Rutherford, 2009). The latter is a combine that also owns Rialto Cinemas in New Zealand (Businessweek, 2013). As a result, Australian Amalgamated Holdings and Hoyts became then the two biggest cinema chains in the country.

The information presented so far attests that distribution and exhibition in New Zealand became, throughout the twentieth century, profitable businesses highly tending to capital concentration, first from national and subsequently international and transnational sources. This historical path generated entrenched economic interests and power relations among film distributors and exhibitors of various kinds, as well as conventionalised practices such as business models and audience consumption habits familiarised with Hollywood products. The next section will explore the current configuration of the distribution and consumption sectors in more detail to better understand the relations among various industry stakeholders, their economic dynamics and the regulatory environment.

Current Environment

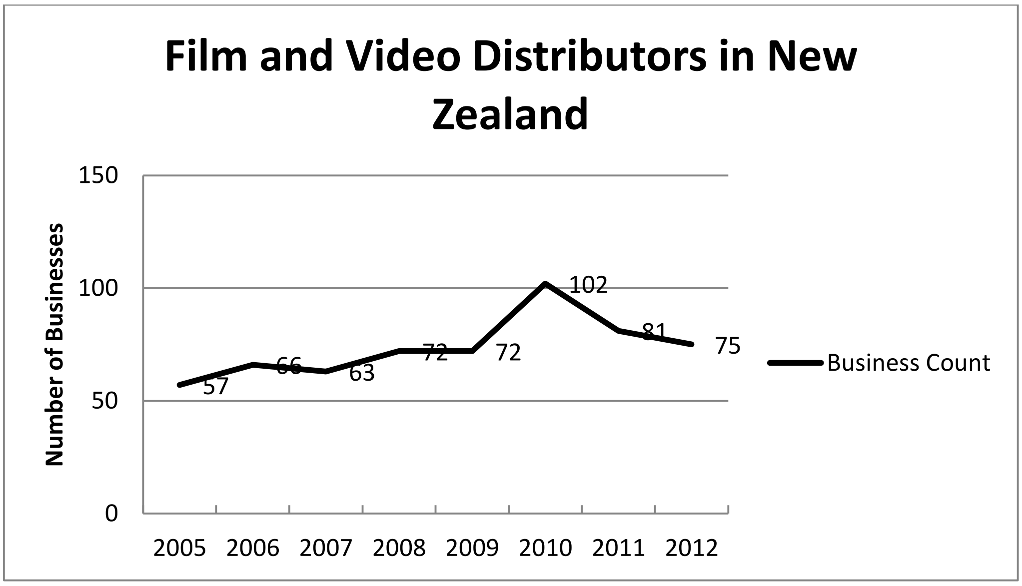
Economic indicators: Distribution

At the end of the twentieth century, the distribution business in New Zealand was growing at a fast pace. Since 1995, distribution had doubled its annual revenue; it had grown 104% in the last two decades. From 2009-2012, the average annual revenue of the sector was $NZ100 million (Screen Digest, 2013). The distribution sector also generated $NZ48 million of value added to New Zealand's GDP, directly created 197 jobs and provided $NZ6 million of labour income (PwC, 2012). However, it is worth asking, what does all this mean to the opportunity for New Zealand films to be distributed? What does this mean to the cultural diversity of films available to New

Zealanders? Or what does this mean to the prospect of generating spillover finance to produce films in New Zealand?

From an early stage, film distribution in New Zealand became a profitable business concentrated by major Hollywood distributors which had not only the advantage of early development in the US, but also employed aggressive tactics to place products in New Zealand. Although tactics have changed, Hollywood's interests in New Zealand continue to hold a big share: in 2012, Hollywood majors released 108 films of a total of 290 films released in New Zealand. My own calculations, based on data available for New Zealand and Fiji's total box office, show major Hollywood companies and their subsidiaries concentrated 73% of the market share in 2012 (IMDB, 2014b).[8]

Figure 10 Number of distribution businesses in New Zealand, 2005-2012



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b).

In this section I argue that, apart from having captivated international audiences, Hollywood's supply and demand-side network economies of scale today have continued to favour the global consolidation of its oligopoly. In addition to other historical factors (Sánchez Ruiz, 2003), economies of scale have allowed the once-pioneer then major Hollywood studios to control film distribution worldwide for almost 90 years (Garnham, 2005).

[8] This was calculated based on yearly statistics by title and distributor. In these statistics total box office for NZ and Fiji in 2012 was $US140, 907, 853, and the box office revenue for the majors and their subsidiaries was $US103, 150, 583. The total box office figures reported by MPDA in New Zealand that year were $NZ167 million (Gibson, 2012) and $NZ173 million (MPDANZ, 2013a).

Table 13 Top 10 box office films released in New Zealand by distributor in 2012

	Title	Distributor	Released	Lifetime Box Office
1	*The Avengers*	Walt Disney	25/04/2012	8,820,927
2	*Skyfall**	Sony Pictures	22/11/2012	6,416,063
3	*The Hobbit: An Unexpected Journey**[1]	Warner Bros.	12/12/2012	6,082,013
4	*The Hunger Games*	Roadshow	22/03/2012	5,796,417
5	*The Dark Knight Rises*	Warner Bros	19/07/2012	5,703,716
6	*The Best Exotic Marigold Hotel*	20th Century Fox	22/03/2012	5,374,584
7	*The Adventures of Tintin*	Paramount	26/12/2011	5,341,671
8	*Twilight Saga: Breaking Dawn Part 2*	Hoyts/ STUDIOCANAL	15/11/2012	4,976,773
9	*Ice Age Continental Drift*	20th Century Fox	28/06/2012	4,564,065
10	*Ted*	Paramount/Universal	11/07/2012	4,268,154
TOTAL				**57,344,383**
Percentage of Total Box Office 2012[2]				**34%**

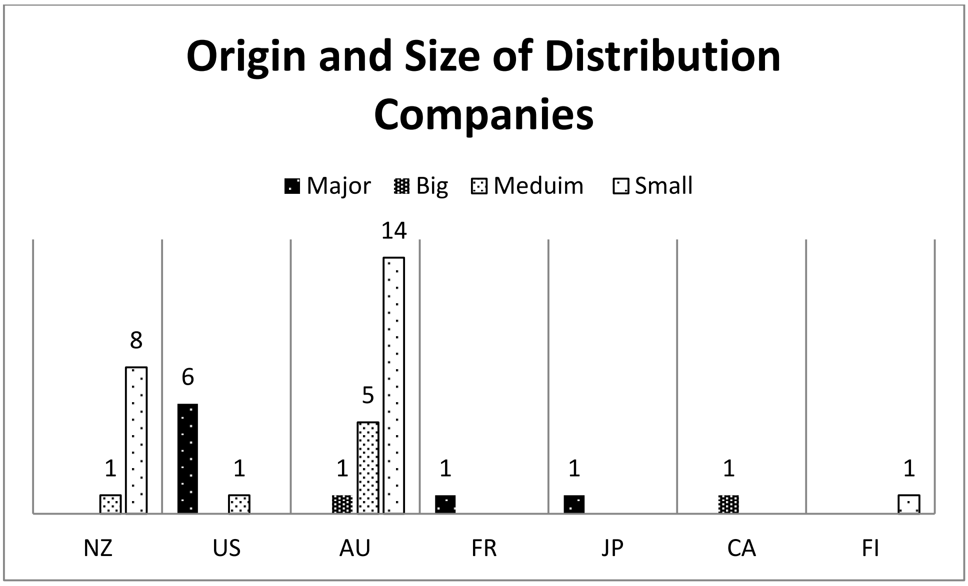
Note. MPDANZ (2012) Total statistics added. * Still in release by the time the report was created 26/12/2012. [1] By January 23, 2013, The Hobbit had already grossed over $NZ10.6 million since opening (MPDANZ, 2013a). [2] Total New Zealand box office in 2012 was $NZ167 million (Gibson, 2012). The percentage would be 32% if taken as a point of reference the total box office of $NZ173 million (MPDANZ, 2013a).

According to Statistics New Zealand, there were 75 film and video distribution businesses in New Zealand in 2012 as shown in Figure 10 (SNZ, 2013c). However, this number includes not only distribution companies but "also includes *agents* mainly engaged in leasing and wholesaling films and videos to organisations" (emphasis added) (SNZ, 2007, p. 49) as defined in the category "Film and video distribution". By contrast, other sources, such as Screen Digest (2013), talk about a yearly average of 17 active distributors during the 2000s. Taking this number as a basis, each distributor in New Zealand released an average of 14 films per year, mainly foreign films. From 1998 to 2009, each distributor in New Zealand received an average of $NZ406 000 revenue per release. The mean of each distributor's income in this period was approximately $NZ6 million (Screen Digest, 2013). However, these average figures need to be treated carefully as asymmetries in the sector are high and the highest revenues are concentrated in a very few distribution companies.

For instance, from the top 10 highest box office films in 2012, nine were produced and distributed by the six major Hollywood studios; the other film was distributed by one big Australian company. This top ten represents only 3% of the total number of films released in the country that year (approximately 300), but accounted for 34% of the domestic box office as shown in Table 13 (MPDANZ, 2012). This contrasts with 12 New Zealand films released commercially in 2012 and their 2.2% share of the domestic box office (NZFC, 2013c).

My calculations estimate[9] the existence of 40 distribution companies operating in New Zealand with offices in Auckland and Australia (IMDB, 2014b, 2014c; NZFC, 2012; The Big Idea, 2012). These companies distribute mainstream Hollywood films, foreign or local independent films for broadcasting on television, exhibition on cinemas, video retail and rental and online markets. Some of them specialise in niche markets: classic movies, art-house movies, mature audiences, among others.

Figure 11 Origin and size of distribution companies operating in New Zealand, 2013



Note. Own elaboration based on The Big Idea (2012), NZFC (2012), (IMDB, 2014b, 2014c) and several online websites to update companies' status and profiles. Notes: NZ, New Zealand; US, United States; AU, Australia; Fr, France; JP, Japan; CA, Canada; FI, Fiji.

Figure 11 shows the number of distribution companies operating in New Zealand according to their size and origin. The majority of distributors in New Zealand are based in Australia (20), followed by New Zealand local companies (9) and the US (7). Having so many Australian distributors operating in New Zealand can be explained by

[9] Based on online directories, yearly box office ranks, and the revision of companies' websites to check their status and profiles.

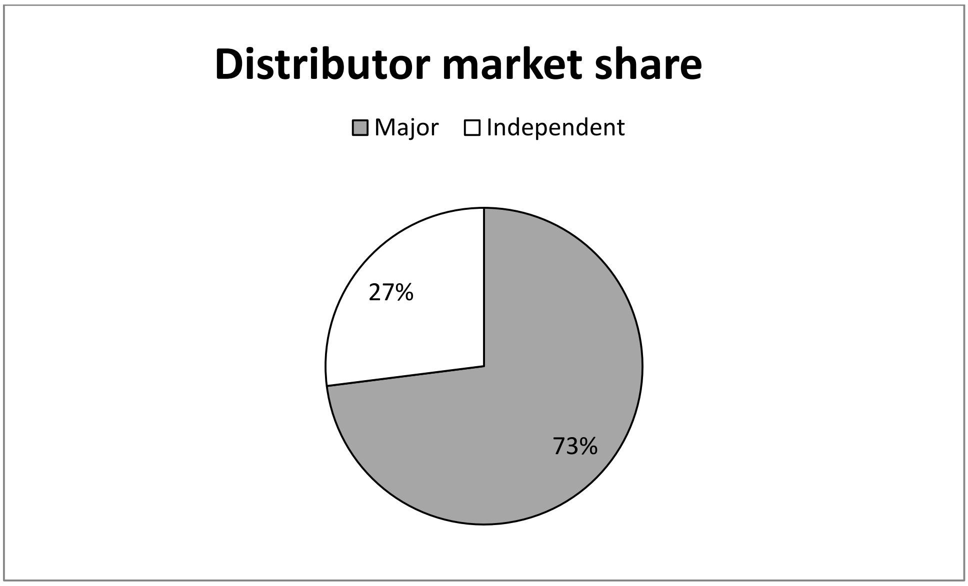
Australian distributors having extensive network economies of scale in the region due to Australia's bigger market size. The US presence reflects Hollywood's dominant position around the globe. Overall, the prominence of foreign distribution companies in New Zealand is also a reflection on the lax regulations around attracting foreign investment after the New Zealand's neoliberal shift in the 1980s, as Huffer (2012) explains. For instance, the lack of a capital gains tax, the limitation on repatriation of capital or profits, and the absence of constraints on the operation of fully foreign-ownership companies in the film distribution sector (Huffer, 2012; Lawn, 2006; Reading International, 2003).

In general, local and foreign distributors operating in New Zealand vary according to size which is defined here by companies' financial capacity and the territorial scope of their activities. There are eight major companies (which are distribution divisions, joint ventures or subsidiaries of the largest transnational media conglomerates), two big companies (which form part of big companies operating internationally), seven medium-sized companies (which are distribution companies operating in the trans-Tasman region) and 23 small companies (which are independent companies focused on niche markets) (see Figure 11).

The big companies such as Village Roadshow (AU) and Hopscotch (eOne Entertainment, CA) are multi-territory distribution companies and divisions of bigger entertainment corporations that distribute either independent films or sub-distribute films for Hollywood majors. The medium and small distributors are mainly independent companies that work at a regional (Australasia) or local level (New Zealand) and specialise in niche markets for example formats (online, DVDs, broadcasting), types (art-house, classic movies), and geographic origin (Indian or Chinese films). However, "major distributors and exhibition chains also retain a foothold in this 'independent' market via" their subsidiaries like Transmission (Paramount Pictures) and Rialto ("one third owned by Reading International") (Huffer, 2012, p. 257). According to the information compiled here, eight of the nine New Zealand-owned distributors are small businesses (Vendetta, Metropolis, Curious, Inside Section, Rep Film, Saggi, Incubate) and one of them—Rialto Entertainment—is a medium-sized firm that is mostly New Zealand owned. Together, big, medium and small independent companies from various countries shared 27% of the New Zealand and Fiji's box office in 2012 (IMDB, 2014b). There is no available data for revenue for other outlets. Last but not least, major companies correspond to the joint ventures (United International Pictures) and subsidiaries of Hollywood studios based in the US, including Sony and Vivendi's Studiocanal (from Japan and France respectively) who concentrated 73% of the box office in 2012 (IMDB, 2014b).

Considering that most of the firms that are released are foreign, and the majority of distribution companies are international or transnational businesses, the amount of capital outflow through royalties and income from New Zealand is considerable. In 2012, the annual revenue of national distributors was $NZ4.6 million a share of only 3.3% of the box office (IMDB, 2014b).

Figure 12 New Zealand and Fiji box office market share by type of distributor, 2012



Note. Own elaboration based on (IMDB, 2014b).

The Motion Picture Distributors' Association of New Zealand (MPDANZ) represents, among others, the six largest transnational distribution companies in the world with headquarters in Hollywood: Sony Pictures, Walt Disney Studios, 21st Century Fox, Paramount Pictures-Viacom, Universal Pictures and Warner Bros. All of them are members of the MPAA and form part of the largest media conglomerates in the world. In conjunction with Village Roadshow, major Hollywood distributors are also represented in The New Zealand Federation Against Copyright Theft (NZFact), renamed New Zealand Screen Association in 2013, a lobby group to research and promote copyrights. Hollywood majors vertically integrate production and distribution of films (that is, they have divisions and subsidiaries through ownership along the value chain). They are also horizontally integrated—or disintegrated via outsourcing, alliances and joint ventures—in a wide range of media and entertainment products and services (see Table 15). By the new millennium, between 80 to 90 % of commercial films around the world were distributed by the majors who retained 30% and 45% of the US and international box office, respectively (King, 2002).

Distributors' relations with exhibitors in New Zealand: Demand-side economies of scale

To explain Hollywood studios' historical international expansion, researchers have argued that the majors' unfair competition and aggressive monopolistic practices to control exhibition[10] were important factors (Aksoy & Robins, 1992; Scott, 2002; Wasko, 1995). However, there is a lack of exploration of how and why such practices have coexisted with voluntary association between the regional exhibition players and the major Hollywood distributors in mutually beneficial (although unequal) relations.

Although, monopolistic and discriminatory practices like conditioning supply, such as the aforementioned block-booking, were illegal in New Zealand in the 1930s (Churchman, 1997) they are still common practice in Hollywood's current international distribution business model. Such practices have been the focus of legal disputes in other countries during the twentieth century. For example, in Canada they were considered illegal but disputes resolutions stated a lack of evidence as such practices were non-contractual tacit agreements between distributors and exhibitors (Pendakur, 1990). Another example is the illegality of those tacit or contractual practices in México under the Cinematographic Federal Act of 1998 (Muñoz Larroa & Gómez García, 2011). I argue that according to interviews conducted for this and previous studies (Muñoz Larroa & Gómez García, 2011), independent and major chain cinema exhibitors in Mexico and New Zealand accept those practices voluntarily as business conventions. In other words without coercion from distributors, economic pressures increase

[10] Before 1948, Hollywood majors used to control the whole value chain from production and distribution to exhibition of films. Their control of the exhibition sector in the US and other countries developed in part through price discrimination or price imposition on independent cinemas, exclusivity deals, blind or block booking and, in some extreme cases, research has reported mafia like tactics such as threats to real estate owners to deny lease of venues to independent cinemas (Churchman, 1997; King, 2002; Pendakur, 1990). Despite the antitrust regulation that forced major Hollywood studios to divest from their exhibition businesses, the Paramount Decision (1948), they still control film production and distribution. They also established joint distribution efforts such as United International Pictures (UIP) a distribution arm between Paramount and Universal. This practice is forbidden within US territory by the antitrust Sherman law (1890). However, through the Web-Pomeran Export Act (1918) majors are allowed to establish alliances among themselves to distribute films in international markets (Scott, 2005).

exhibitors' dependency on major Hollywood films and the voluntary adoption of the conventional practices dictated by their distributors. For instance, in 2008 an independent exhibitor in Mexico mentioned that major distributors set conditions on film supply with an advance payment for twice the cost of the print, which is illegal according to Mexican law. Nonetheless, the Mexican independent exhibitor said, "it is complicated to survive when we don't have mega blockbusters". Another independent exhibitor dealing with major distributors to obtain art-house films said, "sometimes they say 'well, we have this movie but you have to screen this other one as well', often one that hasn't perform[ed] that well, but we also say, 'well, give me the first one and later on we'll program the second one', we have to negotiate with them. {…} One doesn't survive without the other." In New Zealand a major distributor also mentioned establishing a partnership relation with exhibitors to let them know information about titles being released as early as possible:

> With a lot of films, up to two or three years out, we know what is coming in advance {…} the key thing is dating the films cause we are in a competitive environment so what we have to do is make sure that it is the best date possible like the holidays {…} exhibitors come to us 'well, what kind of year are we having?' because they need to do their budgets as well {…} so they can…, not guarantee but, have a reasonably reliable stream of income so they can invest {…} It gives them a lot of certainty.

Another independent exhibitor in New Zealand said that distributor-exhibitor relations are different from other businesses

> where you have a customer-supplier relationship, where I think the customer {…} is really looked after by their suppliers. I think with film is just {…} a different relationship where they've got this content, 'do you want it?', 'Here are the terms. {…} all those things, but you [exhibitors] are at the bottom… you are at the end of the queue {…} so I certainly think {…} it is a little bit taken for granted by distributors {…} it is not like a true supply-customer type relationship, I think, to be honest.

The question is, how did this sui generis relation and fixed patterns of voluntary association and codependency come to be? Like other distribution activities, film distribution generates economies of scale[11] in the form of widespread networks in which the bigger market audiences participate in the distribution system, the lower are the distributor's marginal costs for delivering the film to each consumer. The network economies of scale were generated by Hollywood majors' "strong central management

[11] Distribution economies of scale are different from production economies of scale, although both refer to a decrease in marginal costs per unit distributed or produced. The film industry has enjoyed both and nowadays production and distribution of films can also add more economies of scale derived from the near-to-nill marginal costs of the digital copy (Garnham, 2005).

and widely diffused regional offices" which in turn created high levels of market share concentration (Scott, 2002, p. 969). For example, Warner Brothers has offices in 30 countries and distributes films in 120 countries. It also distributes its extensive library of films, its slate of 18-22 blockbusters per year and around 250 films from foreign countries (Warner Bros., 2013).

However, these network-effect economies of scale do not occur only on the supply side increasing value for major distributors, but they also increase value for exhibitors who capitalise from *demand-side economies of scale*. In other words, there are certain goods and services whose value to users depends not just on their intrinsic merits but on the number of other users connected to the network (Cassidy, 2009). This is the logic of network effects in many telecommunications and technology sectors, for example, railways, postal services, telephones, social media webpages, software and hardware. As an illustration, each Apple user "benefits from a larger network since this facilitates the exchange of files and tips, encourages software houses to devote more resources to develop software for" Apple (Shapiro & Varian, 1999, pp. 13–14).

I argue that the greater number of cinema exhibitors or commercialisation outlets participating in majors Hollywood distribution networks, the more value the majors' films acquire for each of them. This is even more so in the franchise-blockbuster model as it entails a pre-established fan base and "high intensity saturation marketing and distribution" strategies whose costs become equal to or greater than production costs (Scott, 2002, p. 959). These distribution strategies are cross-media promotion in different outlets horizontally integrated by media conglomerates as well as worldwide film release patterns. Therefore, for cinemas considering exhibiting a film, the scale of the distribution network behind it as well as the greater the number of other exhibitors engaged in commercialising it, becomes crucial as the product becomes more attractive to audiences, considering also the reputational characteristics of credence products like films. These dynamics reinforce the business model.

Based on economist Brian Arthur's arguments, Cassidy explains,

> before very long, markets of this nature tend to 'tip' in the direction of a single product, which acquires a monopoly or a near-monopoly position {…} (or 'locks in' to a position of greater power). Once this has happened, even rival goods that are cheaper or offer better features struggle to find a foothold (Cassidy, 2009, p. 131).

These arguments contribute to previous research to explain why "distribution is the segment of the [film] industry where oligopoly is most in evidence" (Scott, 2002, p. 969). Specifically, it sheds light on exhibitors' voluntary compliance with distributors' terms and conditions. It also links film distribution with a wider economy where, "increasing returns reinforced through demand-side and supply-side economies of scale {…} form the backbone of the New Economy with fast-growing network industries and highly profitable monopolistic or oligopolistic companies" (Gottinger, 2003, p. xvi).

However, putting aside the economic characteristics of film distribution, there are other political factors that help to explain the power of the oligopoly. For instance, through the MPAA and its equivalents in foreign regions, like the MPDANZ, major distributors have lobbied the US and foreign governments to favour their interests regarding copyright legislation and enforcement, syndication and anti-trust regulation, as well as establish free trade agreements (Hesmondhalgh, 2007; King, 2002; Scott, 2005).

Table 14 Top 10 box office New Zealand films by distributor, 2003-2013

	Title	Distributor	Released	Lifetime Box Office
1	*Boy*	Transmission/Madman	2010	9,322,000
2	*The World's Fastest Indian*	Beckers	2005	7,047,000
3	*Whale Rider*	Buena Vista/Disney	2003	6,400,000
4	*Sione's Wedding*	SPP	2006	4,075,000
5	*Second-Hand Wedding*	Metropolis	2008	1,919,000
6	*Sione's 2: Unfinished Business*	Sony and SPP	2012	1,817,000
7	*The Topp Twins: Untouchable Girls*	Rialto	2008	1,813,572
8	*In My Father's Den*	Icon	2004	1,505,842
9	*Mt. Zion*	Sony	2013	1,216,285
10	*Out Of The Blue*	Dendy	2006	1,135,685

Note. Own elaboration based on Top 15 NZ Movies compiled by MPDANZ (NZFC, 2013c).

Distributors' relations with local production in New Zealand

International film distribution depends on national copyright legislation,[12] and international marketing conventions like digital rights management (encryption and watermarking) "to prevent unauthorized access to and use of copyrighted works" (Herman, 2012, p. 168). For instance, New Zealand is considered part of Australasia with region code 4 for DVD films and B for Blue Ray films. There is also geo-blocking for online accounts in platforms like iTunes. This allows major companies to control the release dates and copyright of their products. However, it complicates international film distribution for smaller players like local distributors and producers. They require the financial, administrative, managerial, and infrastructural capacity of reputational networks to make deals with distribution agents or copyright holders from different territories. In order to do so they need to establish networks with mainstream distributors or search for alternative distribution to compete with the majors' extensive infrastructure and market saturation.

Interviews conducted for this research demonstrated the difficulties New Zealand films face in getting good distribution deals (see Chapter 8). From the NZFC directory of 13 distributors, nine are "willing to receive unsolicited proposals from experienced [New Zealand] producers", and four of them are major distributors (NZFC, 2012). But in fact, few major distributors have shown interest in New Zealand films; only three of the top 10 New Zealand films released between 2003-2013 were distributed by the major distributors, Sony, Paramount (Transmission) and Disney as shown in Table 14 (NZFC, 2013c). Rather it is independent distributors which have committed to distributing local films. The NZFC made efforts in the past to distribute films that it supported through NZ Film (its sales agency), but it has changed its strategy to help "facilitating contact with local distributors, advising on release strategies and providing a subsidy for theatrical releases" (NZFC, 2012). Despite such support, compared to the scale of NZFC budgets and efforts allocated to production, distribution support falls short. For instance, production and development take around 75% of the annual NZFC budget while expenditure on sales and distribution accounts only for around 10% (NZFC, 2011).

[12] Despite the Berne Convention to WIPO Copyright Treaty and WTO's TRIPS.

Other distribution and commercialisation windows

Some regulatory and environmental conditions have dis-incentivised local independent distributors and commercialisation windows. For years, retailers have found that censorship regulations have obstructed supply and consumer choices (Armitage, 2010). In 2009, Wellington's Aro Video store and other interested players launched a campaign to reform The Films, Videos and Publications Classification Act of 1993 because of the "economic censorship" it represented (Croot, 2010). Under this legislation, the costs of classifying films and DVDs to be released (for sale or hire) in New Zealand amounted to $NZ1,100 per unit.[13] According to the campaigners, the law "unfairly disadvantaged" independent theatres, video rental stores, retailers, online retailers, university libraries and public libraries, as well as private traders (Armitage, 2010; Croot, 2010). Campaigners were concerned with the double standards between the Films and Videos Act and the Broadcasting Act where censorship is self-regulated meaning that broadcast and cable TV could show any material without the need to receive a classification. The law does not affect either Internet media sourced from offshore or international retailers such as Amazon. Although the Classification Office offered fee waivers for artistic value films, allowing interested players to submit collective lists and reduced the costs by establishing digital labels, campaigners thought they were insufficient measures. It was "the impractical", "cost-prohibitive" and "uneven playing field" that concerned local small and medium-sized distribution and commercialisation outlets (Armitage, 2010).

In spite of the fact that online film distribution lowers costs and is safe from capacity constraints when compared to cinema and video shops limited releases, online markets have developed with difficulty in many countries, except for the US. There are several reasons for this: costs involved with copyright clearances; files' conversion and encoding; broadband and other technological impediments; the high barriers to entry due to the creation of new oligopolies that concentrate libraries (for example, iTunes, Netflix, and Amazon Prime); and "a new breed of content aggregators" which are filters or gatekeepers in charge of bundling content for online services (Lobato, 2009, p. 174).

The ban on parallel imports (that is a ban on the import of films for nine or five months after of their release date) coupled with the data cap of Internet providers in New

[13] Unless they had already been classified in Australia or the UK, which allows for cross-rating and diminishes costs dramatically.

Zealand have disincentivised film distribution through online outlets (Kebbell, 2013). But despite the Internet being a potential alternative market for emerging local companies and local film-makers, in the context of the current film market economy, the experience of other regions has raised some questions about this possibility. In his study of the emerging Australian film Internet market, Lobato (2009, p. 170) concludes that "online movie distribution is integrated with and reliant upon the commercial infrastructures of conventional film distribution."

An example from New Zealand is, as John Barnett, CEO of South Pacific Productions explained: iTunes "'doesn't deal with single-title producers'. Apple will only deal with consolidators who handle thousands of titles. 'And mostly those consolidators are the US studios who are pushing their own titles" (Keall, 2012). For instance, the New Zealand film *Sione's Wedding* is handled by Buena Vista for Australian distribution rights and Sony for New Zealand but none of them "wants to cede revenue arising from a trans-Tasman platform" (Keall, 2012).

Despite these limitations, the newness of online retail means barriers to entry for the domestic market are still low, so it could represent a window of opportunity to develop local businesses. It could also be a cost-effective commercial or non-commercial alternative for domestic production to access bigger audiences, develop a taste with consumers and increase cultural diversity. This is more significant when alternative content on TV, retail and exhibition is scarce in traditional outlets.

Table 15 Profile of major distributors and their parent transnational media conglomerates

Major studio & distributor		WALT DISNEY STUDIOS	WARNER BROS.	21st CENTURY FOX	PARAMOUNT PICTURES	UNIVERSAL PICTURES	COLUMBIA PICTURES
Funding Year and Place		1926 LA	1918 LA	1915 LA	1914 LA	1912 NY	1919 LA
Parent Company and Headquarters		Walt Disney Company (LA)	Time Warner (NY)	News Corporation (NY)	Viacom (NY)	Comcast, NBC Universal (PN)	Sony Group (Tokyo)
Financial State (US$)	**Net Income**	8 billion	3.5 billion	4.5 billion	2.3 billion	6.8 billion	1.2 billion
	Total Assets	84.1 billion	68.3 billion	54.7 billion	22.2 billion	158 billion	148 billion
	Total Equity	44.9 billion	29 billion	17.4 billion	7.4 billion	51 billion	21 billion
	Employees	180,000	34,000	27,000	10,580	136, 000	140,990
Activities		Film, TV broadcasting, Pay TV services, Music, Publishing, Theme Parks, Radio, Web Portals	Film, TV broadcasting, Pay TV services, Publishing, Theme Parks.	Film, TV broadcasting, Pay TV services, Music, Publishing, Direct Broadcast Satellite TV	Film, TV Broadcasting, Pay TV Services, Radio Publishing, Movies, Web Portals	Film, TV broadcasting, Pay TV services, Theme Parks, Radio, Web Portals, Telecommunication Services	Film, TV broadcasting, Pay TV services Electronics, Game, Music, Financial Services

Note. Own elaboration based on 21st Century Fox (2013); Comcast (2014); Paramount Pictures (2013); Sony (2014); The Walt Disney Company (2008), (2014); Time Warner (2013, 2014).

Economic indicators: Consumption

The film industry consumption sector in New Zealand comprises several non-commercial or market outlets that constitute the various dissemination windows for a film. Such outlets are cinema exhibition, video retail, video rental, online video, pay television (satellite, cable), and free to air television.

There is, however, no available information about consumption of New Zealand films other than cinema and to a lesser extent television. Cinema theatre exhibition is a good indicator of commercial film consumption, not only because it is usually the first market window but because other commercial media outlets decisions are based on theatrical performance. Based on the Screen Industry Survey, cinema exhibition revenue in New Zealand, including local and foreign films, grew 12.5% from 2005 to 2012 (SNZ, 2013c). New Zealanders' attendance at the cinema has nonetheless decreased from 4.3 visits to cinema per capita in 1999 to 3.8 in 2009.[14]

According to PwC, film exhibition, video rental and video retail subsectors altogether contributed $NZ147 million to New Zealand's GDP, employed 3152 people and generated a labour income of $NZ111 million in 2012 (PwC, 2012). Aside from the windows mentioned above, there is also television broadcasting which is the largest market outlet (see Table 16) but local feature films represent a minor slate on TV programming. For example, in 2012 television programming of local films was an infrequent practice. Māori Television, a free-to-air public broadcaster, showed less than 15 hours of New Zealand classic and first run feature films. The commercially oriented state-owned broadcaster, TV3, also repeated of a handful of bigger budget and more commercial local films (NZOA, 2012). In 2014, another state broadcaster, TVNZ Heartland, was regularly disseminating local feature films each week although the broadcast was available only through pay satellite TV, Sky (TVNZ, 2014).

Data about local films consumed through physical or online windows is hard to obtain as these subsectors commercialise other screen products, not exclusively feature films. The reason I include television and video indicators in this analysis is not for its great significance but to show the profitability, market and dissemination window potential of these subsectors.

[14] These are my own calculations based on information provided by Statistics New Zealand (2013a) and Screen Digest (2010b). UNESCO presents a 4.9 attendance per capita, a slightly different data for 1999 (UNESCO, 2012b).

Table 16 Contribution of film market to New Zealand economy

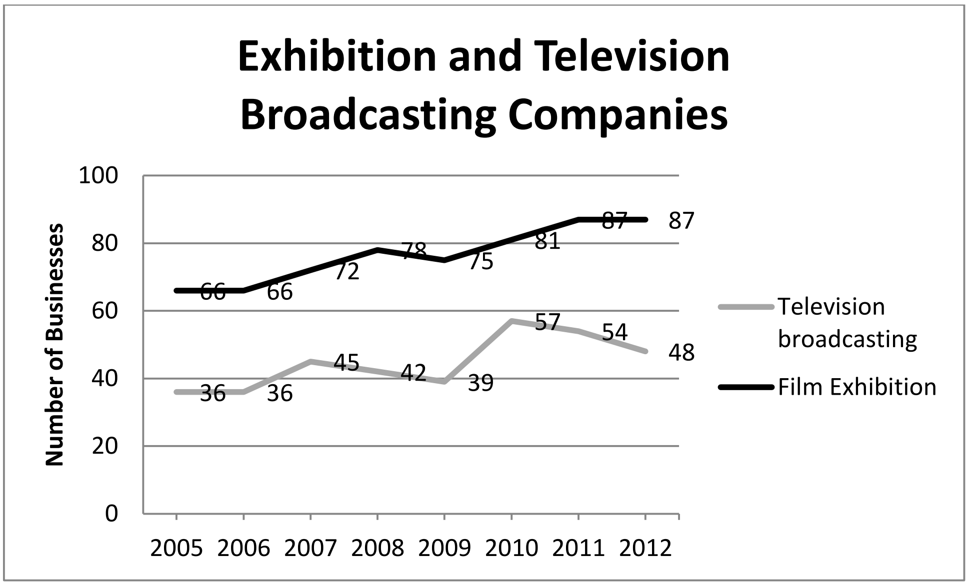
	Value added (m)	Labour income (m)	Employment (Full Time Equivalent, FTEs)
Film Exhibition	66	47	1365
Rental	58	46	1287
Retail	23	18	500
TOTAL	147	111	3152
Television Broadcasting	512	124	2779
TOTAL	659	235	5931

Note. Own elaboration based on PwC (2012).

The number of exhibition and television broadcasting businesses has increased in recent years. The units that engage in theatrical and video commercialisation were 87 in 2012, whereas there were 48 television broadcasters (SNZ, 2007). Please refer to Figure 13.

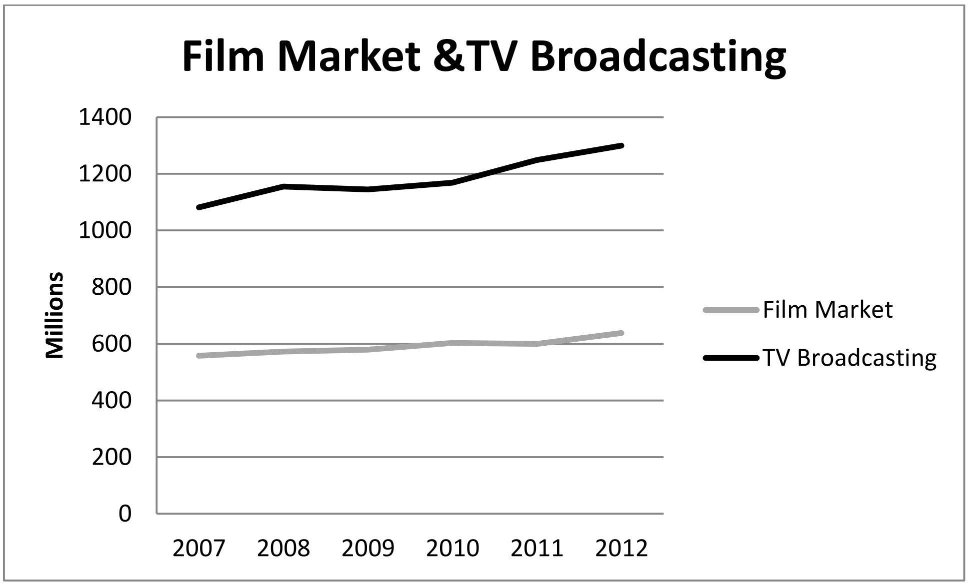
In terms of revenue, both film and TV markets have grown since 2007 but the television market has twice the revenue of other film markets. This is a reflection of the different consumption patterns in the form of widespread television sets in homes versus public performance at cinema theatres and sales or rental points (see Figure 14). Figure 15 provides a breakdown of the different revenues of media outlets that comprise the film market category in which video retail and rental are slightly above cinema box office. It is likely that video rental will decrease as video shops have closed down in the last couple of years as a result of new online competition that increased 55% from 2010–2011 with total sales of $NZ1.7 million. But, as reports comment “the employment and GDP impact (of online businesses) to the New Zealand economy is likely to be minimal” (PwC, 2012, p. 17).

Figure 13 Number of film exhibition and television broadcasting companies in NZ, 2005–2012



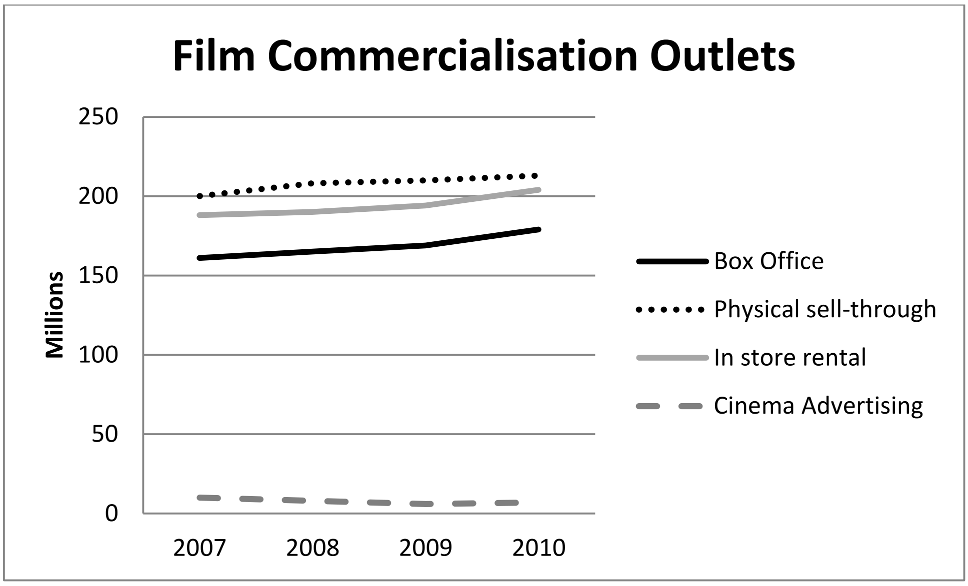
Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b).

Figure 14 Gross revenue of film and TV broadcasting markets in NZ, 2007–2012



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b) and PwC (2011).

Figure 15 Gross revenue of film market by different media outlets in NZ, 2007–2010



Note. Own elaboration based on PwC (2012).

Cinema exhibition is the oldest film commercialisation window, but it has nonetheless been able to keep itself up to date and competitive with other windows. For example, the adoption of multiplexes in the 1990s, the improvements in digital sound quality, and, more recently, new digital screening and 3D technologies. In New Zealand there were around 120 cinema complexes with 407 screens in 2013 (MPDANZ, 2013a; New Zealand Parliament, 2013a). Also, since 2003, the sector has been slowly transitioning to digital projection with 43% of screens remaining up to 2013 (MPDANZ, 2013a).

The New Zealand exhibition sector is comprised of a handful of big cinema chains and a plethora of independent cinemas.[15] They are represented by the New Zealand Motion Picture Industry Council (NZMPIC) that also groups distributors (Lido Cinema Hamilton, 2011). The country has high quality mainstream cinemas with high levels of market concentration. For instance, Event, Hoyts, Rialto, Berkeley and Reading cinemas are the top five cinema chains, and, together in the last decade, they concentrated an average of 56% of the box office (Screen Digest, 2013). Market concentration is even greater considering that Rialto Cinemas are co-owned by Event Cinemas and Reading International (Huffer, 2012; Event, 2014); and Hoyts acquired Berkeley Cinemas in 2010 (Gibson, 2010). In turn, Event Cinemas is owned by Australian Amalgamated Holdings Ltd, Hoyts is owned by Australian Pacific Equity

[15] For example: Downtown Cinema, State Cinema, Lighthouse, Deluxe Cinemas, Art House and Bay City.

Partners and Reading Cinemas is owned by US Reading International (ABC News, 2007; Huffer, 2012). Data from 2010–2011 indicate that those three foreign companies had 70% share of the New Zealand box office (Huffer, 2012).

Nonetheless, New Zealand is also enjoying an expansion of boutique cinemas and upscale, smaller independent cinemas focused on niche markets with discerning audiences (as described by a number of representatives of independent and major exhibitors interviewed for this research). These are the cinemas that struggle the most to keep afloat in the current digital transition but through the Independent Cinemas Association of Australasia (ICAA), some of them have access to equipment installation and maintenance through bulk buying using the money collected from the Virtual Print Fee (VPF). The VPF is a temporary subsidy paid by distributors to exhibitors to help them convert to digital; it represents distributors' savings in manufacturing and shipping prints' costs thanks to digital technology (MKPE Consulting, 2012). The ICAA agreement followed the one established between major cinema chains and studio distributors in the region which had excluded independent cinemas (Screen Digest, 2010a).

As mentioned in the last section, demand-side network economies of scale have created a mutual dependency between exhibitors and major Hollywood distributors favouring their own films. This dependency is not exclusive to mainstream exhibition chains, but occurs also in independent cinemas. In its study of Wellington exhibition Huffer (2012, p. 257) found that:

> Market forces also ensure these [independent] cinemas' dependence upon transnational distributors, revealing some of the limitations of such local [independent exhibitor's] success. {…} The result of this is that much of the takings for films screened in Wellington's independent cinemas make their way overseas [maximised by New Zealand's generous policy on transnational earnings].

The distribution and exhibition market concentration also has effects on the diversity of films released by the country of origin and their revenue. From 1999 to 2012, New Zealand released an average of seven films per year which collected an average of $NZ6 million revenue per year. In contrast, a mean of 219 foreign films were released each year, mostly from the US, and they accounted for an average of $NZ147.3 million revenue per year (Screen Digest, 2013). Table 17 shows that in 2012, there were eight New Zealand films commercially released representing 3% of 290 movies that year. It also shows the dominance of US films (107) which accounted for 37% of the total. This was followed by films from India (11%), UK (10%), Europe (6%), Asia (4%), China (2%) and Australia (1%).

Table 17 Country of origin for films released in 2012

COUNTRY OF ORIGIN	Number of films released	Per Cent
US	107	37
India	32	11
UK	28	10
Europe[1]	18	6
Asia[2]	12	4
NZ[3]	8	3
China	5	2
Australia	3	1
Other countries	6	2
Co-productions	69	24
NZ Co-productions	2	1
Total	290	100

Note. Own elaboration based on data from (IMDB, 2014b). It includes Fiji and New Zealand territories. [1] Except the UK. [2] Except China and India. [3] In a different source (MPDA-NZFC, 2013) NZ released 12 movies in 2012.

However, the dominance of US films is more evident when looking at their share of the annual box office. All US films represented 37% of the films released in New Zealand but they concentrated 53.5% of the revenue. By contrast, New Zealand films accounted for 3% of the films released and accumulated 1.9% of the revenue. The rest of the box office (44.6%) corresponded to films from other countries.

As Lobato argues "the potential for oligopoly is (also) distressingly high in online" video on demand (VOD) market (Lobato, 2009, p. 176). After all, network economies of scale also operate in the online market, especially since there are so many copyright and filtering costs involved; for example, the need to raise audience awareness for promotional reasons. Distributors will only make this financial "effort for films that have demonstrated the ability to make money back […] As a result, the pool of films […] will overlap to a very large extent with those that are theatrically released" (Lobato, 2009, p. 174).

Table 18 Box office revenue by country of origin in 2012

COUNTRY	Box Office Revenue (m)	Per Cent
US	75397134	53.5
NZ	2638479	1.9[1]
Other Countries	62872240	44.6
TOTAL	140907853	100.0

Note. Own elaboration based on data from (IMDB, 2014b)[1] Slightly different to 2.2% in other source (MPDA-NZFC, 2013).

New Zealand data from 2011 for online film content subscription or VOD show that revenue for online retail (downloads) accounted for $NZ1.2 million while online rental (streaming) represented $NZ0.5 million. The online services available are mainly foreign, such as European Movieurope, Australian Quickflix, and US-based iTunes store, MovieFlix, Movieway, MUBI and Zune Video. "CASPA OnDemand [is] a New Zealand-Australian joint venture between TVNZ and Australian company Seven Media Group" (PwC, 2012, p. 17). And in 2013, Hamilton-based, Indie Reign was launched as an online service for independent films, with offices in India and the US (Keall, 2012). Only time will tell how these websites perform.

A report by PwC (2012) commissioned by NZFact, founded by major studios' distributors, argued that "because online movie services are largely based overseas and concentrate on providing overseas-originated content to New Zealand consumers, they are likely to have a relatively limited effect on the New Zealand economy" (PwC, 2012, p. 17). Ironically other film market windows, as shown in this chapter, are also largely based overseas and provide overseas content. Although it is true that film exhibition and retail generate a higher number of jobs, these are low-pay, non-skilled jobs.

The silent debate

Except for fiscal deregulation, other public policies and government sectoral reviews in New Zealand hardly ever address the distribution and exhibition sectors. The NZFC barely touches this area as it allocates only less than 10% of its budget to support local films in distribution and sales. And only at the initiative of some programmers of public broadcasters (TVNZ Heartland and Māori Television) a modest number of local films are broadcasted.

Nonetheless, in 2003 the government was involved in a piece of legislation concerning commercial distribution and exhibition of foreign films. Theatrical releases from overseas had traditionally been delayed several months before being shown in New Zealand. One reason behind this was the distributors' marketing strategy to test movies in other countries to decide if the film was successful enough to bring it to New Zealand (Kebbell, 2013). Another reason was the unavailability of film prints and New Zealand had to wait for second-run prints (Macnab, 2012). However, in 2003 digital screening technologies were being introduced and the conversion of cinemas to the new technology made costly prints no longer necessary. To help with the expenses of the digital switchover (estimated around $NZ100, 000 per screen), the government passed a temporary clause on the Copyright Bill that same year which favoured exhibitors' recoupments (New Zealand Parliament, 2013b). The so-called ban on parallel imports prohibited films being imported from overseas distributors being resold within the first nine months from the first market theatrical release. And the ban was extended in subsequent reviews in 2008 and 2013.

Although, the government and parliament have justified the ban as necessary to help the digital conversion of rural and provincial independent cinemas, another major argument was the discrepancy between US and New Zealand holidays, given that holidays are a favourite time for cinema releases. In other words, the ban was also justified in terms of allowing major film distributors to delay releases in New Zealand, to play with the optimal times, such as holiday periods that differ from the US, and still have control over the timeframe to benefit from additional revenue from other windows waterfall after cinema release such as video, online, pay and free TV—see Table 19 (Kebbell, 2013). This fit Hollywood's blockbuster release model perfectly.

On the one hand, the ban mainly benefited major US distributors, exhibitors who depended on these types of products, and, small or medium, local, authorised distributors who did not have to compete with overseas distributors. It could be argued that it also helped independent distributors and exhibitors with focus on art-house films and festivals although their timeframes are usually different from holiday films.

Indirectly, it also benefited international retailers (such as Amazon) with respect to personal imports as these were not affected by the ban.

On the other hand, players negatively affected were video rental, physical and online retailers (like The Warehouse, JB Hi Fi, Video Ezy or Quickflix) that had to wait for the local authorised distributors to release the products. While they waited they faced competition from consumer personal imports from overseas retailers and piracy. Consequently, according to an MBIE review of 2013, customers had limited options and online retailers were underdeveloped as they had no incentives to compete and benefit from the legal framework (Kebbell, 2013).

The revision of the temporary ban which was due to expire in October 2013 generated an interesting debate. Industry beneficiaries, such as the Hollywood studios represented by MPDANZ (2013b), and opponents, such as Consumer New Zealand (2013) and Creative Freedom Foundation (New Zealand Parliament, 2013b), presented submissions defending their interests. The government officials, as indicated by the ministerial review, inclined towards eliminating the ban (Kebbell, 2013). However, the government proposed a fast-track initiative to reduce it to five months and to extend it three more years to 2016 (New Zealand Parliament, 2013a). Discussions in Parliament led to the support of the government proposal by the majority, including the opposition Labour Party. Their main argument was that cinemas would still have a period of protection, which would help to support the 40% remaining screens in small towns in their conversion to digital. Local authorised distributors were more affected as their protection was reduced from six to two months (see Table 19). On the contrary only the Green Party, Mana, and independent MP, Brendan Horan, opposed the law. Gareth Hughes from the Green Party criticised the ‘holiday season’ argument as a justification to establish a statutory monopoly to protect holiday season films. If provincial cinemas were at the core of the concerns and if 10 years had not been enough to convert to digital,

> the most effective {…} way {…} the government could support the digital transition [he said] is actually cash support {…} financing support. We have seen it in other sectors of the economy. {…} the industry should be asking for transparent support mechanisms that do not disadvantage other industries, other competitors. (New Zealand Parliament, 2013b)

Hughes then questioned ignoring the recommendation of government officials in what seemed to him “another special deal for the Government’s mates. We have seen that with Warner Bros. [alluding to *The Hobbit* dispute—see Chapter 6], we have seen it with Skycity" (New Zealand Parliament, 2013b). In the last quotation, 'government's mates' alludes to major transnational corporations benefited by government policies.

Table 19 Regulatory and conventional release patterns of different window formats

<table>
<tr><th></th><th>0</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th></tr>
<tr><td>INTERNATIONAL</td><td>FIRST MARKET THEATRICAL RELEASE</td><td colspan="3">DVDs are not available in any region</td><td>DVDs RELEASE</td><td colspan="6"></td></tr>
<tr><td>NEW ZEALAND
5 MONTHS BAN
(2013-2016)</td><td>WINDOW FOR NZ THEATRICAL RELEASE STARTS</td><td colspan="3"></td><td colspan="2">Window for local authorised DVD distributors could start
Personal imports allowed</td><td>INTERNATIONAL IMPORTS ALLOWED FOR RESALE</td><td colspan="4"></td></tr>
<tr><td>NEW ZEALAND
9 MONTHS BAN
(2003-2013)</td><td>WINDOW FOR NZ THEATRICAL RELEASE STARTS</td><td colspan="3"></td><td colspan="6">Window for local authorised DVD distributors could start
Personal imports allowed</td><td>INTERNATIONAL IMPORTS ALLOWED FOR RESALE</td></tr>
</table>

Note. Own elaboration based on Kebbell (2013). The table illustrates the timeframes for each potential activity according to regulation and industry conventions; it does not provide exact dates for the windows as they depend on each film.

The debate about the review was not mentioned in the media and hardly considered by the public opinion. Despite its crucial structural importance, distribution and exhibition policies do not command the same attention as film production in the media, government policies or screen agencies.

Decision-making in this case followed a policy process that showed a non-linear directive. Adhering to Thompson's model (2011a) of media policy development, it could be said that the ban's extension showed contesting positions and institutional interplay within the government—MBIE's advisors versus regulators, and differences between parties frequently allied in Parliament— as well as negotiation to address the different interests of the stakeholders, hence the selection of the middle-ground scenario. This by no means implies the exclusion of power relations in the interaction among regulators, policymakers, industry players and macro-level forces (Thompson, 2011a). For example, government regulators' power to ignore ministerial advice and to shape circumstances, like speeding up the legislative process, have become a recurring feature in the National-party government's pragmatic attitude towards film industry policy (see Chapter 6). Moreover, despite the opposition within and without the government, the regulatory decision has the intentional (or unintentional) effect of benefitting transnational interests, specifically the distributors of the major Hollywood studios capitalising on holiday season films in New Zealand.

Conclusions

This chapter addressed the question: *What are the relations among the phases of the film industry value chain in New Zealand and what do they mean to its sustainability?* The chapter examined the value chain phases of distribution and consumption of films in New Zealand based on its historical and current industrial, policy and sectoral economic developments. I have also discussed the impact these developments might have on the production of films in the country and this will be expanded in Chapter 6. The implications of these national configurations on distribution and consumption have Wellington-specific issues that would be discussed in Chapter 8.

I have argued that film distribution and exhibition sectors have followed an early industrial and commercial path. Both were also prematurely geared to the supply of foreign, mainly Hollywood films. Therefore, it is not unexpected that early government regulations were concerned as early as the 1930s with market saturation of foreign films. They were also worried about unfair competition and monopolistic practices. Hence the prohibition of block-booking as well as the establishment of 'local' (British and Commonwealth) content quotas. Since the second half of the twentieth century, international and transnational companies developed an invested interest in New Zealand distribution and exhibition sectors.

Considering that New Zealand-owned distribution businesses are modest, that better-positioned distributors have stronger links to international commercialisation outlets and that major Hollywood distributors dominating the New Zealand market favour the films made by their parent studios, New Zealand local films face the difficulty of finding good distribution deals for local and international markets. This difficulty was suggested in the secondary sources and confirmed in interviews conducted for this research (see chapters 6 and 8).

This is an issue shared with other regions in the world: "conventional film distribution structures are notoriously ineffective at returning revenues to film-makers, [and] it is a mistake to presume that online alternatives will necessarily perform better" (Lobato, 2009, p. 175). This is at least so in the current oligopolistic, free market regulation in New Zealand.

Distribution and cinema exhibition sectors are highly concentrated, which presents an oligopolistic environment for a few transnational companies. This in turn creates a barrier to opportunities for new business entry and smaller business growth that cannot compete on that scale. As I discussed earlier, this also has an impact on the level of diversity of films that can be shown and be profitable in the country, due to the codependency that demand-side economies of scale generate between major Hollywood studios' distributors and commercial outlets, especially, exhibitors. However, as presented in Chapter 6, the local film production sector remained disenfranchised. I propose that this, among other factors, explains why the local production sector continued to be unable to disseminate products and to participate in positive cycles in the existing value chain. This, impacts directly on the sustainability of the local film industry.

The historical and recent dominance of foreign film distributors and exhibitors in New Zealand is favoured by the regulatory environment. Lax fiscal and foreign investment schemes have limited "the extent to which the people of New Zealand benefit economically from such foreign investment" (Huffer, 2012, p. 255). Another example of a favourable regulatory environment for foreign firms is the case of the ban on parallel imports. The logic behind it considered film distribution and exhibition sectors as internally homogeneous. Government intervention has been legitimised in terms of protection to small local cinema exhibition businesses for their potential to provide cultural diversity. However, as I have argued here, the distribution and exhibition sectors are heterogeneous, evidencing structural asymmetries; they are composed of vulnerable players but also by very powerful transnational players that certainly do not justify such special treatment. By blurring these differences, these homogenising policies work best for corporatist transnationalism influencing the regulation of the local environment in New Zealand. This environment suits the capital concentration of Hollywood majors but negatively affects opportunities to develop a sustainable domestic film industry. The ban on parallel imports facilitates market saturation of Hollywood films, the lax fiscal laws expand the ability of transnational companies to expatriate profits whereas local products have reduced access to distribution and commercialisation outlets and miss the opportunity to enjoy profits and reinvest them.

The ban and the “economic censorship” create a non-competitive environment that discourages smaller distribution and commercialisation players to risk in investing in diverse products, including local films.

Chapter 6

Analysis of the Value Chain: Production

In a similar way to the previous chapter, this one addresses: *What are the relations among the phases of the film industry value chain in New Zealand and what do they mean to its sustainability?* However, in this chapter I shift from a focus on the phases of distribution and commercialisation of films to film production. I continue to assess the value chain articulation as suggested by PEC, and make some final remarks about the influence this has on its sustainability. In doing so, this chapter complements the previous one and will integrate its findings. The national film policies and state of the national production sector are determinants as they enable and limit the development of the film industry in Wellington. Therefore, they inform the integrative analysis of the interviews and secondary qualitative data presented in Chapters 7–9 which are dedicated to Wellington.

I will look again at three different areas that complement and influence one another: industrial development, policy accounts and sectoral economic indicators. The objective of this chapter is to provide a historical overview of the production sector in New Zealand, to describe its current environment, and examine its economic variables.

Unlike distribution and exhibition, the study of the film production sector policies and industrial outcomes in New Zealand has been researched extensively in numerous academic and policy reports. This chapter draws on such accounts and also presents original findings from document analysis to integrate a comprehensive overview. The chapter includes an analysis of sectoral economic indicators from primary and secondary sources. In this area, a major problem with official and non-official statistical information is the limitations within the sources. These include confidentiality due to commercial sensitivity and lack of continuity in the measurement of variables; the aggregation of subsectors (such as film production and post-production), formats (such as film, television and commercials), and other categories (like the combination of production with auxiliary service businesses). I have paid attention to the organisation compiling or commissioning the statistical reports because, although difficult to demonstrate, it could be inferred that commercial and political decisions might be involved in the way that data is or is not reported and presented. Nonetheless, when critically examined, I consider those sources helpful for observing certain industry trends.

Historical Overview: Industry and Policy

The dissociated historical relation between production, distribution and commercialisation sectors in New Zealand suggests the need to apply a different periodisation for the production sector. Unlike the film distribution and exhibition business success, film production in New Zealand was quickly relegated by an oversupply of foreign films. Its more recent development has been significant but knitted tightly to cultural policies.

Table 20 Periodisation of the film industry in New Zealand

	PERIODISATION OF THE FILM INDUSTRY IN NEW ZEALAND			
	1896 I 1900 I 1910 I 1920 I1930 I 1940 I 1950 I 1960 I 1970 I 1980 I 1990 I 2000 I 2010			
EXHIBITION SECTOR	Pre-industrial phase	Industrial Phase		
		National	International	Transnational
DISTRIBUTION SECTOR	National	International		Transnational
PRODUCTION SECTOR	Pioneer period	Crisis period	Welfare State period*	Growth-Model period*

Note. Own elaboration. * Based on King (2010) and Potts & Cunningham (2008).

Again based on the level of industrialisation and film policies, I suggest the periodisation of the history of the production sector in New Zealand can be divided into three main periods:

1. A pioneer phase, characterised by the early production of shorts and feature films, followed by a period of crisis when production decreased almost entirely.

2. The second phase, which I call the "welfare-state period", was distinguished by government intervention and commitment to developing local production.

3. The third phase, or the "growth-model period", identifies a marked orientation towards economic growth policies attracting foreign capital (King, 2010). Film production in New Zealand continues in this phase today.

The following sections provide a description of the historical developments of each period to set up the analysis of past and current trends in the sector and the sector's relations with the rest of the value chain.

The pioneer and crisis periods

The pioneer period commenced around 1898 when the first film was shot in New Zealand (Watson, 1988). From 1914 to 1926 there was a prolific period of commercial feature-length films which were "distinctively colonial", mainly epics of European roots and Māori themes as well as depictions of Māori-Pakeha cross-cultural relations (Watson, 1988, p. 80). Many film-makers in the first half of the twentieth century, like the iconic Rudall Hayward, would spend their personal fortunes on their film projects and combine their filmmaking with other professions and make hardly any money from films (Churchman, 1997, p. 50). The only constant source of work and training came from producing newsreels for cinemas or for state propaganda—tourism or war documentaries—through the Publicity Office and, later on, the National Film Unit or NFU (1941–1991). The latter became heavily criticised for government editorial control and its monopoly on film processing. At the time the private sector had been forbidden to acquire processing equipment. Some independent film companies existed between the 1930s and the 1970s but "economics restricted them {…} to short films and commercial work" (Churchman, 1997, p. 58). One of them, Pacific Films, was founded in 1948 by ex-NFU workers who were critical of the politically motivated editorial control at NFU and produced a few features, many documentaries and television commercials (Watson, 1988). In sum, the economic depression, the high cost of making features and talkies, the competition with vertically integrated television—with internalised production—and the disenfranchisement of commercial distribution and exhibition sectors, "combined to negate the commercial viability of New Zealand film production" (Churchman, 1997, p. 54). As a result the pioneer period entered into crisis in the 1930s and from 1940s to the 1970s only three feature films were made (Watson, 1988).

The welfare state period

The year 1977 was a watershed year marking the beginning of the transition towards the "welfare state period". "In that year, Roger Donaldson's *Sleeping Dogs*, underwritten by the Art's Council and with completion guarantees from Television New Zealand, proved to be a domestic box office success." (King, 2010, p. 158). This period marked the renaissance of local feature production, and the beginning of the New Zealand Film Commission era. However, this breakthrough was preceded by gradual changes in cultural policy since the creation of the Queen Elizabeth II Arts Council (QEIIAC) in 1963.

The creation of the QEIIAC entailed a welfare state approach to arts and culture in New Zealand, meaning that the state was willing to pay an economic cost to encourage and support artistic and cultural creation understood as 'high culture manifestations.' The objectives were to make New Zealanders 'cultured' as well as to gain maturity and status as a nation. More than ten years later, the Arts Council moved from thinking of New Zealanders as spectators to think of them as participants (Skilling, 2005).

In 1970, the QEIIAC commissioned the Arts Conference which in turn recommended establishing a government organisation to train workers, finance, export, and archive New Zealand films. After eight years of government-commissioned research and advocacy, the New Zealand Film Commission was created through the NZFC Act of 1978 (Waller, 1996). The bill was passed with the support of major parties (Blomkamp, 2012). Created by statute as a crown entity and governed by an independent board appointed initially by the Department of Internal Affairs (and now by the Ministry of Culture and Heritage), NZFC has since been a pillar for domestic production. Its broad functions include: "to encourage and also to participate and assist in the making, promotion, distribution, and exhibition of films {…} [and] to encourage and promote cohesion within the New Zealand film industry" (*New Zealand Film Commission Act*, 1978, p. 18). The NZFC established a set of criteria to define the New Zealand film industry in terms of narrative and thematic concerns, authorship, ownership and diegetic referent[16] (Waller, 1996).

The idea of cultural nationalism underlies the arguments that legitimised the creation of NZFC (Blomkamp, 2012). For example, the creation of the NZFC followed concerns about the foreign dominance in the marketplace (Waller, 1996). The NZFC was intended to be "a vehicle for the development of a national film culture" and was "targeted to productions with significant New Zealand content" (*New Zealand Film*

[16] Diegetic referent refers to subject, shooting locations, site of technical facilities, the nationality and residence of investors, copyright holders or film-makers including the producers, writers, and actors.

Commission Act, 1978). Drawing on Potts and Cunningham's models (2008), King (2010) highlighted the correspondence of the NZFC principles with the broader "welfare model" of cultural policy at the time: "'New Zealand content' and 'national film culture' were assumed to be merit goods, which should therefore be subsidized from public funds" (King, 2010, p. 158). Yet, in the creation of the NZFC, it was assumed that its role in a market and industrial environment was that of "an industry facilitator, offering an investment aimed at gathering income" (Blomkamp, 2012, p. 633). But even though the terms of the Act did "not envisage any market-driven role" (King, 2010, p. 158), the path that the NZFC followed in the next decades became highly shaped by market rationalism.

The impact of the NZFC was clearly evident: local production took off and 63 feature films were produced between 1977 and 1992 (Waller, 1996). This boom was further propelled by a loophole found by lawyers, bankers and the NZFC "whereby investors couldn't lose if they invested in a film regardless of its success or failure" (Jones et al., 2003, p. 36). It allowed private investors to have immediate write-offs and even to claim liability for money contributed by the NZFC (Waller, 1996). The tax loophole was closed in 1985 after being abused by foreign investors (Jones et al., 2003).

In the late 1980s Labour increased government grants to the NZFC and although in 1991 the National government cut the agency's budget by 20%, resources derived from the lotteries increased. However, in this period the justification to support the film industry shifted from cultural nationalism to economic rationalism. The demands of economic rationalism could be seen, for example, in the NZFC's increased focus on commercial films, the requirement that projects demonstrate market interest, and institutional obligations to comply with performance measures and accountability guidelines. Several authors (Blomkamp, 2012; Jones et al., 2003; Skilling, 2005) have observed that this period saw the beginning of the need to align cultural and film policies with the dominant economic discourse to overcome marginalisation in policy debates. Although the 1990s saw no debate about arts funding due to the clash of the cultural and commercial frames (Albiston, 2000), at the end of the decade another tax loophole had attracted Hollywood producers and investors of *The Lord of the Rings* trilogy (*TLOTR*). However, this loophole was closed in 1999 as "the risk of failure to the taxpayer was too high, and it fostered tax avoidance rather than genuine investment in the local economy" (Jones et al., 2003, p. 37).

Current Issues and Policies: The Growth-Model Period

Helen Clark period: the industry divide

For methodological purposes, I suggest the conceptualisation of a "growth-model period" in the history of film production in New Zealand emerging around 1999. This is based on King's (2010) observation of the introduction of the growth-model in creative industries policies in New Zealand. According to Potts and Cunningham (2008) in this model the creative industries are seen to "facilitate the adoption and retention of new ideas or technologies to other sectors", and consequently, policies regard creative industries as a "'special sector' not because it is economically significant in itself, but because it powers the growth of other sectors" (Potts & Cunningham, 2008, pp. 237–238).

The growth-model ideas correspond to the policy discourse studied in New Zealand by different authors as they analysed the fifth Labour government's cultural agenda, which was reframed as a 'creative industries policy' (Volkerling, 2010). As mentioned in Chapter 4, creative industries policies originated in the UK; in New Zealand, such ideas were transferred and translated into the country's specificities (Prince, 2010). In a similar way to the UK, they became central to economic policy discourses and part of a broader "third-way policy" approach attempting to overcome the paradigms of the "first-way" (the welfare state) and the "second-way" with its market driven polices (Prince, 2010; Skilling, 2005).

However, scholars have observed that in New Zealand the third-way creative industries policies were dominated by neoliberal economic and political rationality. A set of authors perceived such rationality as a political metanarrative in which neoliberal traits of market-driven aspects dominated over cultural aspects (Blomkamp, 2012; Conor, 2004; Skilling, 2005). In Blomkamp's words while "creative industries discourse seems to accommodate both cultural nationalism and economic rationalism, the latter frame retains more legitimacy in public policy in New Zealand" (Blomkamp, 2012, p. 640). Another set of authors perceived neoliberal rationality as the result of institutional practices, mechanisms of rewards, and the interplay of institutional interests (Campbell & Jones, 2009; Thompson, 2011a). As Campbell and Jones (2009) observe this period's film initiatives and policies were constantly challenged, criticised and contested in numerous debates by different stakeholders. Like the developments of broadcasting policies (Thompson, 2011a), film industry polices also experienced inter-ministerial tensions among the Ministry of Culture and Heritage (MCH), the Ministry of Economic Development (MED) and the Treasury. This shows the complexity of interests mobilised by the industry, as well as the heterogeneous formation of government policies. It shows the accommodation and struggle around de facto economic powers faced by different institutional players and the interests at stake in the private, public and social spheres.

I suggest here that, as a reflection of the third-way policies, two kinds of film policy took shape during this period: (a) a central policy focused on subsidies to attract external allocation of resources (FDI) and whose economic justification fitted under the influence of the Ministry of Economic Development; and (b) a peripheral policy focused on the local industry, culturally justified but still accompanied by a commercial imperative. The second type of film policy, under the influence of the Ministry for Culture and Heritage, continued with the NZFC subsidies schemes and created a new film fund as a result of the advocacy of local industry representatives over several years. The evolution of this bifurcation is noticeable in the film initiatives undertaken during Clark's government.

Overall, this period was the most prolific in the feature film production history of New Zealand. During the tenure of the Labour Government 120 feature films were made: satellite, domiciled and international co-productions (New Zealand Parliament, 2010b). Since the electoral campaign of 1999 the Labour party had produced *Uniquely New Zealand*, a document that promised to reinvigorate the arts as elements of sustainable employment and economic growth (Prince, 2010). Once in power in 2000, Prime Minister Helen Clark "declared herself the Minister for Culture and the Arts" putting the arts and cultural sector at the core of the government (Conor, 2004, p. 64).

That year, the government began consultations with the cultural and public sectors (Prince, 2010). In addition, the government commissioned the Hot Nation Project Team to elaborate a cultural policy plan. The team prepared the report *The Heart of the Nation: A Cultural Strategy for Aotearoa New Zealand* which defined the creative industries along the lines of the British definition as "a range of commercially-driven businesses whose primary resources are {…} intellectual property {…} individual creativity, skill and talent" (Hot Nation Project Team, cited in Prince, 2010, p. 178).

External allocation focus

In 2000, the *Heart of the Nation* report recommended dismantling Creative New Zealand (CNZ) and forming a new creative industries agency to develop markets, careers and products for the sector. These recommendations were rejected by the government as they were too costly and contradicted the government view of a self-capable sector that needed no state intervention (Prince, 2010). Although this rejection safeguarded CNZ's support to traditional arts, I propose that this decision symbolised a milestone in policymaking. Contrary to the government's view of the cultural industries as a self-capable sector, as the report circulated in the MED, the creative industries stopped being conceived of as economically viable, as depicted in the report. Instead, they became important inputs and value added for other economic sectors and branding (Prince, 2010). This was reflected in the 2002 economic plan *Growth and Innovation Framework* (GIF) (Conor, 2004) that saw the creative industries as one of the three key knowledge-intensive economic sectors—including biotechnology and information-telecommunications—which acted as enablers to other sectors and liable to receive policy intervention (Campbell & Jones, 2009) . I also suggest that the cost-effective rhetoric that led to the rejection of the report set a precedent for the government to make policies directed at attracting foreign capital with the logic of creating spillovers to other sectors.

In 2003, GIF suggested the creation of the Screen Production Industry Taskforce (SPT) to identify the barriers to growth in foreign exchange earnings in the screen industry (Campbell & Jones, 2009). That same year SPT released a report through the MED that recommended establishing a Screen Council, to sign film co-production treaties, and to change government agencies' policies of recoupment to allow producers to reinvest. It also recognised that public funding had "limitations, financially, commercially and creatively" (SPT, 2003, p. 8). The Screen Council was formed by members of the industry and its objectives were to oversee the five-year growth targets pinpointed by SPT (Conor, 2004). Initially, NZFC opposed the establishment of the Screen Council as it considered the Council duplicated NZFC functions. These tensions also came from SPT's criticism of the industry's dependency on NZFC and its "inhibiting cultural imperatives" (Campbell & Jones, 2009, p. 17).

Another concern of the SPT report was the lack of government incentives to attract foreign capital after the completion of *TLOTR* (Campbell & Jones, 2009). In 2003, the New Zealand Institute of Economic Research (NZIER) and Pinflicks Communications released the report *Capability study: The New Zealand Screen Production Industry* which warned against attracting satellite productions since foreign producers could hold a strong bargaining position as well as increase production costs. However, they also noted that excess capacity—that is, workers and service providers—might be able to absorb inflationary costs (Campbell & Jones, 2009). Meanwhile, Peter Jackson and SPADA had fruitlessly lobbied the government to consider tax incentives for foreign productions. But in 2003, the New Zealand government launched the Large Budget Screen Production Grant (LBSPG) based on the Australian grant (KPMG, 2009). It offered 12.5% return on the costs of productions spending more than $NZ50 million as well as to projects spending between $NZ15 to $NZ50 million (Campbell & Jones, 2009). It was increased to 15% in 2007—following the Australian review in 2006—and increased again in 2013 to 25%. In 2007, the Post, Digital and Visual Effects Grant (PDVG) was created to offer incentives to attract projects to undertake post-production and VFX in New Zealand.

The grants were provided by the MED but administered by NZFC and the Treasury was then, reluctantly, positioned as an important player to subsidise such tax incentives. Disputes among Treasury and MED officials date back to 2003. As media reported in that year: "A $40 million-a-year scheme subsidising Hollywood blockbusters made in New Zealand will have a minimal effect on the economy and could even set it back $5 million, Treasury papers say" (Berry, 2003). With the Minister of Economic Development, Jim Anderton, replying: "Those projects could result in a $300 million investment in this country and the scheme overall would result in a net economic benefit" (Berry, 2003). Similar news continued to come to light through Official Information Act requests for a Treasury evaluation in 2005 which stated "the baseline net economic impact of the scheme was a loss of $9m" and MED's position that the Treasury's "2005 sample was too small" (Campbell, 2010).

The local film industry

The post-electoral political will towards the cultural sector was capitalised at an early stage in 2000. Based on social cohesion, national culture, and economic growth justifications Helen Clark announced a Cultural Recovery Package of $NZ80 million (Conor, 2004). In addition to the NZFC funding, a Film Production Fund was created with a budget of $NZ19.5 million to support local films with larger, commercial and more complex budgets (King, 2010).

In 2003, the state of production seemed promising:

> *Whale Rider* and *The Two Towers* {…} [were] delighting audiences, the TVNZ reorganisation was heralding a new role for a culturally-oriented state broadcaster, the MTS [Māori Television] plans were advanced, the commercials sector was busy, and more New Zealand feature films and offshore projects were in the offing. (Wrightson, 2003a, p. 2)

However, as Campbell and Jones (2009) document, back in 2003 some members of the local community including producer John Barnett, SPADA, writers, technicians, actors and directors' guilds complained that the LBSPG excluded the local industry by establishing high-budget barriers (above $NZ15 million threshold) and by rejecting projects with multi-agency funding. The scheme's focus on foreign capital was also criticised for benefiting crews and service providers at the expense of local producers, directors and writers. Additionally, some service providers criticised the scheme for not requiring overseas productions to hire local service providers and build up infrastructure. However in 2004, the MED rejected the demands of the local industry as not being cost-effective. As Thompson noted despite Labour's commitment to social policy goals, "their scope was circumscribed by unchanged macroeconomic commitment to the monetarist framework" (Thompson, 2011a, p. 4).

The Screen Council itself urged the government in 2005 to incorporate local industry demands. By this time SPADA was also supporting the recommendations of SPT and Pinflicks & NZIER to change the NZFC policy of recoupment to ease the downstream revenue to the producer and cut out their dependence on the Commission (see Chapters 8 and 9). Local demands—as represented by SPADA, Equity NZ, and the Screen Directors Guild—to support local producers remained unheard (Campbell & Jones, 2009).

In 2007, Australia launched a producer offset scheme which made the New Zealand government fear a brain drain to the neighbouring country (The Independent, 2008). As a response, the Screen Production Incentive Fund (SPIF) was provided by MCH and administered by NZFC. This fund finally met local producers' demands to create a grant for projects with significant New Zealand content. The funding covered 40% of the qualifying expense for lower budget projects ($NZ5 million and later $NZ4 million) and allowed multi-agency funding. But, SPADA complained about the short consultation period prior to creating SPIF, and New Zealand Actors Equity demanded that SPIF projects that did not hire New Zealand performers be excluded from obtaining funding (Campbell & Jones, 2009). SPIF was the result of the advocacy of the local film community and its representative organisations, but the government strategies for competing with Australia were decisive. From 2008 to 2011, nine feature films and four television series had qualified for SPIF funding (MCH, 2012a).

As Blomkamp explains, despite the fact that "social cohesion and national identity remained inherent albeit thorny justifications for state funding of film" during this period, these policies were "only considered legitimate when framed within an economic discourse. This is epitomised in a speech from Harley (CEO of the NZFC in 1999), where she asserts: 'Film creates culture, builds identity and markets that identity to the world'" (as cited in Blomkamp, 2012, p. 639). King (2010, pp. 161–162) also notes that the transition from a welfare ethos to a growth-model one was exemplified by the relaxation of the New Zealand content requirement justified by a cosmopolitan industry allowing the engagement with global Hollywood "through a strategy of cloning, producing the Hollywood film that happens to be made in NZ."

The succession of growth-model policies and debates attest how the cost-effective logic in government initiatives inclined towards economic policies based on the short-term advantages of foreign allocation of resources to the film industry. This was influenced not only by the international context, but by the New Zealand government's economic rationalism translated into institutional practices under budgetary constraints which in turn reinforced the growth-model approach.

John Key period: The realm of corporate transnationalism

The growth-model in film policies became more dominant during the National-led government. In this section I analyse some of the most important film industry events from 2009–2014 as examples of the leading growth-model. These include the "value for money" approach, *The Hobbit* dispute and its aftermath and the 2013 film crisis. This section discusses the outcomes of this model on the institutional relations in the industry. I argue that, as policies became highly discretional and pragmatic, conflicting interests in the film industry were exacerbated becoming more and more fragmented with consequences for sustainable outcomes.

Value for money

The National party came to power in 2009, in the context of the global financial crisis. As a result, many government agency accounts, budgetary justifications and policy rhetoric were synchronised with recession and deficit concerns (New Zealand Parliament, 2009a; NZFC, 2011). They stressed the need to get the government's books in order and "disciplining government spending" (Thompson, 2011a, p. 5). Compared to Clark's cultural recovery package of $NZ99.5 million in 1999, the new funding for the arts was a modest $NZ10.5 million over four years (New Zealand Parliament, 2009c). Despite the National party's electoral promises to maintain the previous level of funding for culture there were subsequent cuts. Chris Finlayson, the Minister for Arts, Culture and Heritage justified the changes: "the Government identified a number of savings to taxpayers as a result of its value-for-money review earlier this year. That allowed reprioritisation of the low-quality junk […] We want to concentrate on practical assistance to front-line arts and cultural services" (New Zealand Parliament, 2009b).

In the film industry, one of those front-lines was the satellite model of production. The priorities of the Minister of Economic Development in film matters had been to examine "closely the commercial motivations for the major studios to bring productions to New Zealand" (Gerry Brownlee, as cited in New Zealand Parliament, 2010a). The primacy of the satellite-focus approach was consistent with a bigger economic policy plan as Key himself declared, "To grow, New Zealand needs capital and at the moment the only way to acquire that capital is from foreigners" (Small, 2011). For instance in 2011, the government announced plans to partially sell state-owned companies.

Government agencies such as NZFC were "already planning how to cope with less funding" (Wakefield, 2009). From 2008–2012, NZFC funding diminished from $NZ21 million to approximately $NZ16 million. While funding from the Lottery Grants and the Vote Arts, Culture and Heritage remained static, it was the reserves, that is, income from films and interests, that diminished drastically (NZFC, 2011). In 2011, NZFC described its rather negative environment:

> With the world recession, there is less international financing for film production {…} fewer film distribution companies {…} Consequently it is harder than ever to finance the production of films and there are fewer companies willing and able to buy the films that do get made. {…} With the decreased in television advertising, broadcast licence fees and a reduction on the number of films that these agencies (New Zealand On Air and Te Mangai Paho) are willing to support, this sources of funding are featuring less in final plans. {…} A decline on film sales income {…} means that there will be less available for industry recoupment and NZFC reinvestment in other films. (NZFC, 2011, p. 9)

As a result, NZFC's strategy was to select fewer projects in "a more centralised focus on 'picking winners' to give funding to" (NZPA, 2011). The NZFC decided "to place more emphasis on value for money {…} this will involve a reduction in the percentage of the budget we are able to invest" (NZFC, 2011, p. 11). To this rather difficult panorama for the local film and TV independent production could be added the government's decision to cut public funding for public service television channels TVNZ 6 and TVNZ 7, which were closed down in 2011 and 2012 respectively.

With all these financial and political constraints at the funding level, the growth-model policies favoured satellite film production for "wealth creation from additional foreign direct investment" and "knowledge and reputational spillovers" (MBIE, 2012, p. 19).

The Hobbit dispute

In this section, I present the issue of *The Hobbit dispute* as an example of the recent conflicting environment in the film industry and how growth-model policies have shaped and dealt with such tensions. Wellington city, in particular, had become heavily dependent on the satellite model of production and in 2010 its industry was described as "a struggling industry reliant on a few big players" (Rothwell, 2010). After hosting the blockbuster *Avatar*, Rothwell reported that the collapse of the *Kingdom Come* project and the delays on *The Hobbit* had "revealed the vulnerability of a Wellywood reliant on Jackson's projects" (Rothwell, 2010, p. 9). Without much local production of films, television, or advertising, film workers were by then facing a cyclical period of unemployment (Rothwell, 2010).

The Hobbit, the prequel to *TLOTR* saga was director Peter Jackson's next project; it had been delayed for a number of reasons (Masters, 2012). In addition, in 2010 *The Hobbit* was the cause of an industrial relations dispute between New Zealand Actors' Equity, a relatively small guild representing 600 actors, and *The Hobbit* producers, Peter Jackson's WingNut Films and Warner Bros (Conor, 2011). The dispute had a national impact on film workers and consequently exacerbated the already fragmented industry.

Although there is no space here to recount all the events, full details can be found in the appended Timeline (see Appendix D). This section is based on academic and media coverage, statements from members of industry organisations, and government communications released via the Official Information Act (OIA) regarding *The Hobbit* dispute in February 2013 (Joyce, 2013).

As a backdrop it is worth mentioning that the New Zealand film and screen industry is unique among other English-speaking countries as it is a non-unionised industry. It is characterised by having codes of best practice that guide employer-employee relations (Kelly, 2011). Such codes include the performers' Pink Book (SPADA, NZAAG, AAANZ, NZAE, 2006) and the technicians' Blue Book (SPADA & NZF&VTG, 2004). The non-unionised New Zealand status took on global proportions in the international context of high regional competition to attract satellite productions as well as significant work mobility.

International and local stakeholders' interests

The Hobbit dispute uncovered entrenched and conflicting interests among film industry stakeholders nationally and internationally. On the one hand, at the international level transnational studios benefitted keeping a cost-effective non-unionised satellite centre in New Zealand. On the other hand, film workers around the globe and in the Tasman region benefitted from a change in unionising the New Zealand film industry. They could either sympathise with their counterparts in New Zealand, whose international rights were decreased, or they could think of film workers' status in New Zealand as unfair competition that made it difficult to keep quality jobs in their own regions.

At a local level, New Zealand film producers, represented by SPADA, also benefitted from retaining a non-unionised industry which would keep labour costs down. This allowed some producers to cope with financial constraints, and a few others to attract finance from satellite productions. On the other hand, many local film workers, including actors, had struggled to have stable jobs and work-life balance as documented by research (Duff, 2012; Rowlands, 2009a; Rowlands & Handy, 2012).

At an institutional level, while Actors' Equity focused on what they considered concrete minimum conditions for workers, *The Hobbit* producers had a wider concern on what they considered long-term issues regarding the uncertainty of employment law. Because of this, *The Hobbit* dispute was the perfect combination of conflicting and entrenched local and global interests. Furthermore, the existence of power relations escalated the dispute. On the one hand, the guild resorted to its international alliances with other actors' unions. On the other, *The Hobbit* producers resorted to its close relations with the government.

Power relations

International alliances

In 2009 the Confederation of Trade Unions (CTU) in New Zealand received reports of producers' non-compliance to the actors' code of practice, the Pink Book (Kelly, 2011). Casts from different film and television projects had asked Actors' Equity to represent them in negotiating a standard contract with their producers. But the producer's responses were: (a) to threaten them with re-casting the projects; or (b) to canalise the demands through SPADA who refused to negotiate on any other basis than the Pink Book (Kelly, 2011). Actors' Equity then decided to look for support from international performers who had stronger bargaining positions and waited for an international production to implement their strategy. Actors' Equity formed part of the Australian union Media Entertainment and Arts Alliance (MEAA) and the Federation of International Actors (FIA) to which the powerful American union Screen Actors Guild (SAG) belonged as well (Kelly, 2011).

In 2010, Actors' Equity realised that actors' contracts for *The Hobbit* ignored conditions established in the Pink Book such as residuals. In turn, FIA agreed to advise their international members to hold off signing contracts unless Actors' Equity could negotiate with *The Hobbit* producers. Jackson and Warner Brothers rejected negotiations arguing that union representation was illegal under New Zealand law where actors, as independent contractors, were prevented from entering into collective bargaining agreements (Watkins & Burgess, 2010) (Peter Jackson and Fran Walsh, personal communication, 28 September, 2010).[17]

Relations with the government

Contacted by both parties in the dispute, high officials in the New Zealand government, including the MCH and MED, played a facilitating role as mediators and advisors (Watkins & Burgess, 2010). Actors' Equity through CTU, had approached officials to

[17] Included in the OIA documents (Joyce, 2013).

meet with *The Hobbit* producers (Kelly, 2011). Peter Jackson himself approached the government with two concerns regarding Actors' Equity. First, the guild's ability to vet the employment of international actors and, second, the precedent that The Bryson Decision (2005) had created. In the latter case, the New Zealand Supreme Court had recognised a film worker belonging to 3 Foot 6, *TLOTR's* production company, as a de facto employee as opposed to an independent contractor, as the employer had assumed. Jackson saw this as a precedent for Actors' Equity to demand a legal, collective bargaining agreement provided that actors could prove to be employees due to the long-term duration of *The Hobbit* (Tim Hurdle, personal communication, 28 September, 2010).[18]

However, AE was not asking for a collective bargaining agreement (SPADA, 2010) but for a new agreement covering minimum terms and conditions,

> in line with NZ law. If performers were to be employed as employees, this could take the form of a collective employment agreement and if they were to be employed as independent contractors then the agreement could be on a minimum standard contract which would be offered to performers for negotiation. (Kelly, 2011)

The government's legal advice backed up the producers' position based on the Commerce Act (Peter Churchman, Legal Advice to Peter Jackson and Fran Walsh, 4 of October, 2010)[19] but did not ask unions intentions for an agreement to cover minimum terms and conditions which were based on the Trade Union Act 1908. Kelly (2011) explained that this act "allows workers (broader than just employees) to negotiate terms and conditions collectively without being found in restraint of trade or criminally liable (i.e. an exception to the Commerce Act)." The government's inclination to the producers' position became even more perceptible with the resolution of the conflict in which Prime Minister John Key had a personal involvement.

Media and public opinion

Relations with the media were also decisive to the outcome of the dispute, as it was used to shape public opinion. The Actors' Equity strategy was to refrain from discussing the case with the media (SPADA, 2010) and, perhaps as a consequence, news headlines leaned increasingly towards the producers' position reporting, for example, the threat of

[18] Included in the OIA documents (Joyce, 2013).
[19] Included in the OIA documents (Joyce, 2013).

The Hobbit moving overseas (Chug, Bradley, Fox, & Cardy, 2010) which caused "a widespread public opposition to the actors' stance" (Edwards, 2010).

However, the possibility for the movie to be made overseas was rather unlikely as the actors' boycott was occurring on a global scale (Darkins, 2012). Two examples were stars Cate Blanchett and Sir Ian McKellen who supported the unions' position (NZH, 2010a). The threat also contradicted Warners' communication to the government: "we are committed to NZ {…} we are not making any decisions to move this production lightly. {…} we are very open to identify solutions to our problems" (Carolyn Blackwood, personal communication, 12 October, 2010).[20] The lack of transparency misled public opinion and leaned towards supporting the producers to keep *The Hobbit* at home.

By the same token, other information was withheld to shape public opinion. As meetings of Actors' Equity-CTU, Peter Jackson, Minister Brownlee and SPADA were resulting in "good faith negotiations", Actors' Equity decided to lift the boycott on 17 October. The guild prepared a release statement of the settlement and agreed to have Warners' approval for its public release (Kelly, 2011). Although, the statement was agreed on 19 October, Warners held up the release. The government was also aware of this but never informed the public, which helped to build a sense of crisis (Rutherford, 2013a).

It could be inferred that the withholding of the information had to do with the fact that the actors' boycott was not Jackson's biggest concern,

> There is no connection between the blacklist (and its eventual retraction), and the choice of production base for The Hobbit. What Warners requires for The Hobbit is the certainty of a stable employment environment {…}" (Peter Jackson, personal communication, 18 October, 2010).[21]

Nonetheless, the actions of the guild were still used as arguments to mobilise opinions. On 20 October, Jackson's closest partners, co-producers Richard Taylor and Philippa Boyens, mobilised 1500 film crew members to march in protest against the actors' union to keep *The Hobbit* in New Zealand. According to media reports Taylor and Boyens said it was "too late" to keep *The Hobbit*, and accused the Australian Trade Union of "making a blatant play to take a controlling hand in NZ film industry" (Chug

[20] Included in the OIA documents (Joyce, 2013).
[21] Included in the OIA documents (Joyce, 2013).

et al., 2010). After noting these contradictions, the CTU leaked to the media that the dispute had been settled and Warners was refusing to release the information (Kelly, 2011). That night Peter Jackson and Fran Walsh informed the public: “Next week Warners are coming down to NZ to make arrangements to move the production offshore” (Chug et al., 2010). And in a Radio New Zealand interview the next morning, when asked to confirm her previous statement, Walsh refrained to answer “You’re asking us to speak for Warners which I think is a bit unfair” (Ryan, 2010). She also explained her long-term concerns, "Why would they [Warners] bring it [*The Hobbit*] into a place where it’s almost guaranteed industrial action will happen during the shoot" (Ryan, 2010).

Although the negotiation meetings could have given certainty to producers, Jackson refused to be party to the Memorandum of Understanding agreed by SPADA, Minister Brownlee and Actors’ Equity,

> This is because the premise of the document obliges us to conform to the guidelines of the Pink Book. Under normal circumstances this would not be a problem, but in this instance is just another back door manoeuvre by Whipp to claim Equity input into The Hobbit contract. So unfortunately The Hobbit films cannot be party to this agreement and if we film in NZ it will have to be under the threat of actor litigation, which will offer little comfort to Warners. (Peter Jackson and Fran Walsh, personal communication, 17 October, 2010)[22]

Political pragmatism

On 27 of October the government met with the Hollywood producers and came up with a schedule of financial incentives to keep the films onshore. This included extra tax breaks of $NZ10 million for each of *The Hobbit* movies on top of the $NZ65 million already available (the incentive of 15% Qualifying Expenditure); a Warner-Government strategic partnership to promote New Zealand as a tourist and film destination and an offset of $NZ13.4 million taxpayer money for Warners’ marketing costs (Watkins, Hunt, & Hartevelt, 2010). This was justified as part of Prime Minister John Key’s advocacy as a tourism minister. From 2008-2014, the government invested $NZ600 million in tourism and tourism promotion (National Party, 2014). The *Hobbit* deal also comprised a fast-track amendment clause to the Employment Relations Act (also known as The Hobbit Bill) to clarify the distinction between independent contractors and employees to support the producer’s position. The bill “change[d] employment law to remove the right of any worker in the film industry to challenge his or her employment status

[22] Included in the OIA documents (Joyce, 2013).

(Kelly, 2011; Watkins et. al., 2010). John Key argued that the deal would secure 3,000 jobs and called the opposing Labour party members "A bunch of Hobbit-haters" (New Zealand Parliament, 2010c). The legal change occurred even though according to a communication released by OIA (Joyce, 2013) a couple of weeks before Finlayson (MCH) and Brownlee (MED) had stated that despite lobbying by Peter Jackson it was "inappropriate to change the [employment] law" (Rutherford, 2013a).

The Warners-Government deal also initiated John Key's branding diplomacy. Two years later he travelled to have a private dinner with the Hollywood studios' executives. His goal was to attract more television series that could provide maintenance to the quiet periods in between blockbusters (Levy, 2012). This was a recommendation of the Screen Sector Work Programme review. Some journalists questioned Key's personal crusade, first with the Warners-Government deal and then with "the passage of the three-strikes Internet disconnection laws for online copyright infringement, plus the enthusiastic, and it turns out, illegal co-operation in the shutdown of the pirate friendly digital storage site Megaupload and the arrest of its owner, Kim Dotcom" (Karaganis, 2012). Apart from subsidies, labour and anti-piracy laws, Hollywood's transnational interests in Key's government were also in the negotiations for the Trans-Pacific Partnership Agreement (TPPA) in New Zealand: "Our negotiators have led the way in resisting US demands for radical extensions to intellectual property laws, which are designed largely by and for Hollywood" (Kelsey, 2012).

The aftermath of the dispute: A fragmented industry

Aside from Actors' Equity and SPADA, other film industry organisations stayed out of the dispute. As the president of the New Zealand Film and Video Technicians (NZFVTG), Alun Bollinger commented in 2013: "The Techos' Guild deliberately stayed out of the debates which were raging at the time. We stayed out because our members were divided on what our stand should be, if any, and there was too little accurate information to go on." (Bollinger, 2013). Nonetheless, during the dispute some sympathy was expressed by some members as in their AGM; Auckland Chair Jennifer Butcher, commented "personally I think it is sad that our most financially successful director ever, does not even want to enter into negotiations with them to set minimum terms" (NZFVTG, 2010, p. 5). And the president, Alun Bollinger, commented, "if SPADA had shown more willingness to engage with Actors Equity before now this situation would probably never have arisen" (NZFVTG, 2010, p. 6). Meanwhile, Peter Bell, president of Screen Director's Guild of New Zealand (SDGNZ), explained that they had not taken a position on *The Hobbit* dispute: "This is a complex area and we are not privy to any of the discussions between the production company and the actors union involved" (Bell, 2010). And although the New Zealand Writers Guild (NZWG) stayed out as well, former president Dominic Sheehan commented that in 1999 the guild had asked SPADA to talk about a minimum pay agreement: "Like Equity, we had only been looking for a meeting but the initial response was met with incredible aggression" (Drinnan, 2010).

Despite film industry disenfranchisement, a combined group called Screen Industry New Zealand was created in 2011—comprising members of the public, academics, NZFVTG, NZWG, SPADA, SDGNZ, Actors' Equity, Nga Aho Whakaari (NAW), and Women in Film and Television (WIFT)—as a lobby group to represent agreed film industry issues to government and agencies (Theatreview, 2011). Blomkamp (2012) notes that if such a group leads to an inclusive and critical dialogue it could be key to rebuild legitimacy, and I suggest, bring cohesion to the industry.

The division that the dispute exacerbated assumed national proportions. For instance, after the Warners-Government deal the headlines of the two most important national newspapers captured such divided opinions. *The Dominion Post*, based in Wellington, celebrated "It is still our precious. New Zealand wins the battle for Middle-Earth" (Watkins et al., 2010). By contrast, the *New Zealand Herald*—based in Auckland—stated "Price to keep Hobbit in NZ is extortionate" (NZH, 2010b).

During and after the dispute public opinion was also divided as some Internet forums and posts demonstrated (Bill, 2010; NZH, 2010a). Even in 2013, an UMR Online Omnibus Survey found that 42% of people thought the additional tax breaks for Warners was value for money. But 70% were in favour of asking Warner Bros. to repay the subsidy after the first Hobbit film made $US1 billion worldwide (TVNZOne, 2013).

The amendment to the Employment Relations Act was highly criticised by the opposition in Parliament. The Labour party presented an initiative to add a new clause (2A) that would give the amendment a temporary effect expiring three months later. The rationale behind this proposal was that the legislation change was unnecessary and it had the effect of putting people in an employment status they did not want to be in. As Treveor Mallard from Labour said,

> I want to make it clear that I believed Gerry Brownlee when he said that this was not a requirement of Warner Bros and that this was not necessary. {…} The legislation is not being passed for Warner Bros. If that is the case, then I ask who it is being done for. (New Zealand Parliament, 2010b)

Labour's Carol Beaumont added that the Bryson Decision had made the legislation clear (New Zealand Parliament, 2010b). The opposition also raised concerns about the political and economic sovereignty of New Zealand using ironic phrases like "becoming Warner Brothers colony", "The Warner Brothers Bill", or "the Mickey Mouse approach of this Government" (New Zealand Parliament, 2010b). Members of the National party counterargued they were acting in the national interest and criticised the opposition for "looking after its Aussie union mates" (New Zealand Parliament, 2010b). Nick Smith also explained the usefulness of the bill referring to the Bryson case in which four judicial bodies had come up with two different conclusions, "That, in my view, makes it absolutely plain to this Parliament that the law is not clear" (New Zealand Parliament, 2010b). Smith's speech also included a eulogy of Peter Jackson: "Successful New Zealanders—those who are creating jobs, wealth, and opportunities for young people—are despised by people opposite, and those members write off successful New Zealanders as spoilt brats" (New Zealand Parliament, 2010b). The expiry date clause lost. Only Labour, the Green Party and, Progressive voted for it (New Zealand Parliament, 2010b).

Contesting opinions occurred also within the Cabinet. The long-term tensions between the Treasury and MED[23] have been referred to earlier, with regards to the tax incentives for the LBSPG. These inter-ministerial tensions continued in 2010. One media report stated, "Months before the decision to subsidise *The Hobbit*, officials [from the Treasury] had called for an end to assistance for the film industry, saying it was negative for the economy and presented a risk to the Government's books" (Small, 2010).

Moreover, government and quasi-government film agencies like NZFC and Film NZ expressed in press releases their concerns about losing *The Hobbit* and satellite productions (NZFC, 2010). And Gisella Carr, Chief Executive of Film NZ commented:

[23] The Ministry of Economic Development (MED) changed its name in 2013 to Ministry of Business, Innovation, and Employment (MBIE).

"Should New Zealand lose *The Hobbit* because of this dispute, we could be not just losing these films, but also our ability to attract international film productions into the future" (Film New Zealand, 2010). A year later, Film NZ, an independent body receiving government funding partnered with post-production facility Park Road Post (co-owned by Peter Jackson) to open an office in Los Angeles "to expand its presence in North American markets" (Screen Digest, 2011).

In 2011, nearing the time of Prime Minister John Key's re-election, he capitalised on the event arguing that he had kept *The Hobbit* jobs and had stood up to clarify the law (*Final Leaders Debate*, 2011). His opponent, Phil Goff, was further criticised by opponents to the Warners-Government deal for his absence during the dispute: "Terrified at the prospect of having to attack a national 'icon' like Sir Peter Jackson, they simply closed their eyes […]" (Trotter, 2010).

To conclude, the resolution of the dispute signalled a producer-driven industry (also shown by the appointment of producer and ex-SPADA Chair David Gibson as the new CEO of the NZFC in 2013) as well as a foreign capital-driven industry. SPADA's main concerns were to ensure a non-unionised industry (Drinnan, 2010). Guilds and unions looked to represent a divided labour force, some of them struggling with detrimental working conditions and unemployment (Parker, 2012). Government agencies like Film NZ and NZFC had institutional survival interest in supporting the satellite film industry as it represented the core of their mandates or part of their administrative functions. Overall, this period was characterised by increased attention courtesy government policies, parliamentary debates and the media towards the satellite or external allocation model of film-making. Policy, legal frameworks as well as the economic landscape of the screen industry in New Zealand were shaped in this period favouring transnational corporations' needs. This in turn, generated and exacerbated existing local interests as reflected in the aftermath of the dispute.

The film industry cyclical crises: 'Sustainability' in New Zealand film policies?

In the second half of 2013, news headlines reported the lack of offshore productions investing in New Zealand (Cumming, 2013a). This was further confirmed by official statistics reporting that feature film revenue had dropped 18% that year and total international production revenue had decreased by $NZ165 million (SNZ, 2014). News reported that the downturn affecting production, post-production and services in film and TV was the worst in the last two decades, and reflected the obsolescence of non-competitive international tax breaks and the higher rate of the New Zealand dollar, both of which function as deterrents to satellite production. As a consequence, news stories began to speak of unemployment, changing professions, workers and businesses relocating to other countries, and businesses downsizing or closing (Cumming, 2013b; Radio New Zealand, 2013b). The volatility of the blockbuster satellite model was captured in phrases like "the locals are left with expensive facilities and no one to use them" (Armstrong, 2013) or "the industry's air performance has proved as illusory as a film set" (Cumming, 2013b). Film industry players were especially concerned in Auckland (Cumming, 2013a) which is the biggest domestic production district. But concerns were also raised for Wellington that traditionally had had a boom and bust overreliance on Jackson's Miramar (NZ Actors' Equity, 2013).

A Cabinet paper released in 2013 had undertaken an evaluation of the screen industry excluding the distribution and consumption phases. As a report, it had received input from a cross-government work programme that included MED, MCH, NZFC, Film NZ, the Treasury and Statistics NZ to avoid previous inter-ministerial tensions and present a more balanced evaluation (MBIE, 2012). The evaluation of the grant for satellite productions found rather modest quantifiable benefits since its implementation in 2003. After 35 productions and a total expenditure of $NZ1,937 million, the report estimated a net economic benefit of $NZ13.6 million (total economic benefit $NZ281.9 million minus the grant cost $NZ268.3 million). The report said the grant had contributed to 13.5% increase in the employment in the screen industry (MBIE, 2012). In addition, the evaluation mentioned non-quantifiable spillovers such as skill and technology transfer and reputation. The report concluded that the grant was efficient and reputable but likely to decrease its international competiveness. Therefore, the report recommended reducing the budget thresholds, and enhancing benefits through an internship programme (MBIE, 2012).

The report's release coincided with the government announcement of changes to lower the thresholds of required expenditure to obtain the grants (Frater, 2013; MCH, 2013). These changes aimed to attract more, smaller projects—including television series—that would provide a long-term and more stable investment than the intermittent nature of the blockbuster-driven industry. However, other changes were criticised for affecting the domestic film industry, particularly SPIF's new requirement to obtain 10% of the budget from a private source (Radio New Zealand, 2013a).

The changes seemed to fail to catch up with new emerging conditions. A debate on how to tackle the crisis occurred at the Auckland Summit 2013, with participation of industry practitioners, politicians, the media, and social media. Opinions were again divided as "the downturn {…} only deepened and entrenched positions" over who was responsible (Cumming, 2013b). Some practitioners and politicians called on the government to increase tax rebates (Barnett, 2013; Hunt, 2013), others saw the need to cut the dependency on offshore productions (Armstrong, 2013; NZ Actors' Equity, 2013). Steven Joyce, the Minister of Economic Development, refused to enter "a race to the bottom" in the competition with other satellite regions (Armstrong, 2013) and commented "In the past 5 years New Zealand, taxpayers have already given film-makers $NZ411 million, and more would be hard to justify" (Hunt, 2013). In the meantime, the Minister saw the need to develop intellectual property ownership despite acknowledging it was a long-term strategy. Meanwhile, Labour's Jacinda Arden demanded the government intervene in monetary policy and increase the rebate regime (New Zealand Parliament, 2013c).

Other voices spoke to more structural proposals, such as regulating the requirement of broadcasters, like Sky Television, to invest in local programmes, as happens in many countries (Radio New Zealand, 2013b), as well as proposing strategies to foster "smaller players in commercials, television, animation and gaming" (Radio New Zealand, 2013b).

The film crisis in New Zealand, as mentioned in Chapter 4, showed the vulnerable and volatile nature of satellite productions experienced in other countries. In New Zealand, researchers and journalists had long warned about it (Conor, 2004; Pinflicks Communications & NZIER, 2003): "It is bad economic policy on every level. The productions bring mostly low end, temporary jobs, while the high end jobs remain in Hollywood or New York" (Karaganis, 2012). However, those opinions were neglected for the sake of short-term ephemeral benefits acting as palliative policies. This was acknowledged by Steve Finlayson of MBIE who referred to the vicious cycles of relying on the tax-break model: "[It] is not a case of not wanting to do a little more, it's about how do we break the cycle?" (Hunt, 2013). He also admitted the "analgesic nature" of such a model as he added that, the government was "working hard with agencies, including the NZFC, on a *long-term solution*" to the industry crisis (emphasis added) (Radio New Zealand, 2013b). In 2013 a NZIER report explained that "incentives have increased the scale of the domestic industry but not to the point where it is self-sustaining" (NZIER, 2013).

Despite the government's realisation of the model's flaws, in December 2013 it announced increased incentives for overseas and local screen productions to encourage "the development of a more sustainable New Zealand screen industry" (Joyce & Finlayson, 2013). The government released a memorandum of understanding among members of the New Zealand government, 20th Century Fox executives, and the *Avatar* producers. The latter had been in back and forth negotiations with China as well. The *Avatar* deal ensured that *Avatar* sequels would be made in New Zealand with 25% of the incentives in exchange of specific benefits such as transferring know-how (for example, positioning New Zealanders as Heads of Departments and offering six internships for technical jobs), branding and development of infrastructure (such as donating equipment to universities). It also included director James Cameron's participation in a new screen advisory board for a future self-sustaining industry (Joyce, Finlayson, Cameron, Landau, & Hanneman, 2013).

The overall government changes consisted on combining the LBSPG and SPIF to form the New Zealand Screen Production Grant (NZSPG). As a result overseas productions of at least $NZ15 million budget features, $NZ 4 million budget television programmes, and $NZ1 million budget VFX, could receive a grant of 20% of the Qualifying Expenditure, and an extra 5% if they complied with a significant economic benefits test. New Zealand local productions or official co-productions could still access a 40% grant which was extended to television for budgets up to $NZ15 million. Local budgets between $NZ15 million and $NZ50 million could also apply for a 40% provided they agreed to share the income with the NZFC to reinvest in the screen sector (NZFC, 2013b).

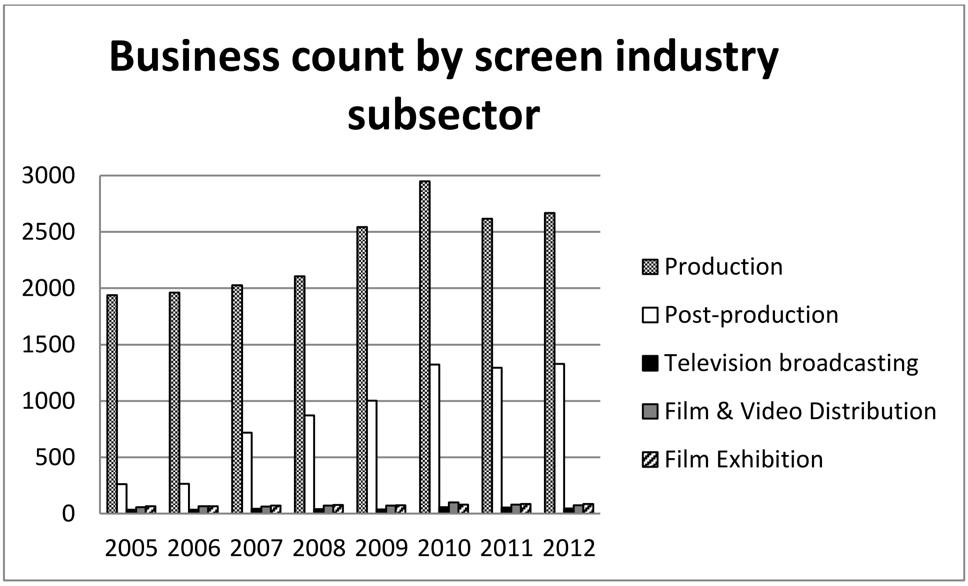
The effect of these changes is still to be seen. They increased New Zealand international competition; however, as has been argued before, these types of policies ignore structural issues such as value chain articulation, creative and IP development, as well as audience development.

Economic Indicators: Production and Post-Production

The most economically significant screen sectors?

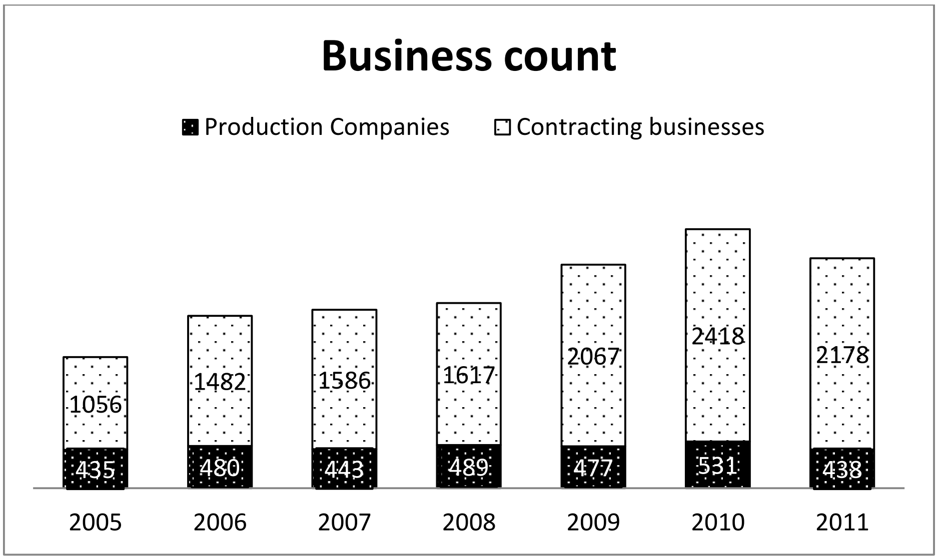
Official accounts state that production and post-production sectors are the most significant as they account for "95% of all businesses in the screen industry" and "generate more revenue than business[es] in" broadcasting, distribution and exhibition (see Figure 16) (MED, 2012a, p. 5). However, to put those figures in context it is important noting that unlike the other sectors gross revenue in production, post-production and broadcasting includes government subsidies and foreign investment (see Figure 18). In addition, official statistics count not only production companies but contracting businesses (for example, sole proprietors and freelancers) which represent 80% of the total number of businesses which rockets the data. They also include "services" such as "casting, film editing and titling" (MED, 2012a, p.18; SNZ, 2007, p.49). Statistical methodologies in other regions separate production companies from auxiliary services and contractors (U.S. Census Bureau, n.d.-a, n.d.-b).

Figure 16 Business count in the screen industry



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b).

Figure 17 Business count in production and post-production subsectors



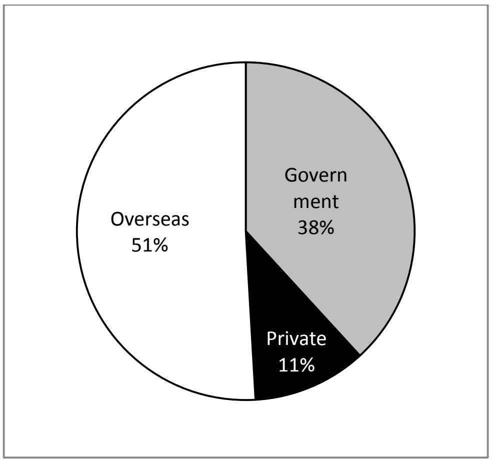
Note. Own elaboration with data from MED (2012a).

When Statistics New Zealand aggregates those activities, it (a) combines activities of very different nature: production and auxiliary services where the former represents a primary economy that propels the latter, which are secondary economies. (b) homogenises individual independent contractors with companies; and (c) inflates and thereby misleads on the matter of the size and economic importance of the production and post-production subsectors. Even disaggregated data in the Figure 17 is over-counted as it includes services as if they were production companies.

Nonetheless, in the absence of better information and, when critically examined, official statistics *can* show certain industry trends. For example, in 2012, overseas financing accounted for 51% of all the funding, government subsidies represented 38% while the private sector participated with 11% of the overall funding to production and post-production (See Figure 18).

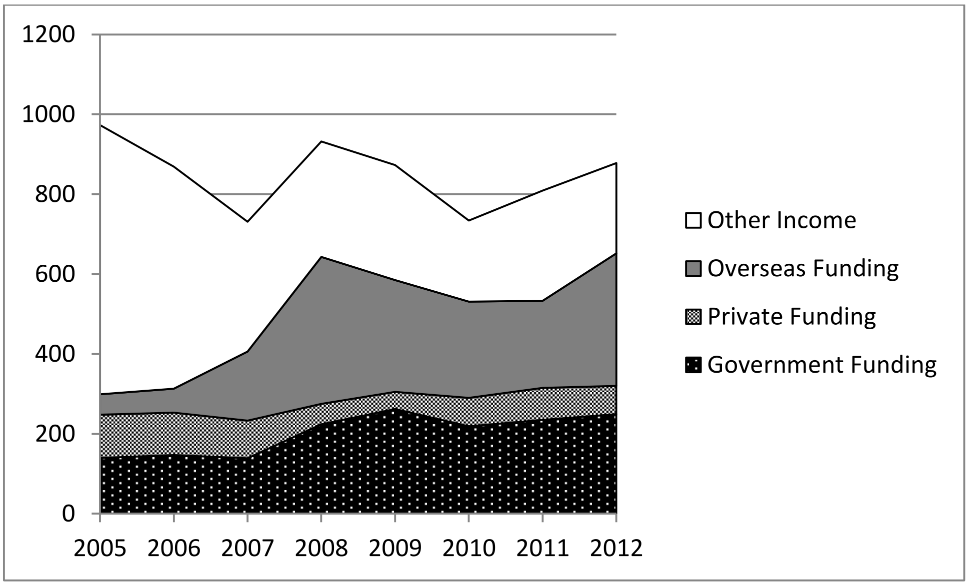
In addition, Figure 19 shows the historical contribution that government and foreign financial sources allocate to gross revenue of production companies compared to the smaller amount coming from local, private capital. It also presents the significant income derived from internal activities, mainly television (including advertising and satellite subscriptions). From other sources and interviews conducted during this research we know that feature film producers hardly ever receive any profits (Jackson & Court, 2010).

Figure 18 Production and post-production: sources of funding in 2012



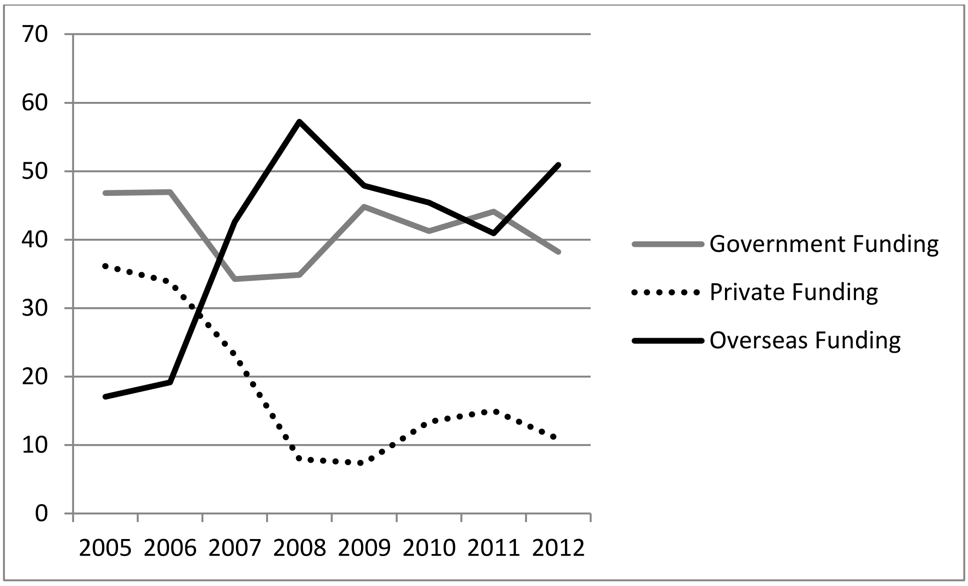
Note. Own elaboration with data from Screen Industry Survey (SNZ, 2013b).

Figure 19 Contribution of sources of funding to gross revenue ($NZm) of production companies



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2013c). Excludes contractors, includes services. Gross revenue includes government funding, and private sector financing in the form of advances, presales, sponsorship, or investment. The white area represents income from sales, royalties, copyright, TV advertisement, satellite TV subscriptions [see gross revenue definition (SNZ, 2006)].

Figure 20 Sources of funding of production companies overtime (%), 2005-2012

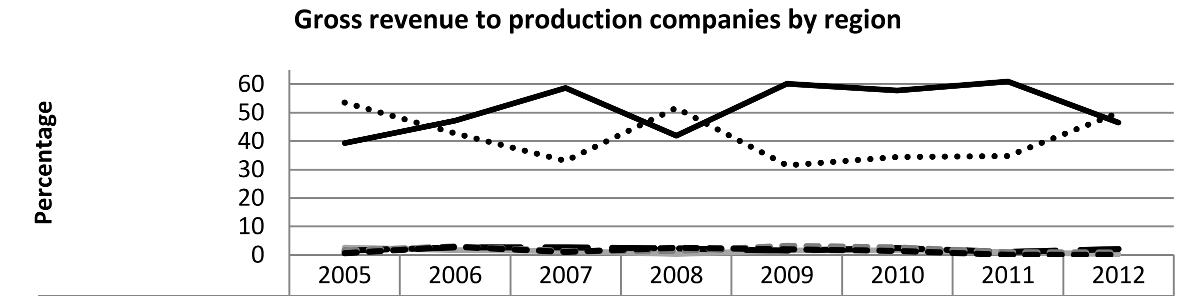


Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013c).

Historical patterns from 2005 to 2012 show a mirror effect of an inverse trend between the increase of foreign financing and the decrease of local, private financing of production, post-production and their service providers. On the contrary there is a direct relation between the allocation of government funding and the increase of domestic private funding (see Figure 20). The increase of overseas funding reflects the intensification of the growth-model policies based on satellite productions. Nonetheless, it is a volatile source varying at a range of approximately 35% compared to government sources varying within a 13% range. The decrease and downward trend of private funding reflects qualitative academic research and media concerns about local financial capacity.

Foreign funding is dominated by US capital whose contribution fluctuated from 33% to 54% through 2005–2012. In the same period, UK, Australia and Asia's foreign funding constituted 1% to 3%. Figure 21 shows, once again, domestic and US financial curves have an inverse mirror pattern.

Figure 21 Origin of gross revenue received by production companies, 2005-2012 (excluding contractors, including services)



	2005	2006	2007	2008	2009	2010	2011	2012
NZ	39	47	59	42	60	58	61	46
North America	54	43	33	52	32	34	35	50
UK	3	2	1	0	2	2	1	0
AU	2	3	3	2	1	2	1	2
Asia	2	3	1	1	3	3	1	1
Other	1	3	1	3	2	1	0	0

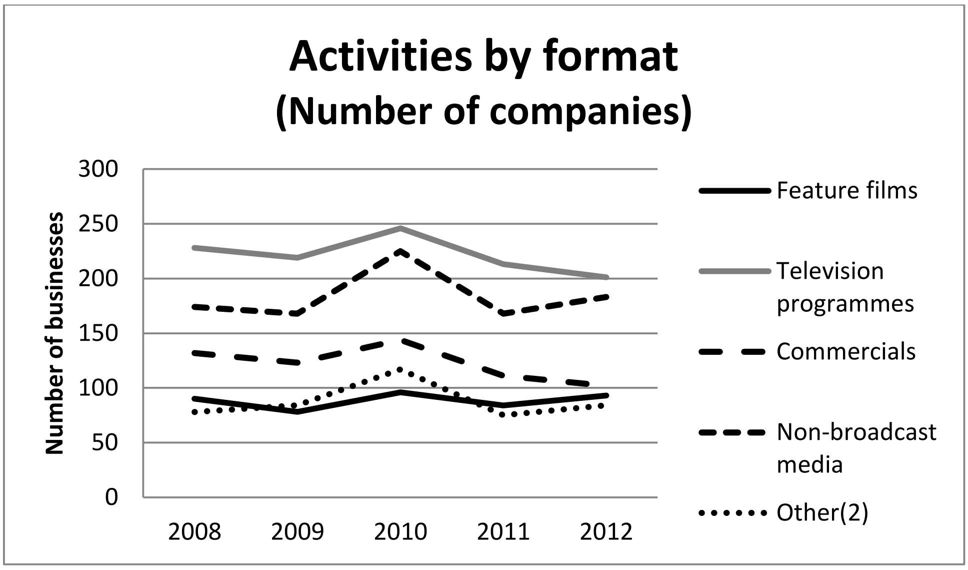
Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b).Gross revenue includes funding.

Diversification

Film production and post-production businesses in New Zealand are diversified in different formats; they make use of the crossover of creative and technical skills. This allows them to maintain the streams of revenue and workflow. As Figure 22 shows, there are more companies involved in television activities and the fewest companies are involved in feature films. One reason for this is the relatively higher budgets and fewer numbers of feature films made every year compared to the smaller budgets but higher productivity of the other formats. However, despite accounting for the fewest companies, of all the formats, feature films represent the highest contribution to the whole subsector's gross revenue (see Figure 23).

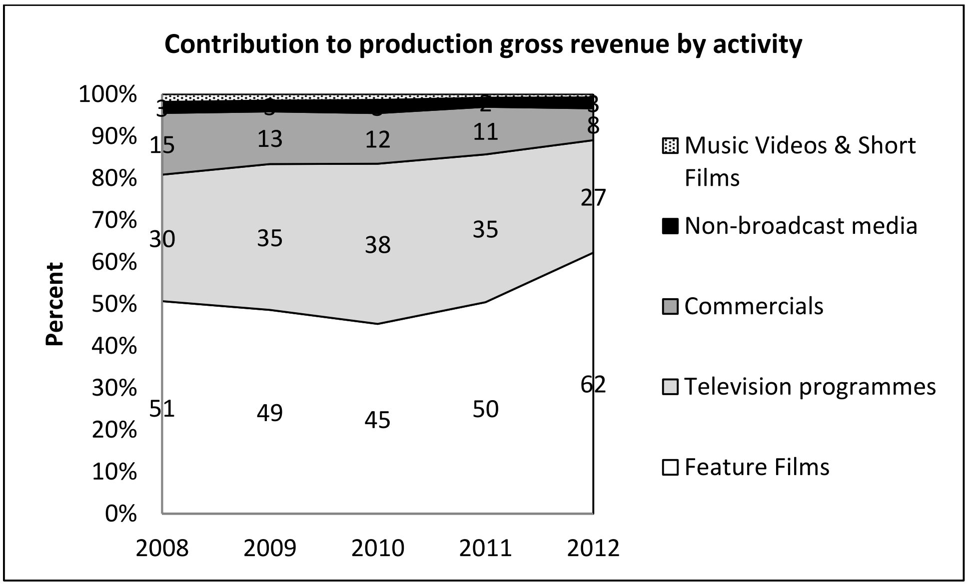
For example, in 2012 feature film revenue was $NZ1,040 million, whereas television was $NZ448 million, commercials $NZ127 million, non-broadcast media $NZ43 million, and music videos and short films $NZ13 million.

Figure 22 Diversification of activities in production and post-production sectors



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b). Includes services. (2) "Other" refers to music videos and short films.

Figure 23 Percentage of gross revenue contribution by type of activity

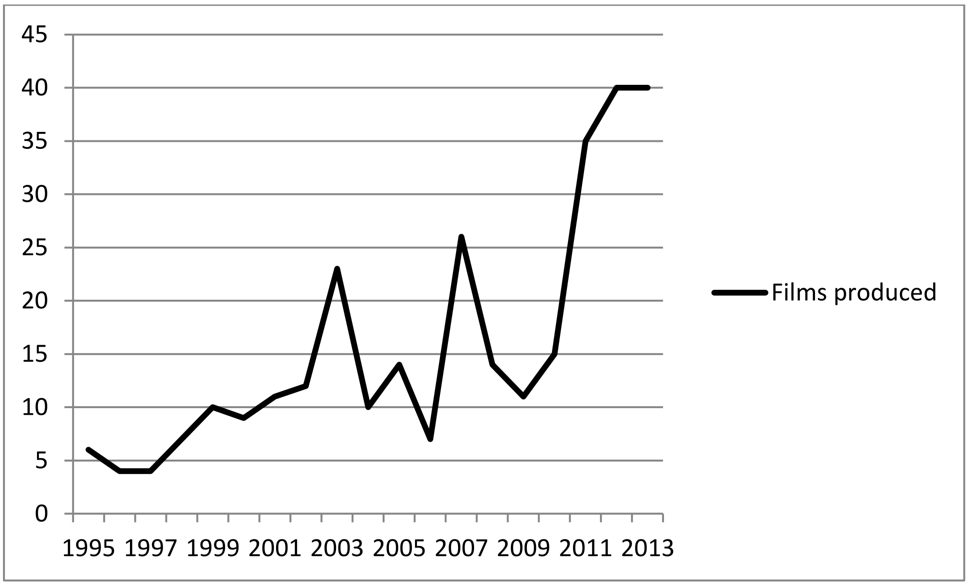


Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b).

Levels of films produced and released

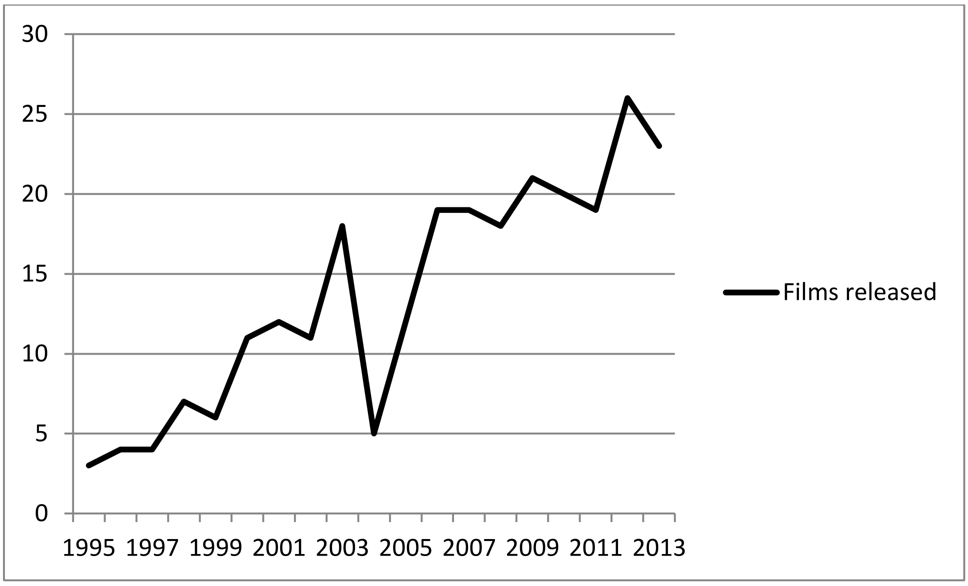
Another important indicator is the amount of films produced in New Zealand which has fluctuated dramatically in recent years (see Figure 24). In 2012, 40 films were produced (SNZ, 2013c) which is a significant level of productivity for a country with 4.4 million inhabitants (SNZ, 2013a). However, in 2013 it decreased 50% to 22 films produced (NZFC, 2013a). It is important to mention that films produced include satellite productions, co-productions and domestic productions of various budget sizes including many films that do not get released. In 2012, only 25 of the 40 films produced in New Zealand were released in festivals and commercial cinemas (NZFC, 2013a). Similarly, from 2000–2012, the annual average of domestic films made was 12 as well as 1.5 film co-productions, however, the yearly average of New Zealand films released was 7.3 (Screen Digest, 2013). In other words, only half of the movies produced in New Zealand are released in cinemas.

Figure 24 Annual film production in New Zealand, 1995–2013



Note. Own elaboration based on UNESCO (2009), OnFilm (2012), Screen Digest (2013), SNZ (2015). It includes wholly financed New Zealand films, co-productions and satellite productions using New Zealand as a location.

Figure 25 Annual release of New Zealand feature films, 1995-2013

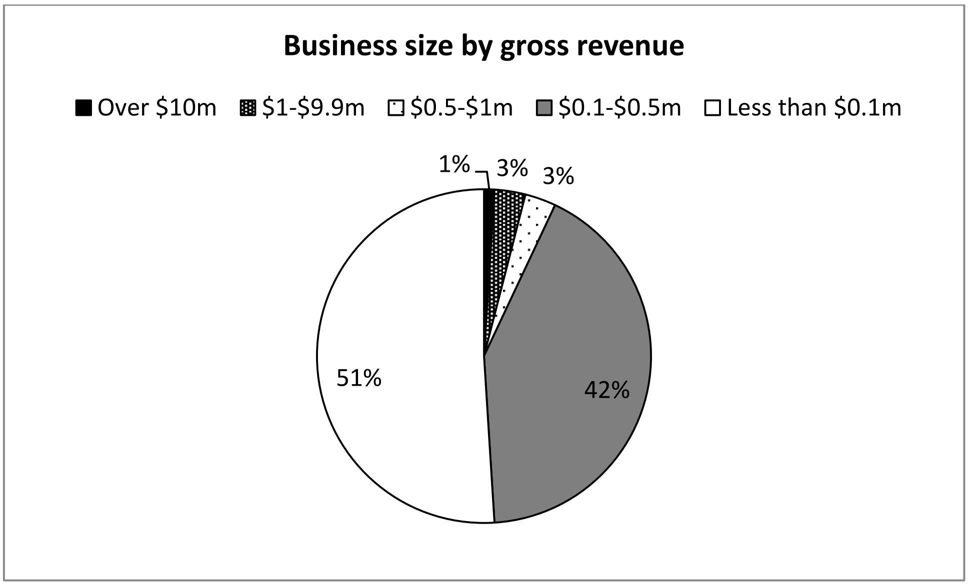


Note. Own elaboration based on NZFC (2013a). It includes wholly financed New Zealand films, co-productions and satellite productions using New Zealand as a location.

Business size

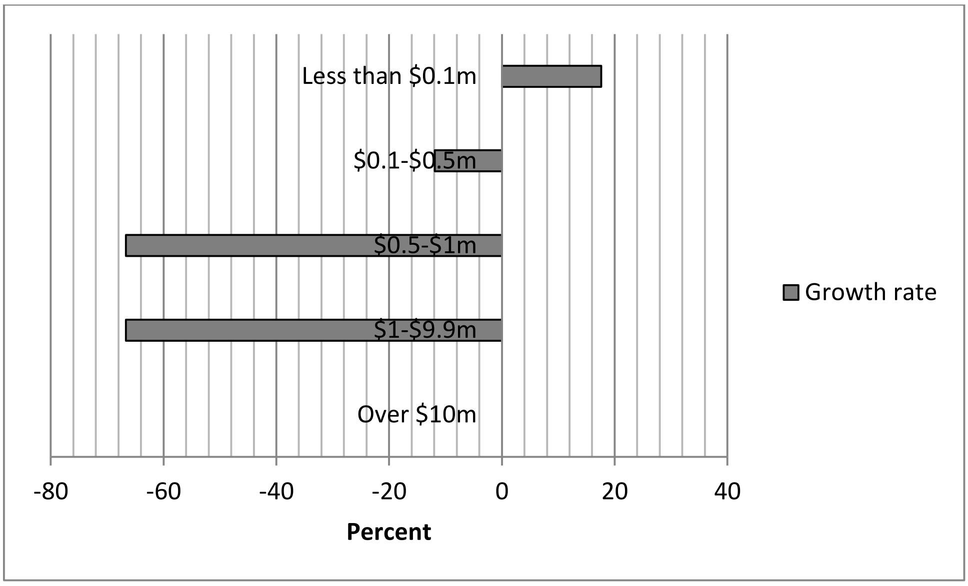
Gross revenue distribution among production companies (and services) is rather polarized with 93% of companies receiving gross revenue of less than $NZ500, 000 a year (small and medium-size business). By contrast, only 1% of companies obtained over $NZ10 million a year (see Figure 26).

Figure 26 Percentage of business size by gross revenue, 2012



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b). Includes services.

Figure 27 Growth rate of business by gross revenue size, 2005-2012



Note. Own elaboration with data from Screen Industry Survey (SNZ, 2011, 2013b).

Whereas the share for larger companies has remained almost the same since 2005, the amount of companies that receive less than $NZ100,000 in gross revenue has grown 18%. Meanwhile the number of medium ($NZ500,000 to $NZ1 million) and large size firms ($NZ1 million-$NZ9.9 million) have decreased 67% (see figure 27). This suggests that fewer companies participate in the higher revenue shares, which, in turn, provides a hint of an increased concentration of capital in the production, post-production and service sectors.

Conclusions

This chapter complements Chapter 5 as it addressed the question, *What are the relations among the phases of the film industry value chain in New Zealand and what do they mean for its sustainability?* The chapter focused specifically on the value chain phase of the production of films in New Zealand based on its historical and current industrial policy and sectoral economic developments.

As discussed in Chapter 5, from a very early stage, the three sectors of the film industry in New Zealand developed unevenly in terms of business scale and origin of capital. Exhibition and distribution, the first sectors to develop industrially, were quickly tied to Hollywood films. However, as seen in this chapter, the artisanal scale of the local production remained disarticulated from commercial distribution and exhibition circuits. I argue that such arrangements had a negative impact on financial capabilities to increase local production which, in turn, remained artisanal, intermittent and undercapitalised (Campbell & Jones, 2009; Jackson and Court, 2010). I have argued that although there was an initial excitement for local film production, the sector went through a long period of crisis.

It was not until the end of the 1970s, with the foundation of the NZFC, that film policies made a difference for the local production sector. Although the NZFC mandates included distribution and exhibition of locally produced films, the main focus on production sat well with the status quo of the commercial, distribution and exhibition sectors tied to foreign products. The lack of structural articulation among the sectors made production highly dependent on state funding for its survival.

During the Clark years, a central interest in creative industries became instrumental in prompting general economic growth as well as national identity and social cohesion. But creative industries were mainly regarded as service sector industries that could generate spillovers to other economic sectors. This growth-model period entailed the division of film policies to address two industrial models: to attract satellite productions and to subsidise local productions. In turn, industry stakeholders accommodated differently to each industrial model, further fragmenting conflicting interests. During Key's period, film policies were distinguished by a personal campaign from the Prime Minister to establish links with the largest transnational media conglomerates that took the growth-model approach to a new and more pronounced level. More so when Key's attention, as a tourism minister, focused on satellite spinoffs to the tourist sector, therefore, naturalising the purely instrumental value of the film industry. The strategy for the screen industry fits into this context: static budgets to support arts, culture and the local film industry; major cuts on public broadcasting (affecting the local film industry as well); and increased support to foreign satellite production through discretionary subsidies and regulatory frameworks to benefit major media transnational corporations (Small, 2011).

As some of the satellite dynamics and government regulations (for example, *The Hobbit* Bill and the ban on parallel imports) affected some industry players positively or negatively, conflicting interest in the industry became more polarised. Here I argue that the growth-model period has seen policies characterised by being palliative (having partial outcomes and a short life span); discretionary (where a few big players are privileged in unequal power relations); homogenising (providing the same support to vulnerable players and to powerful players that do not need it); as well as pragmatic (including short-term planning, fast-track initiatives, and ignoring officials' advice). These policies created an industrial atmosphere of distrust and uncertainty among less powerful players (such as film workers, online retailers, small local distributors and local producers). Uncertainty was further increased by the satellite drought in 2013 and the government's difficulty in justifying satellite policies based on net economic benefits. The increased incentives to satellite productions with the *Avatar* deal were just a temporary measure which failed to address structural issues, as the government itself acknowledged.

In sum, the historical overview has provided evidence of the prolonged existence of an environment favourable to the disenfranchisement of local products from the value chain. Furthermore, the current state of affairs dominated by corporatist transnationalism and growth-model policies, has reinforced the value chain disarticulation by favouring the films of transnational corporations and their satellite activities over domestic producers'. This path generated conflicting and entrenched economic interests instead of common interests and synergies within and among the production, distribution and commercialisation sectors.

The policies and industrial outcomes mentioned in this chapter limit the possibility of the local film industry to achieving sustainable outcomes since uncertainty and a lack of common goals affect the relationships between industry components in their capacity to establish synergies among themselves. Chapter 7 will look at these relations with more detail as they are reflected in the context of the Wellington film industrial district. The logic behind the GI proposal of the importance of spirals of increasing returns is based on the understanding that the activity of one group will translate into an opportunity for others. Therefore, there is a need for policies that aim to promote film industry development as a whole, with long-term planning, structural policies and that favour internal mechanisms, and strategic non-discriminatory support.

Chapter 7

Patterns of Cultural, Geographic and Industrial Organisation

Previous chapters examined the international and national dynamics shaping New Zealand's film industry vis-à-vis models of sustainability such as the articulation of the value chain. In the next two chapters I shift to study the case of the film industrial district in Wellington. Drawing from the macro-level analysis of previous chapters is crucial as it allows me to draw on the sometimes determinant forces—international trade, national policies, among others—enabling and limiting the relations within the film industry in Wellington.

Chapters 7 and 8 address the question, *What are the relations within the Wellington film industrial district and what is their ability to generate self-sustainable results?* To answer this question, Chapter 7 focuses on the patterns of cultural, geographic and industrial organisation, while Chapter 8 centres on patterns of labour and institutional organisation. Both analyses draw on previous studies under GI research (Coe, 2001; Scott, 2005). I draw on my interviewees' accounts as well as secondary data such as media reports, statistics, and public documents.

The film industry in Wellington comprises a film industrial district (see Chapter 1). In other words, drawing on GI, I suggest that the film industry in Wellington can be understood as "a sizable and spatially delimited area of trade-oriented economic activity" specialising in film production (Markusen, 1996, p. 296). Film activities in Wellington include the interactions among companies, labour, consumers, and relevant institutions (Scott, 2005). Another important component is the cultural atmosphere that captures the cultural socialisation and provides the creative substrate for the film industry (Scott, 2005).

The Wellington film industry is, nonetheless, a small scale industry as my interviewees noted: "I don't know, whether you say that Wellington has an industry as such, I think it is a community of film production"; another observed: "It is a bunch of lone lunatics dreaming their dreams and then try talking other people into helping them making it {…} except one or two of those lunatics, like Peter Jackson, have actually managed to attract […} a satellite of Hollywood." The last comment also captures the two models of production in Wellington, the local and satellite models. Following Markusen's

(1996) classification of industrial districts, I argue that both models comprise a hybrid 'state-anchored/satellite' industrial district. The previous quotations also validate the ongoing debate that questions the existence of an industrial complex with real financial and infrastructural capacity (Conor, 2004; Jones & Smith, 2005). This contrasts with celebratory government and media accounts based on gross revenue growth (but not profits) in satellite film production. However, there is a lack of academic studies that examine the structural underpinnings of the challenges the Wellington film district faces. In order to conduct such an examination, chapters 7 and 8 pay attention to the interactions among the district's components by drawing on GI theory and of concepts of industrial organisation highlighted in Chapter 2. Those analytical concepts are used in the next chapters to evaluate the generation of sustainable outcomes in the form of dynamic interrelations among the district's components.

Patterns of Cultural and Geographic Organisation

Cultural atmosphere and urban agglomeration

In this section, I briefly discuss how the 'urban settings' in Wellington, understood as the configuration of certain socio-economic practices embedded in a particular place (Scott, 2000a), have facilitated specific forms of cultural socialisation, which in turn have mobilised a unique creative community.

The Māori tribes that have lived in the Wellington region for 650 years have appropriated the geographic and natural features of the area to their mythology (GWRC, 2014). Similarly, such landscape features remain central in today's post-colonial understandings of social dynamics in the city which is surrounded by the sea and the hills. One interview participant described Wellington as "a pressure cooker, even geographically, if you look at this amphitheatre of hills, and all that energy feeding down to the centre." Wellington is a small city of 191 000 inhabitants (SNZ, 2013d) but it was described in one tourist review as "the best little capital" (Lonely Planet, 2010).[24] As the political capital of New Zealand, Wellington agglomerates national government institutions and public service workers including several screen-related government and quasi-government agencies such as the Ministry of Cultural Heritage (MCH), the New Zealand Film Commission (NZFC), New Zealand On Air (NZOA), the Film Archives,

[24] It ranked as the fifth eco-city worldwide and the twelfth for best quality of living (Dickison, 2010; NZH, 2014; WAP, 2014).

New Zealand On Screen, and Film NZ. Wellington is also considered the cultural capital of New Zealand as it concentrates cultural organisations such as museums, theatres, and artistic companies like the national ballet and the symphonic orchestra (WCC, 2014). There are specific film-related events and organisations, such as film festivals, the Wellington Film Society, independent and mainstream cinemas.

In a visit to Wellington, academic Richard Florida considered it a "creative city" as compared to other cities in the country, Wellington has high levels of tertiary education, employment in the creative sector, ethnic diversity and tolerance, all of them claimed to be key to attracting a "creative class" (Florida, 2003; Volkerling, 2004). However, according to Volkerling Wellington's cultural atmosphere has been the product of "the interaction between unintended consequences of policymaking; the purposive public sector reforms of the 1980s; and a combination of recent civic activism and serendipity" (2004, p. 6). The city, he explains, was established by British settlers in 1839 who purchased land from Māori leaders and applied a "grid-style town" designed in Britain but when they transposed it onto "Wellington's rugged landscape {…} the CBD had to develop on the narrow strip of land between {…} [the] hills and the harbour edge. This has led to a density of urban land use unusual among New Zealand cities" (Volkerling, 2004, p. 7).

Many years later, in the 1980s and 1990s the city was also shaped by liberalisation and privatisation policies (Volkerling, 2004). A series of activist mayors oversaw the redevelopment for housing (Volkerling, 2004) and fostered new markets in services to attract investment and tourism (Huffer, 2012). For instance, warehouse and commercial buildings were developed into apartments; the retail sector was upgraded—with a European street culture influence—as a visitor destination for lifestyle consumption (Volkerling, 2004). Furthermore, the Wellington City Council (WCC) increased the city's branding through the establishment of a hub of entertainment and nightlife (Huffer, 2012). Environmental and multicultural policy agendas at the time added to the open-minded attitude in the city (Volkerling, 2004). I argue that all of these factors shaped the city's current character, its density, walkability, thriving street life, culinary and café culture, which are not only "part of its identity" (MCH, 2012b) but facilitators of networks of socialisation and cultural consumption (Stahl, 2011).

Nowadays, Wellington is also the film capital of New Zealand, on account of the unexpected commercial success of Peter Jackson, adding to the creative reputation of the city, and the origin of its nickname, Wellywood (Maclean, 2014; Volkerling, 2004). The amount of film gross revenue from film received by Wellington from overseas has made it the centre of film production and post-production activity in the country (SNZ, 2010b), and a place that has rivalled Auckland in the last years (Cairns, 2010; DP, 2006).[25] Wellington concentrates film production, auxiliary services, labour markets and film-related institutions which, according to GI theory, provide industrial districts with advantages over other regions; they reduce transaction costs, facilitate flows of information and the recruitment of film workers (Scott, 2000a). Those factors give Wellington a clear advantage over the rest of New Zealand, with the notable exception of Auckland which is a strong competitor, having the largest amount of screen production companies (see Map 1) and synergies with the television industry, in which it specialises (Strathdee, 2008). Nonetheless, Wellington's urban externalities entail general auxiliary services (such as transportation, administration, accounting, legal and telecommunication services) and a specific cultural atmosphere that facilitates certain types of filmmaking. For example, Wellington's specialisation in post-production benefits from the "highest concentration of web-based and digital technology companies per capita in New Zealand" attracting information technology workers and providing the city with data connection infrastructure (GW, 2014).

The interviews showed that film practitioners enjoy Wellington's cultural atmosphere, cosmopolitan taste, and living standards. The cultural life of the city and, in particular, its film culture, which predates Peter Jackson's success, is celebrated,

> there is a history of Wellington being, not necessarily the financial power house, but being the creative power house of New Zealand filmmaking. I mean this is where Geoff Murphy, Roger Donaldson…, they were all Wellington based people and they were very much, sort of, the foundation of the industry and they all shared their old flats in Aro St. So there is a tradition in Wellington of people making films. And also I think there is a tradition here of people writing, and nothing starts without writing.

Furthermore, the theatre scene is one of the city's strengths and part of its cultural capital.

> Wellington has always had a strong theatre scene, we produce actors, workers, writers, directors, designers and so on, mainly that is the source. I mean if you are a young person

[25] Statistics New Zealand reported that "Wellington overtook Auckland in revenue from film production in 2009" (SNZ, 2010a).

> in Wellington and you want to go to somewhere where there are other people trying out ideas you can go to Bats [Theatre], that is what you do.

The city also has “a thriving independent cinema business” and “for going to the movies it is maybe the best city in the world” suggested some interviewees. The interviews highlighted the effect of the city’s density on community ethos. For local independent producers the compact nature of the city is an advantage:

> I think Wellington being a little bit of a village, anyone can know each other, it could be a good or a bad thing but it does make me connect easily in some aspects, {…} Wellington is great because it is so tight.

The general perception is that the condensed organisation of the city generates a sense of community: “in Wellington it is possible to get a low budget film made by just enthusiastic people in a way that is not possible in Auckland”. One participant commented, “Wellington people come together to help each other out. Auckland is a bit more cut-throat, a little bit more savage.” Likewise, another practitioner said,

> the difference in Auckland and Wellington is dramatic. {…} It is just a totally different ethos up there whereas down here they want to be involved and I think that is just a Wellington thing. {…} it is just that sense of community about Wellington city that Auckland is too big to have.

Despite Wellington being more film-friendly, Auckland is recognised for having greater consistency of work, better facilities and being cost-efficient for independent producers. This is due to Auckland being the largest populated city in the country and its derived economies of scale.[26] One public servant explained: “population always attracts businesses and people.” However, as another interviewee commented, the lack of funding in Wellington does not equal a lack of creativity and somehow catalyses a collective approach.

One participant noted Auckland is “more professional” but “Wellington is going to be where the experimental things happen, where your art-house side of New Zealand is going to happen, because that is the stuff that seems to be getting creative people together and just do something.” This sense of community resonates with Stahl’s study of the music scene in Wellington which has developed “social relationships that are explicitly cooperative and collaborative in {…} a ‘Do-it-together’ approach.’” In fact, Stahl adds, this ethos develops “an aesthetic politics that often disavows commercial

[26] 1.42 million in the Auckland region (SNZ, 2013d).

impulses, thrives by cementing its autonomy, and distance from the mainstream" (2011, p.148).

In summary, my respondents' accounts note the existence of experimental and collaborative creative dispositions imprinting a specific filmmaking culture in Wellington. Following the academic literature, I argue that such tendencies are bound to forms of socialisation facilitated by the city's urban settings, agglomeration (of services and institutions) and history. I now consider how the creative elements are supported by local policies to venture in the production system.

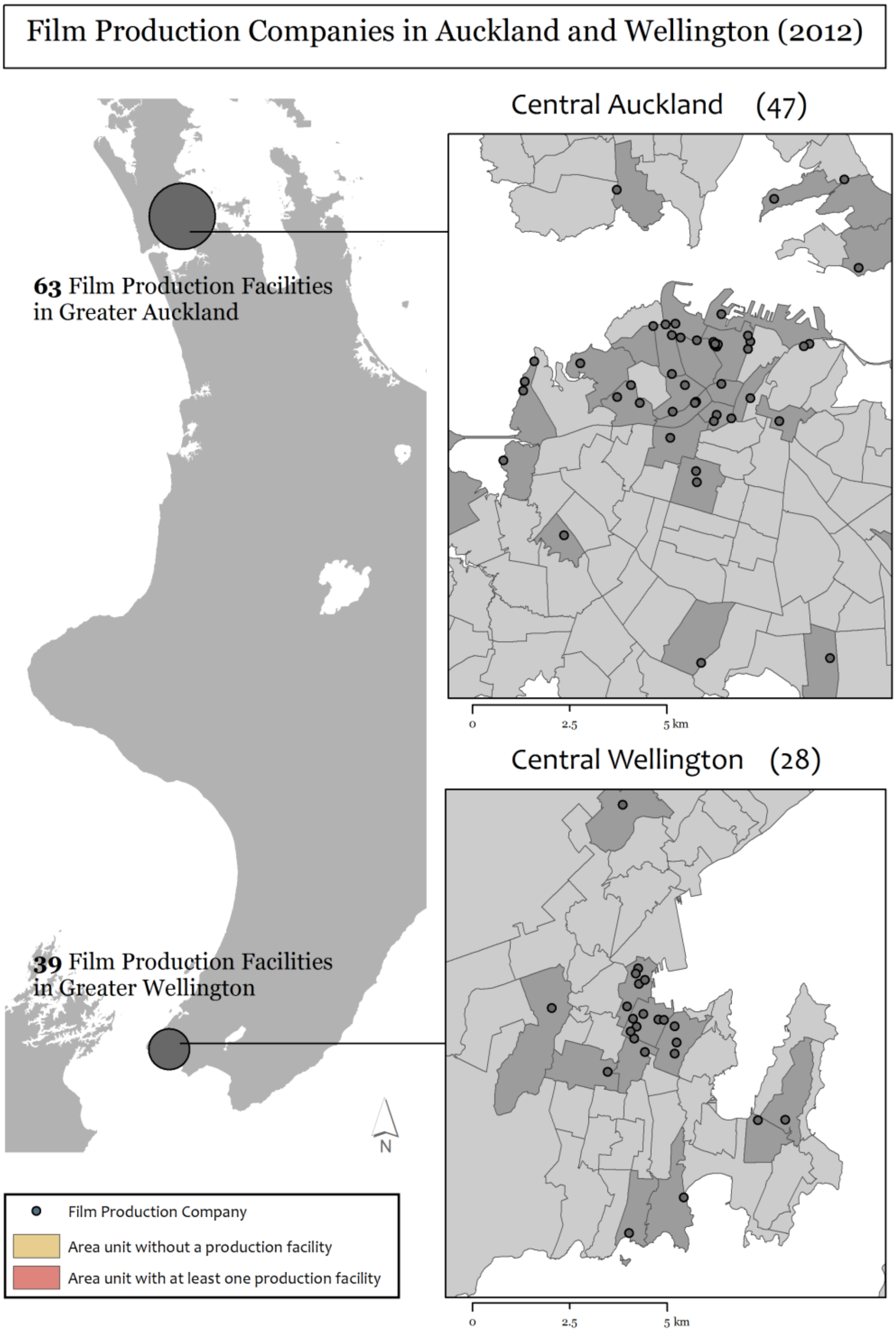
Cultural disarticulation from the city's political and industrial landscape

In this section I establish links between my interviewees' perceptions and a sample of studies that have expressed concerns over the "unequal economic and cultural flows" (Huffer, 2012, p. 252) that underpin Wellington's urban policy in relation to its cultural activity. They highlight the special advantages given to commercial and marketable interests in the areas of music, film-making, and film-going (Beatty & Lawn, 2005; Huffer, 2012; Stahl, 2011).

In his study of the eclectic music scene in contemporary Wellington, Stahl (2011) observed that practices of the indie music scene overlap uneasily with the WCC's policies based on creative entrepreneurialism. The latter favours giving support to internationally marketable cultural manifestations which makes other creators "claim a space outside" certain policy frameworks (Stahl, 2011, p. 156). As the following sections will discuss, similar perceptions were voiced by independent film-makers interviewed here. Likewise, in his study of cinema exhibition in Wellington, Huffer identified that the New Zealand Film Archive and the New Zealand International Film Festival provide a space for exhibition of New Zealand films within the city centre but "the Council's investment in (them) {…} pales in comparison to the support that they provided for the refurbishment of the Embassy" (2012, p. 258).[27] The latter is a cinema leased to the second largest theatrical chain—Event Cinemas—that favours Hollywood distributed films. Huffer (2012, p. 258) argues that the WCC "highlights the primary purpose of film as income generating", as part of "the market-led approach to culture" in post-industrial cities.

[27] Based on support for the *TLOTR* premieres held there.

Figure 28 Map of film production companies in Wellington and Auckland, 2012



Note. Own elaboration with data based on *The Data Book* (Onfilm, 2012), complemented and updated through the New Zealand Companies Office (MBIE, 2014a) and production companies' Internet sites.

The following sections illustrate similar conclusions based on participants' perceptions of the disconnection of governments and markets from the independent grassroots of filmmaking in the city. For instance, a film facilitator commented on the government's involvement in the film industry, "I think it looks better for them to be involved in *The Hobbit* and that sort of stuff because they can show media, so it is all to bluff people." And a film producer speaking specifically about the WCC said, "for them it is easier to jump in with the big guys." Comparable comments were articulated by a musician cited in Stahl's study (2011, p. 156): "[The official cultural capital] is a bunch of bureaucrats talking about things they are not involved in, and that they don't really support, but are happy to cash in on if they think it might make the city look better." Parallel perceptions of local film-makers underlie the issue of local creative disconnection from the industrial productive activities.

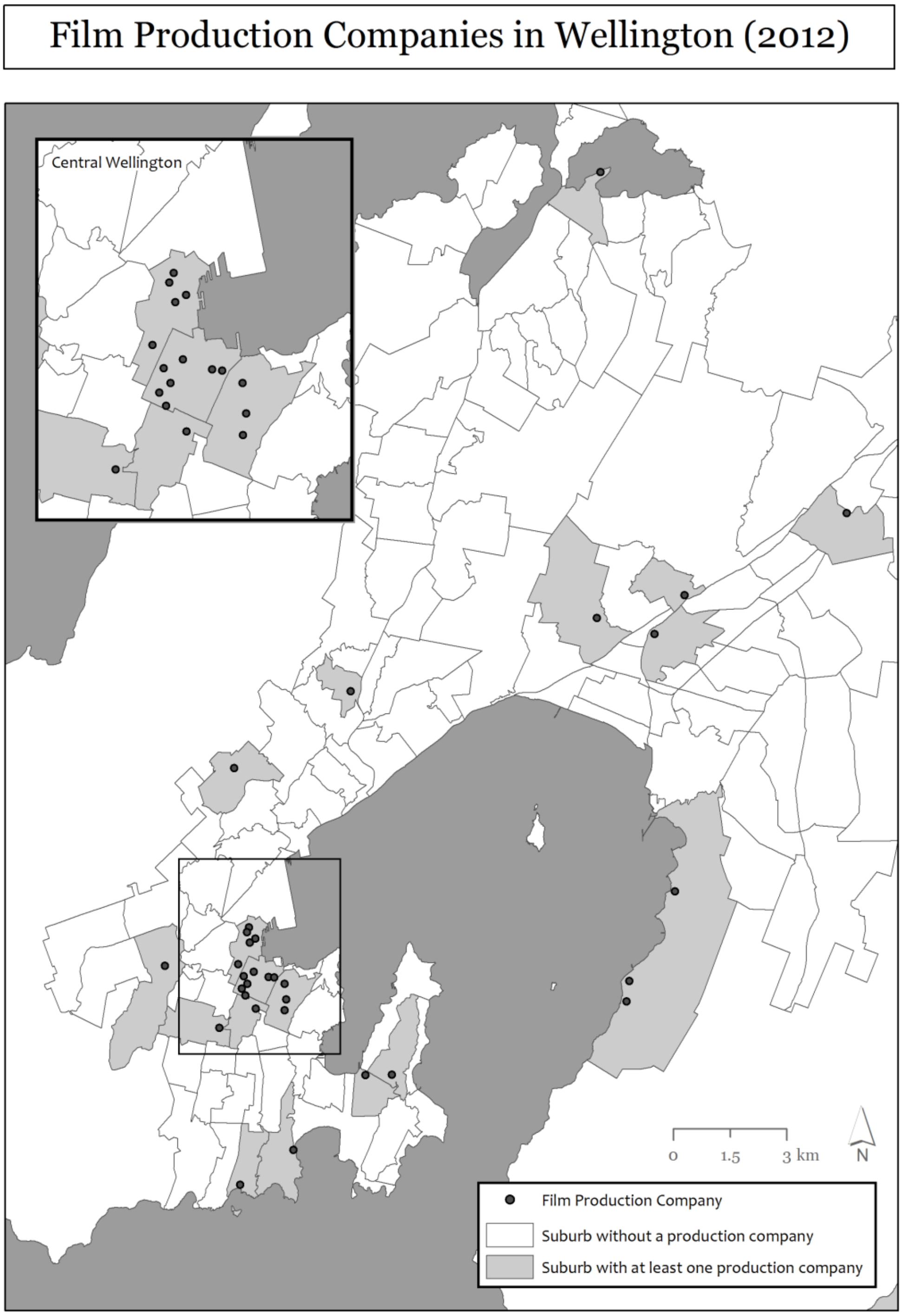
Screen Production in Wellington

In this section, I provide an overview of the bi-modal screen production district in Wellington as background to examining its embedded relational dynamics later in the chapter. Wellington is favoured by its status as the capital of the country. For example, in the 1960s and 1970s government headquarters for agencies such as the National Film Unit, the New Zealand Film Commission, and the national television broadcasters were located in Wellington (see Chapter 6). Some interviewees described the scenario in the 1980s-90s.

> Wellington was where the film industry renaissance started and where it was substantially sited at the time. It was the headquarters of commercial production, it was the headquarters of TV production {…}, the leader independent production company was here {…} very much the film capital at the time.

Other interviewees recount the active production of local, low-budget films, British TV mini-series, and the presence of several advertising agencies producing television commercials. The latter, "provided the infrastructure for dramatic filmmaking." Production companies "made regular income from shooting commercials" and they supported service providers. The film industry at the time employed around 200 to 300 workers who had regular work. It was a small but "a totally viable business", "it was sustainable, it kept bubbling along".

Figure 29 Map of film production companies in Wellington, 2012



Note. Own elaboration with data based on *The Data Book* (Onfilm, 2012), complemented and updated through the "New Zealand Companies Office" (MBIE, 2014a) and production companies' Internet sites.

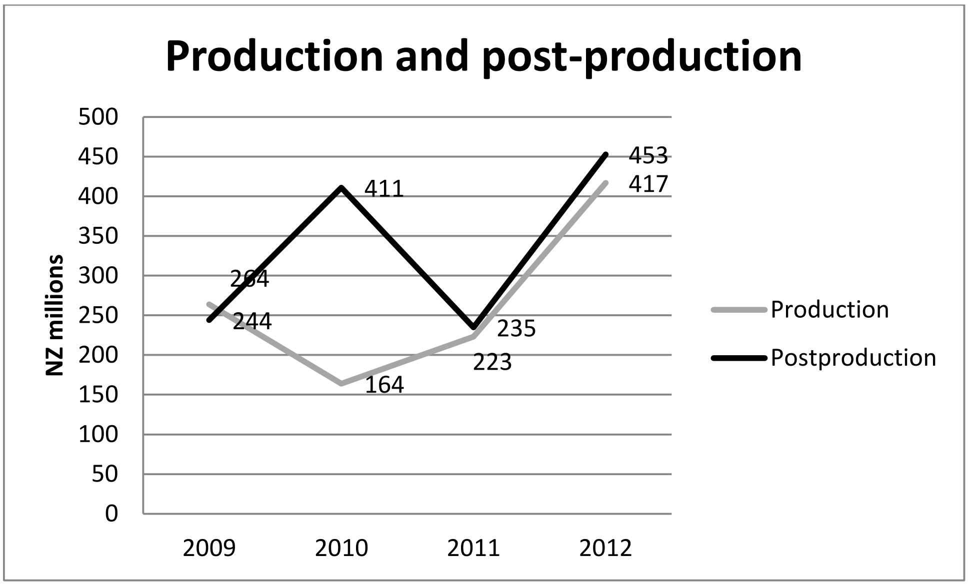
However, in the early 1990s, many advertising agencies closed their Wellington's offices or moved their television producers to Auckland; likewise TVNZ (the state-owned broadcaster) moved, taking with it the basis for the industry (DP, 2011). Some participants suggested that those changes took place because of the market crash of 1987, which forced companies to cut back and pick Auckland for its bigger market size. It was also suggested that the shift from TVNZ was politically driven: "A lot of people thought it was basically the National government at the time that thought TVNZ was a too left wing organisation and they didn't like it, and then the Wellington spin on decisions will be made by Aucklanders".

Around the same time Peter Jackson's *The Frighteners* (1996), a New Zealand-US production, set the conditions for the director to enter the blockbuster Hollywood film market with *The Lord of the Rings* (2001, 2002, 2003), introducing the satellite model of production to the city. Since then, Wellington has had at least two different film production models, the Hollywood-satellite production based in the suburb of Miramar and local production spread around the city. One participant observes, "it went from being a very small and stable industry to being a massive but very cyclical industry, {…} it has changed beyond recognition in the last 15 years."

This section analyses film production companies in terms of these two models, which present differences with regard to size, budgets, revenue, activities, outputs, and so on. This distinction is especially important as celebratory political statements, based on official statistics, tend to neglect the disparities between the satellite model and the local model. In focusing on these disparities, I hope to expand the understanding of dynamics of the industrial district.

As Figure 30 shows, production and postproduction gross revenue (not profits) in the district is highly volatile and due to its bigger scale it reflects mainly the impact of satellite blockbusters being made in Wellington.

Figure 30 Screen production and post-production gross revenue in Wellington, 2009-2012

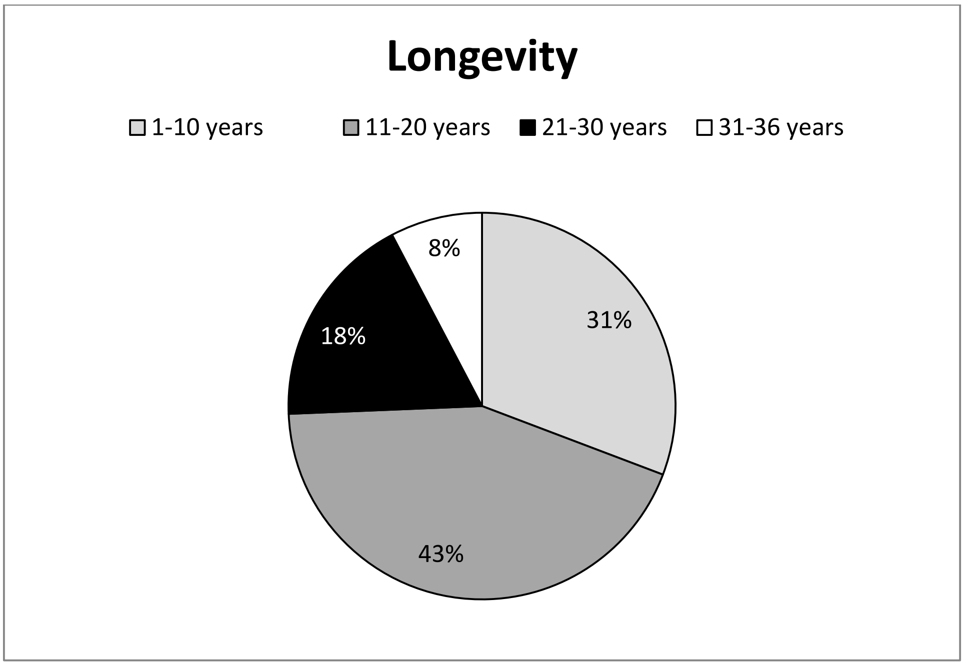


Note. Own elaboration based on Screen Industry Survey (SNZ, 2013c). Includes production companies, contractors (sole traders), and services, television and other audio-visual production.

The ephemeral project nature of films causes the number of production companies based in Wellington to vary from year to year. However, there is a group of long-lived firms. According to my own calculations there were approximately thirty-nine screen production companies in the Wellington region in 2012–2013 (see Figure 29). This number differs from official statistics which estimated the existence of 450 screen business in the region by 2012 (SNZ, 2013c). As mentioned in Chapter 5, the official figures include contractors and auxiliary services, not strictly production companies.[28] Misinterpretation of official data could lead to celebratory statements like that made by Gisela Carr, CEO of NZ Film, who commented on official numbers: "[there are] multiple *companies* out on Miramar peninsula and that diversification's very good for Wellington" (emphasis added) (McNicol, 2013b). I argue that the ambiguous use of "companies" conceals the difference between production establishments, services, and individual workers, despite their distinct economic roles. This research found that the only production companies working in Miramar are Peter Jackson's, which disputes Carr's assertion on Miramar's diversity.

[28] I use a definition of a screen production company as an establishment with a physical location that is primarily engaged in the production films and other audio-visual products for commercialisation. I distinguish them from individuals (freelance workers or sole traders); post-production and services establishments; as well as from enterprises that might own several establishments (INEGI, 2002). The Screen Industry Survey of Statistics New Zealand does not distinguish among those economic activities.

Figure 31 Percentage of film production companies in Wellington by longevity, 2012–2013



Note. Own elaboration with data based on *The Data Book* (Onfilm, 2012), complemented and updated through the "New Zealand Companies Office" (MBIE, 2014a) and production companies' Internet sites.

The data I collected shows in Figure 31 that 26% of the screen production companies in Wellington are "long-established" as well as "mature" companies which have been in business for more than 21 years. However, the majority of companies (74%) are "middle-aged" and "young" companies which have been in business somewhere between one and 20 years. Long-established and mature companies came to existence in the context of the creation of the NZFC and the tax breaks for the local production in the 1980s. Middle-age which were companies funded in the 1990s and early 2000s, have coexisted with the establishment of the Miramar satellite complex.

Flexible production

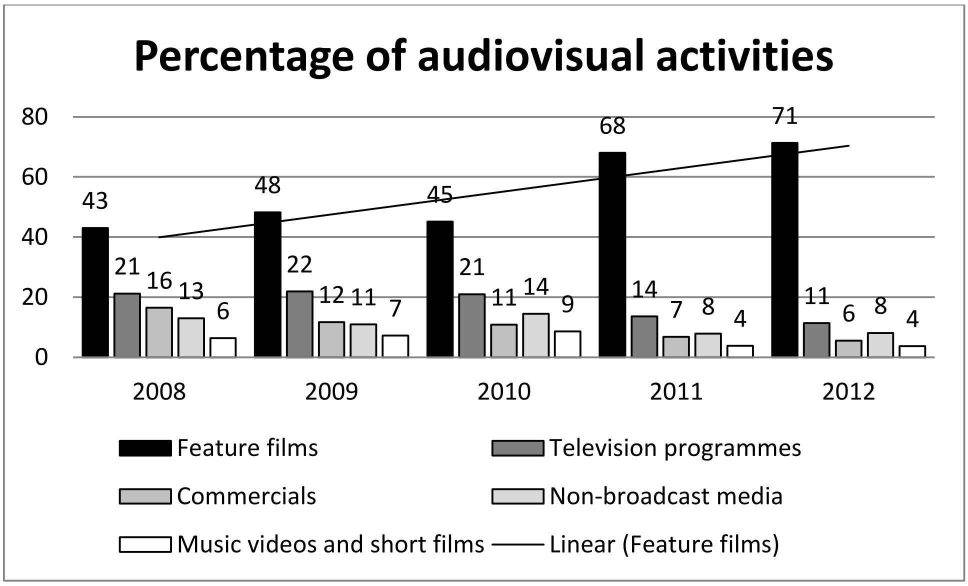
The industrial organisation of the film and screen industry in Wellington is characterised by flexible production meaning that labour, equipment, inputs, and diversification of goods can quickly adjust to changes (Storper, 1997). I now outline the indicators of companies' flexibility which allows them to save costs and adapt to the project-based model. The latter is dominant in contemporary audio-visual production (Blair et al., 2001).

Firstly, a great number of the Wellington production companies are registered as limited companies which give shareholders a limited liability when dealing with uncertain environments (MBIE, 2014b). There are also a few producers operating as sole traders—self-employed, freelancers, or single operators (IRD, 2014)—who have full personal responsibility over their business liability and whose businesses do not require any formal or legal process to be set up. This is again suitable for high levels of uncertainty and work casualisation (Hesmondhalgh & Baker, 2011).

Secondly, as Figure 32 shows production companies are diversified in various audio-visual activities. Thus they are able to create alternative streams of revenue for the company as they offer those services to third parties. Feature films represent the activity engaging the highest number of businesses.

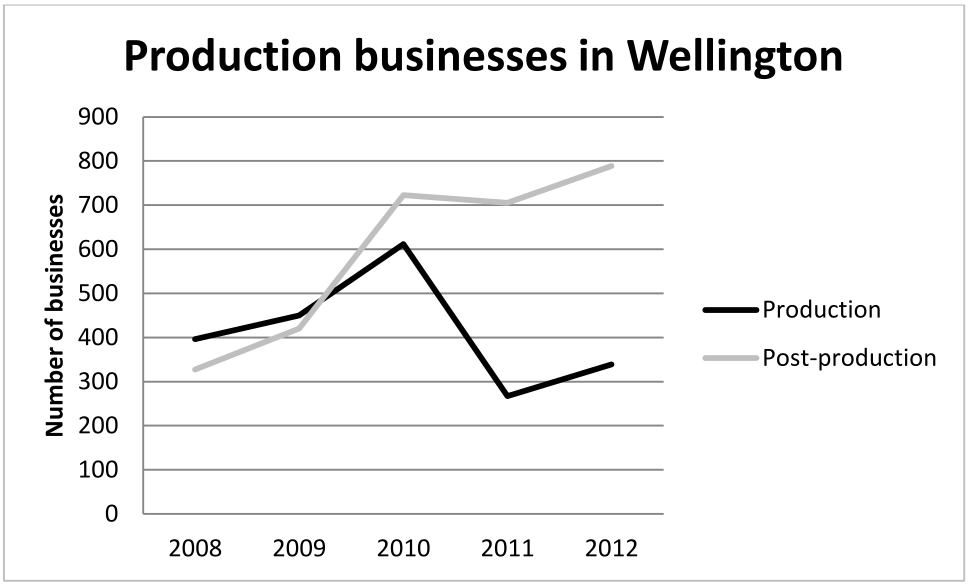
Thirdly, according to official data shown in Figure 33, post-production businesses grew at a greater pace than production businesses. This reflects the characteristics of satellite activities in Wellington which provide service work and are highly post-produced.

Figure 32 Audio-visual activities performed by production companies in Wellington, 2008–2012



Note. Own elaboration based on Screen Industry Survey (SNZ, 2011, 2013c). Includes production companies, contractors, and services. One company or contractor could engage in several audio-visual activities.

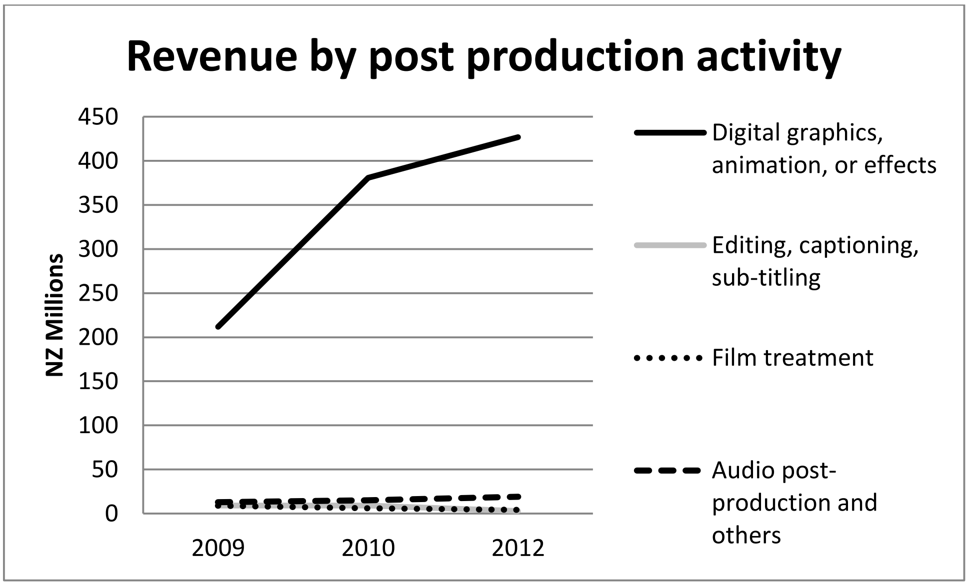
Figure 33 Specialisation in production and post-production in Wellington, 2008–2012



Note. Own elaboration based on Screen Industry Survey (SNZ, 2011, 2013c). Includes production companies, contractors, and services.

Furthermore, post-production activities are specialised in visual effects such as computer graphics and animation (see Figure 34). In 2012, visual effects represented 94% of the entire post-production revenue in Wellington (SNZ, 2013c). However, the next section will critically discuss the "significant dominance of Weta Digital in visual effects" within the district (McNicol, 2013b).

Figure 34 Specialisation in visual effects in Wellington, 2009–2012



Note. Own elaboration based on Screen Industry Survey (SNZ, 2013c). Includes production companies, contractors, and services.

The interviews suggested that flexible production characteristics are also a response to companies' undercapitalisation. They showed that despite the rise in film production and post-production gross revenue in the district, most production companies in Wellington find it hard to capitalise. This confirms Jackson and Court's report which observed that at the national level: "Few producers have sufficient capital to properly fund their operations or develop their businesses. Most limp from project to project" (Jackson & Court, 2010, p. 61).

As mentioned earlier on, the limited amount of private capital involved in the local film industry has generated a dependency on state subsidies (MED, 2012a; Pinflicks Communications & NZIER, 2003). However, the exact figures for government funding and overseas financing for Wellington are not available in official statistics as they are confidential (to protect the commercial sensitivity of a few Miramar companies that concentrate these activities). In the next sections, I deal separately with the satellite and domestic models in order to tease out their main differences.

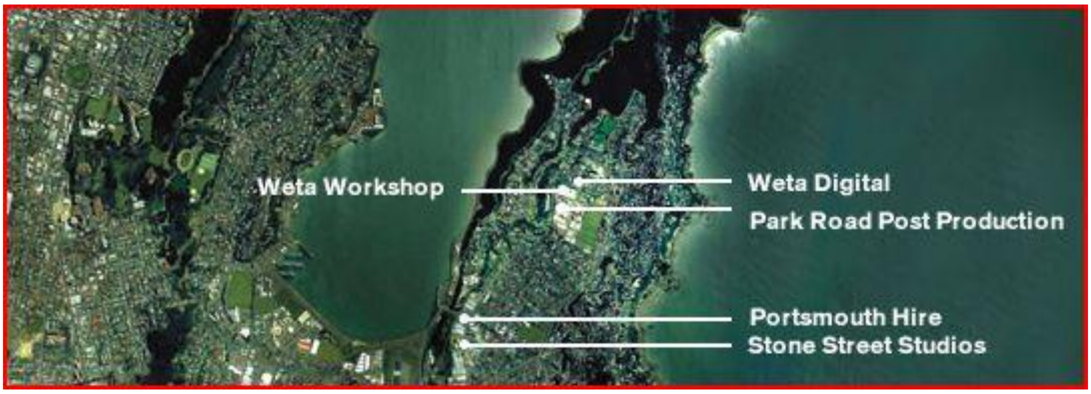
The satellite production model: The Miramar complex

The Miramar cluster in Wellington has been built around the core activities of WingNut Films, Peter Jackson's production company, which was founded in 1988. As Jackson's projects grew in size, he and his associates gradually developed a cluster of film facilities on the Miramar Peninsula as shown in Figure 35 (Finlay, 2006). Today, the facilities include physical effects (Weta Workshop), digital effects (Weta Digital), merchandising (Weta Ltd.), studios (Stone Street Studios), post-production services (Park Road Post)[29], and equipment services (Portsmouth Hire). Just recently a commercial movie theatre, The Roxy, was added to the list as well as *The Hobbit* trilogy's project-based company, 3 Foot 7.[30] Pukeko Pictures is another company in Miramar focusing on children's animation and, recently, on adult drama (Jackson & Walsh, 2013; Roxy Cinema, 2014). Together, Miramar production companies[31] account for 7% of all the production companies in the district (see Figure 36). The degree of infrastructure developed by Peter Jackson is "a very substantial investment by any one's

[29] Previously the National Film Unit, bought by Peter Jackson (Finlay, 2006).
[30] 3 Foot 7 is a company established for *The Hobbit* trilogy from 2009. The company 3 Foot 6 was established for *TLOTR* in 1997.
[31] WingNut, 3 Foot 7, and Pukeko Pictures.

measure" as a local filmmaker comments.[32] Jackson's personal fortune is estimated to worth $NZ585 million (Theunissen, 2014).

Figure 35 Map of the Miramar complex



Note. Weta Digital (2014).

WingNut Films and Weta Digital are the biggest film production and visual effects companies, respectively, in Wellington and the whole country, regarding their scale of operations, financial as well as employment capacity. Following the blockbuster model Miramar is renowned for producing the films with the largest budgets in world cinema history. These are 'global' content and fantasy films such as *King Kong* (Jackson, 2005) and *Avatar* (Cameron, 2009) with a wealth of computer graphics and special effects. Films such as these are the product of Jackson's successful commercial partnership with Hollywood as well as Miramar's ability to capitalise from New Zealand government tax rebates. Those two factors underpin the rapid growth of the Miramar cluster which represents a hybrid version of Markusen's classification (1996). On the one hand, it exhibits characteristics of satellite activities such as an assemblage of "branch plants embedded in external organization links"; on the other, it resembles state-anchored activities supported by "one or more public-sector institutions" (Markusen, 1996, p. 296).

Examining WingNut Films' projects in the last two decades and their production networks through their credits, it is possible to map the companies that Miramar works with and the frequency of relations they establish (see Appendix E) (IMDB, 2014a). As a result, it can be inferred that Miramar works on the basis of a pragmatic business structure combining characteristics of vertical integration and vertical disintegration.

[32] To give some examples, Park Road Post was estimated to cost $NZ50 million and Stone Street Studios, $NZ10 million (PWB, 2006; Xoanon, 2006).

On the one hand, Miramar companies show organisational characteristics of vertical integration, as they share a common ownership and each of them contribute in the supply chain towards a common product. Firstly, they are all co-owned by Peter Jackson and his closest collaborators (Richard Taylor, Fran Walsh, James Williams and, Jamie Selkirk). Secondly, they work for in-house projects providing different inputs through the stages of the value chain along the phases of production. For instance, they have pursued WingNut Film's projects like *The Lovely Bones* (Jackson, 2009) and *The Hobbit* trilogy (Jackson, 2012-14) from pre-production, studios, equipment, special effects to post-production and visual effects. As Taylor explained: "We are in the process of trying to put together a {…} totally vertically-integrated entertainment company" (Finlay, 2006, p. 36).

On the other hand, the Miramar complex's companies display characteristics of vertical disintegration in their organisational flexibility. They are constituted as separate independent entities and encompass different levels of vertical disintegration. Firstly, when they are not working for in-house projects, they work independently undertaking service work for other international and national projects. Secondly, WingNut Films establishes partnerships and outsources work to international service companies in many production areas, especially when a project's magnitude requires services that exceed Miramar's capacity. Thirdly, and most importantly, Miramar's development has depended on engaging with Hollywood's vertically disintegrated studios as it relies on them for financial investment and distribution of films.

This dual vertical integration-disintegration strategy has allowed Miramar to capitalise in such a way as to allow it to undertake its own creative projects while growing rapidly, despite the difficulties that the rest of the industrial district in Wellington faces.

Such is the scale of Hollywood satellite blockbusters that Weta Digital and a couple of medium-sized animation companies—Pukeko, co-founded by Richard Taylor, and thus, related to Miramar, and Karactaz, which provides work for Hollywood majors (McNicol, 2013a)—are mostly responsible for the increase of 30% in Wellington's screen production revenue, driven primary by animation, from 2005 to 2012 (SNZ, 2006; 2013c).

In 2010, 16% of the screen industry business in New Zealand spent an average of $NZ106, 000 in research and development (R&D). However, as an official study points out, “R&D is concentrated in a few businesses” (MED, 2012a, p. 6). The Miramar companies are the leading innovators in New Zealand regarding state-of-the-art computer graphics, motion capture, 3D stereoscopic technologies and 48 frame rates. It could be inferred they concentrate the highest R&D expenditure in Wellington and in the New Zealand film industry.

Weta Digital, for example, developed tools for emotion capture, that is, computer graphics (CG) of facial performance from motion capture. Although the motion capture techniques were already in use, for its movie *Avatar*, James Cameron chose to work with Weta after seeing that the character Gollum that Weta had produced for *TLOTR* had improved facial emotion in greater detail (Duncan & Fitzpatrick, 2010). However the challenge was that in *Avatar* almost everything required CG. A team in Weta re-examined the CG tools developed in the 1980s that were still in use despite improvements in computers' speed and memory in 2006. The result was building computer models with anatomically accurate muscles and facial rigs—the internal structures that allow animators to bend the character into a desired pose (Slick, 2015): “Weta modellers built geometries that simulated real muscles, fat and skin {…} [that] made for a more labor-intensive modelling effort at the beginning but it would produce far more believable animated characters at the end” (Duncan & Fitzpatrick, 2010, p. 234). Based on Duncan and Fitzpatrick (2010) description, it can be inferred that the type of relationship between Weta as a service provider and its clients, the *Avatar* producers, was based on intensive collaboration, communication and feedback which allowed the former to provide a customised service. Weta's capacity to research, experiment and iterate to match the specific requirements of *Avatar* producers conferred both, the service provider and the client, with a competitive advantage based on a high-road strategy: it was the first film ever to achieve those photorealistic CG shots.

Miramar's animation activities have been steady, yet, live action filming activities suffer from erratic production due to cyclical periods in which projects are being filmed, for example, one blockbuster every two or three years followed by quiet periods (Burges, 2010). Although Miramar is able to support a core of workers, as Richard Taylor explains “if we were truly successful at a business level, we wouldn't have let a hundred people go at the back of *TLOTR*, because we would have another project on our doorstep” (Finlay, 2006, p. 35). Diversifying activities and doing service work are strategies to cope with this. For example, Weta Workshop has ventured in ancillary markets such as collectables because “the crew could immediately start creating those once their work on the film was over” (McFadden, 2009, p. 55).

The lack of continuous production is clearly the main challenge not only for Miramar but for the whole district in Wellington. It also raises questions about the efficacy of policies that have focused only on large-budget satellite productions as a model of economic development, despite the fact that such productions are highly dependent on tax rebates and are unable to provide a constant source of employment to film workers in the region (Rothwell, 2010). Despite the creation of tax incentives for large and small budgets (2003–2008), the boom and bust situation still threatens the satellite complex (e.g., The *Avatar* deal, see Chapter 6). The next section presents the challenges from the perspective of domestic production.

The local-independent production model

Preceding and coexisting with the Miramar satellite model is the local independent model. According to my calculations, 90% of the 39 screen production companies active in the Wellington industrial district are independent, as opposed to 10% of the companies with links to the satellite production model. For the purposes of this research, ‘independent’ is used to describe when a company’s field of operations rarely or never crosses paths with the satellite companies and major Hollywood studios. In turn, decision-making regarding objectives, strategies, content and transactions is assumed by the company itself and not determined by Hollywood.

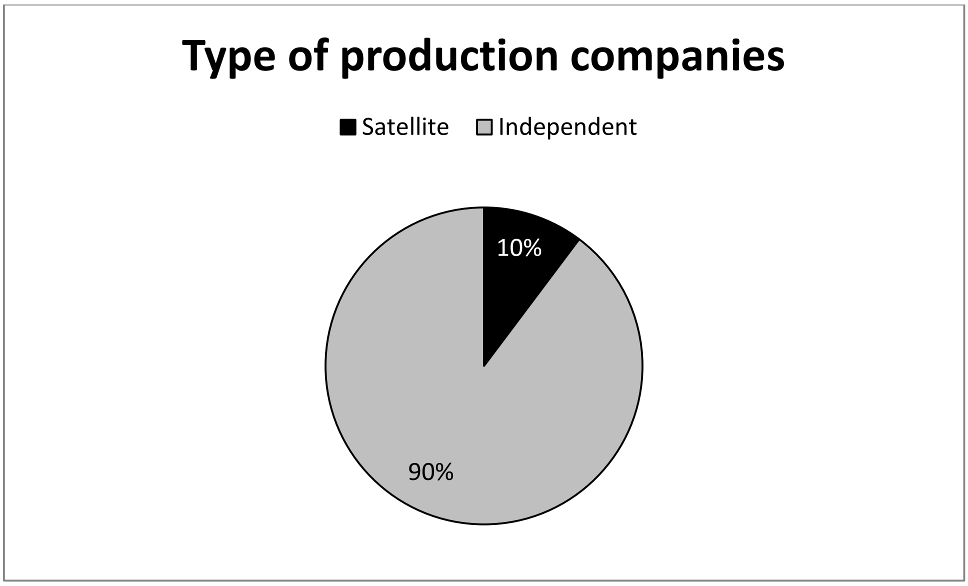
Data compiled in this research shows that the vast majority of independent companies in Wellington are mainly micro-enterprises—characterised by working-proprietors with zero employees—or small companies with up to nine employees. There are a few exceptions like Gibson Group which, with a staff of 16, falls into the category of a medium-sized enterprise (10–19 employees).[33] Notwithstanding, staff numbers for all these companies could increase significantly when certain projects take off and then downsize again during the project development phase (Campbell & Hughes, 2003).

As mentioned before, some screen production companies survive by diversifying their activities as content producers or providers of service work in various formats (such as commercials, visitor attractions, and animation). In the interviews one of these

[33] Definitions for Small and Medium Enterprises (SME’s) by MED (2011a).

diversified producers commented that, initially, the company was focused on generating good story-telling but they had recently faced greater pressure to move to more commercial and interactive audio-visual production.

Figure 36 Production companies by model of production in Wellington, 2012–2013



Note. Own elaboration with data based on *The Data Book* (Onfilm, 2012), complemented and updated through the "New Zealand Companies Office" (MBIE, 2014a) and production companies' Internet sites.

Except for a handful of highly diversified companies, the majority of production companies interviewed here, whose focus is primarily on making films, indicated that they were unable to sustain their operations apart from their production activities. In most cases projects could take years to develop while such producers and film-makers raised money in between doing other jobs within or outside the screen industry. Phrases like "just hanging in there", "struggling to survive" and "the odds of getting any money back are minuscule" epitomise the financial struggle of local producers. Another filmmaker commented, "I just spent seven months on it and didn't make a cent. Well, I think it was worth it. That is not a business decision it is a passion decision." Some film-makers think of themselves as being rather on the margins:

> We are not part of the industry because {…} the industry is profit-driven and [their production house] has nothing to do with commercial imperatives {…} there is a vast area of sponsored media production and I suppose we are part of it.

This sponsorship is not limited to state subsidies, and extends to film-makers personal capital, film workers voluntary work, crowdfunding and cooperative systems. Having said that, it does not mean that such local film-makers and producers do not pursue commercial returns through channels of distribution and broadcasting, but rather that they are aware of the difficulties to entering the commercial models. Despite the struggle to survive, one informant observed:

> we are a reasonable size in New Zealand but internationally we are very small. {…}. But I think that the problem you come up against is that the nature of a lot of independent producing people is that they are independent so they don't easily work with each other {…} that is an issue.

Another characteristic of independent producers according to interviewees is the small budget of their feature films, ranging from $NZ30,000 to $NZ5 million. An experienced producer put it in these terms: "the kind of films we make are primarily the Cinderella {…} we tend to make films that are sub 5 million or often very much less." In such circumstances it is common to find cost-saving strategies like multitasking within the core roles of writing/directing/and producing by one individual in many projects. One interview participant commented on his crossover roles: "I'd say I am a producer by necessity, I would never consider producing anyone else's work. I do it because I can and I need to for my own projects".

Independent producers have in common approaching filmmaking as personal projects, as an interviewee reflected:

> Why can't we bring the costs of films down and basically substitute scale and money for a kind of individual passion {…} even if you cannot afford all those big things it doesn't matter {…} what matters is your ability to actually harness that to an emotional story.

As mentioned in Chapter 6, it is that connection with stories and narratives that links the local production model to national policies that saw the creation of government bodies like the NZFC and NZOA in the first place. Like the satellite model, the local independent production model is also dependent on state support, in this case in the form of direct subsidies such as producer-driven contestable schemes for low- and medium-budget features, short films or television programmes. In order to get state funding from the NZFC, projects are required to comply with New Zealand cultural content, meaning "films that reflect New Zealand or New Zealanders" (NZFC, 2011, p. 6). The films produced under these schemes can give greater access to a wide range of New Zealand film-makers whose films can also "resonate particularly to New Zealand audiences", as mentioned by a creative interviewee. When seeking NZOA funding for television programmes, producers' projects are required to "reflect and develop New Zealand identity and culture, {…} promoting {…} Māori culture" as well as targeting special interest audiences such as "women, youth, children, persons with disabilities, [and] minorities in the community including ethnic minorities" (*Broadcasting Act,* 1989). Despite state funding being critical to the existence of the local industry in the film industrial district in Wellington, funding is "not enough" and local industry has not been able to move beyond dependency. These features coincide with Markusen's (1996) classification of state-anchored activities dependent on state institutions.

So far, I have described the characteristics of the satellite and local models of production. In the next section, I will examine the impact they have on each other and the links established between them.

Patterns of Industrial Organisation

Satellite and domiciled relations

This section examines relations among the satellite and the local independent production models described above. Few topics produced so much consistency in interview participants' responses as the conceptualisation of those two different models. However, the majority of responses contained ambivalent views of the impact of Miramar on local production. As mentioned in Chapter 2, GI distinguishes positive or negative externalities—the benefits or costs that an activity generates for third parties (Bator, 1958)—as well as interdependencies—functional collaboration where players learn from the experience and interaction among them (Nelson & Winter, 1982)—as central to industrial development. My interviewees acknowledged Miramar's positive spillovers but also identified important limitations and, in some cases, what I consider negative externalities. There are four major areas where synergies, disconnection or negative effects were perceived between local and satellite relations: the technical, creative, financial-production areas, as well as the film district's atmosphere.

Technical area

Earlier, some of the rationales for government support to the satellite model such as job creation and capability up-skilling were described (MBIE, 2012). Interviews confirmed that there are flows of crew from Miramar to the local industry and vice versa. A crew member commented "we all work in the same business", blurring the perception of having two separate models. There is also a wide perception that Miramar "has enabled a lot of people to get more skills {…} the more they work, the more they do, {…} the more they can bring to other projects, but that is more on a crew level." An industry facilitator mentioned this type of synergy: "they [Miramar] are hiring many people, training them up for the domestic market, so there is a correlation, {…} that is importing talent, using it to upskill the local talent."

Some producers who were interviewed commented on how their companies or projects benefitted from hiring former Miramar workers. For example, an independent producer had hired workers who had formerly worked on *Avatar* and Jackson's films: "So, even if they are set there, we have a core group of talented people and we can use their experience, {…} we can piggyback off by the skill set that is there." Another producer hired a former Weta Digital computer programmer: "we managed to get him after his contract working on a Peter Jackson film." Even a local exhibitor has benefitted and talks about the quality of staff: "a number of my staff have worked at Weta or Park Road." But the flow is both ways, as a policy advisor states "in making local films you build up a base of skilled crew and talent {…} that can work in these large projects [in Miramar]." These, I argue, are clear examples of positive externalities.

Another positive externality is the infrastructure available as a result of the satellite activities that built world-class facilities in Wellington. Although "too expensive" for the rest of the local film producers, the generosity of the Miramar technical facilities was a recurrent topic in the interview responses. For example, a producer received sponsorship for film processing:

> That was very kind of them, {…} we had no money, it was ridiculous. I wanted to shoot all the stuff on film so 'How the heck are we going to do that?' So, that is how we did it, by begging.

Other participants mentioned that Portsmouth (equipment hire) or Park Road Post (post-production) services "take some responsibility for assisting small firms" and are "prepared to do deals", "offer their services at a cost-recovery rate or lower than market rates for New Zealand producers." Park Road Post has a short-film package which includes discounts and mentoring (Onfilm, 2009a). They also support local film screening activities and "scanning of Archives' prints [from the New Zealand Film Archive] for high definition digital reproduction." Similarly, Weta Workshop's special effects have also engaged with local producers "on any project that is interesting" to them, a local government facilitator commented.[34]

Having said that, local producers' use of Park Road Post is also related to its leading position in the country and the world for technological expertise; as a producer noted:

> there is a weird sense of loyalty [to Park Road Post] that doesn't really exist, {…} [rather] there is sort of a monopoly situation that people are obliged to use, {…} for example, Dolby films sound is only able to be done at Park Road Post [in Wellington] or Digi Post in Auckland, so you would have to use one of those places to finish a New Zealand film because producers are scared to not follow the standards.

In other words, it is producers' necessity and not loyalty that drives them to use Park Road Post. Other Miramar facilities such as studios are simply unavailable for the local industry and tied to Miramar's international projects. That is also the case with Weta Digital which has always "been internationally focused {…} we don't have the budgets in New Zealand films to use these kind of services" as a local facilitator commented.

Overall, interviews confirmed commonly recognised perceptions by the media and the government that international productions have upgraded the technical and administrative skills of film workers as well as increased the technical quality of screen products in New Zealand (McCarthy, 2013).

Creative area

The satellite's synergies with the local industry are nonetheless limited in other areas of film work. A film director explains, "certainly there is [sic] people going in between those two [Miramar and the local industry] but only really at a technical level, they don't go to any senior level or at a creative level." Another film-maker confirmed this view: "for people like me, producer, writer, director, Peter Jackson has no use to me [laughter]. I think it is fantastic they've got their own things." Another producer that had worked in Jackson's earlier projects noted,

> in terms of mixing with them or even…, I would never consider going to Peter for a local New Zealand film. I mean {…} he really does his own projects. I guess partly because they would open the flood gates.

There is still little exchange of creative input and talent as Conor's (2004) research had discussed a decade ago. For example, WingNut Films' movies have used American and

[34] Other types of facilities like the Embassy and Roxy cinemas and Bats Theatre building were earthquake strengthened and renovated with the financial aid of Peter Jackson.

British stars with a few New Zealand actors who usually perform secondary roles. By the same token, scriptwriting is a close knit team of Jackson-Walsh-Boyens, with the exception of Jackson's earlier pre-satellite films in which he collaborated with local film-makers on movies like *Forgotten Silver* (Botes & Jackson, 1995). The perceptions of interview participants' on this matter are reflected in a film director's comment, "Peter Jackson doesn't employ any writers, well, he employs his wife and Philippa, and they are the key people. But they are not involved in developing other New Zealand writers." A local writer confirms,

> There has never been and it never would be a Peter Jackson film that is not written by Peter Jackson, Fran Walsh and Philippa Boyens. They have sorted that, they don't need any writers. They are a completely sealed environment to themselves.

This detachment is also present at the creative content level. A crew member noted, "*The Lord of the Rings*, I don't think they are New Zealand films, to me they are Hollywood films that are made by a New Zealand director in New Zealand." Similarly, a local writer argued that,

> Peter Jackson does a particular kind of filmmaking so he is making epics set in Middle Earth which are sort of very broad crowd pleasers. {…} And the sort of films that are our favourite films in the world are often films which are quite different to that. About real people, real situations, {…} commercially that might be great but artistically maybe there are better things you can do.

By the same token a service provider explained, "the films made in Miramar are entirely box office-related commercial focus and nothing to do with New Zealand content." I argue that it is in the creative area where a gap between Miramar and the local industry can be perceived.

Financial and production areas

The conceptualisation of Miramar by interview participants was that of a foreign model, "a different world", "removed from my daily reality" and "another planet." As a creative boundary spanner noted, Peter Jackson "has created in Miramar a little portion of Burbank {…} it is something that is happening over there, and we know about it but is not really something we interact with in any meaningful way." In the same vein, another participant commented, "He [Jackson] could be living in LA and doing everything that he does over there, and there wouldn't be any difference to our film industry, which is completely separate to what he does." And the references to foreign-ness continued to appear. Another local producer suggested, "In some ways it is helpful to think that Miramar is an island that is off the shore of California. It is conceptually a better way to think about it than it is part of the local or the domestic industry. Certainly financially it is not. It sort of happens to be in New Zealand." Another producer in a medium-sized said that at the financing and distribution level "there is no connection at all." A creative boundary spanner commented how "the Jackson Empire" added a "whole new equation which is the importation of production {...}, they are essentially funded from offshore." This observation was shared by producers that have worked on Jackson's projects in the past:

> Peter and Fran are incredibly removed from the New Zealand film industry. In terms of other producers, not of course in terms of their crew and cast, they are really in their own world {…} They are not horrible or arrogant, they are just very busy and they just chose to be like that.

Examining the titles produced by Miramar (IMDB, 2014a), it is evident that there are no co-financial or co-production activities between Miramar and the local production companies, except for sponsorship of technical facilities. On the contrary, WingNut Films often establishes project-based partnerships with transnational and international companies. For example, at a financial and co-production level WingNut Films has established associations with major Hollywood studios or their subsidiaries, Warner Brothers (New Line Cinema), Sony (Columbia Pictures, TriStar Pictures), Viacom (Paramount Pictures, Nickelodeon), MGM and Universal Pictures. As mentioned in Chapter 5, majors form an oligopoly that controls the most extensive network of film distribution channels in the world. The other production companies that WingNut has worked with include large international players such as US Amblin Entertainment, DreamWorks and UK's Film 4 (IMDB, 2014a). In sum, the financial-production area shows no functional interdependencies established between Miramar companies and local independent production companies.

Atmosphere

Despite feelings of detachment from Miramar, interviewees from the local production model acknowledge the positive externalities from both models co-existing in the film district. The buzz around Miramar, some said, worked as a branding strategy; it gave the film industry an important place in public opinion and international visibility. A producer in a medium-sized local company commented: "The main advantage of

Miramar is that if you travel overseas and you say you are from Wellington, then they believe that there is an industry here {…} it is only a broad marketing plus."

Participants also concurred on Miramar contributing positively to a collective psychological atmosphere in Wellington. A crew member observed, "there is nothing [that] makes people realise that they can do something like watching your friend doing it, {…} so I think that the whole city psychologically had a boost." Jackson's entrepreneurial spirit was also a positive influence on some local film-makers: "I believe he will be remembered less as a filmmaker than as an entrepreneur. {…} And I think that sort of inspiration is really great." A local writer observed "what he [Jackson] has done is fantastic, you know, and choosing to stay in Wellington." A local exhibitor conceded "it is great to have that level of enthusiasm".

However, participants also acknowledged that the scale of Miramar operations can be overwhelming and in that sense constitute a negative externality. A public servant commented, "the problem is that the Wellington industry needs to fit around this big thing." A policy advisor suggested "the need for the industry to ride on Peter Jackson's coattails for as long as possible. Like compare Peter Jackson to a meteor across the sky, {…} [laughter] before it burns out you need to make the most of it." For other participants, it is this hype around Miramar's astronomic proportions that has somehow overshadowed the local industry. An interviewee suggested, "the New Zealand film industry {…} is getting smaller and smaller with time, pretty hard to notice now, and there is the Jackson industry. {…} And Jackson's operations are so enormous that they tend to overshadow most of other things." This feeling was shared by many other interviewees:

> I guess as film-makers wanting to do independent films not necessarily big blockbuster hits {…}, it is a bit like how rugby gets a lot of the attention in sports but there are so many other fantastic sports {…} and people do amazing things in other sports and other amazing film projects. But the recognition it just really isn't there. {…} I understand why that is important but it is not the driving force for New Zealand.

Another participant resents that the unbalanced relation between Miramar and the local industry is widespread in the perceptions of government and quasi-government organisations:

> Only if the Prime Minister stops trying to {…} have the "Oh Hollywood!-thing" going, it would be incredibly beneficial that they realise how hard and how the industry exists only by the sacrifice given by so many people in the film industry. It is not Hollywood, New

> Zealand film is not Hollywood. {…} all the things that are going on and yet the only thing we hear about is Jackson and I mean no disrespect to him, you know, I like him, but to me is like is such an unrealistic portrayal {…} a very skewed view of the industry and I think it starts with government really.

Indeed, as I will show in the next chapter, the local industry's repeated perception of this skewed governmental view of the industry has increased the institutional tensions regarding policy. Before I go on to consider that, I now examine the relations that the domestic and satellite models develop with specialised service providers.

Service providers

In this section, I discuss the relations that the satellite and the local production models establish with 'intra-sectoral' or film-specialised service providers (Scott, 2005). Film service providers are highly relational businesses and according to GI the more frequent their transactions are with producers the more potential they have to generate competitive advantages based on the specificity of services they can provide (Scott, 2005; Williamson, 1981).

General characteristics of intra-sectoral service providers

Film specialised services are mainly delivered by private companies but sometimes are also administered by public offices such as location offices. My research identified the existence of around 32 hire companies in Wellington in 2012 (see Figure 37).[35] Among them are film studios, equipment hire companies (cameras, key grips), lighting, editing, sound-mixing studios, special and visual effects as well as a motion capture facility in the Miramar complex.

Companies that function as service providers in Wellington also present big disparities. Miramar service providers employ several dozens of people and are able to make massive reinvestments every year. For example, Park Road Post employs between 65 and 72 people (Onfilm, 2009b; Xoanon, 2006). In 2008, the company stated it was "continually updating equipment {…} to remain a world class level" (Onfilm, 2008, p. 23). That year the improvements comprised a second intermediate digital suite, greatly increased storage (SAM, a CSIF server), and the Miramar fibre network, among others.

[35] That number has remained almost steady since 2000 when there were thirty service providers based on the *The Data Book* (Onfilm, 2000, 2012), the "New Zealand Companies Office" (MBIE, 2014a) and production companies' Internet sites.

A local facilitator said that, Park Road Post interacts "with the industry worldwide, not just domestically. The same will go for the equipment hire [Portsmouth]." However, the majority of the local hire companies are smaller, have modest reinvestments and deal with a rapidly changing and risky business environment (Onfilm, 2008; Parnham, 2009).

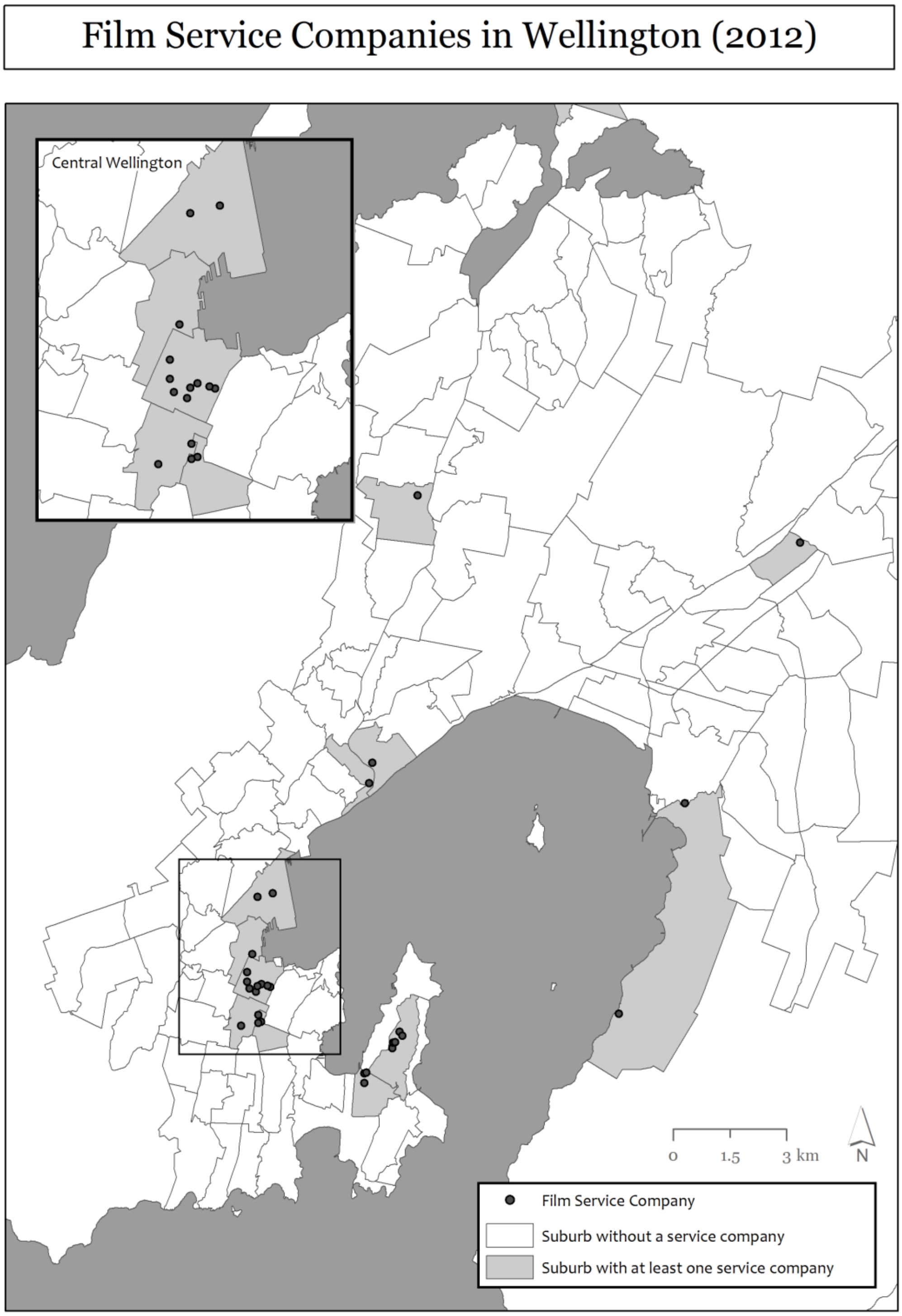
Structural challenges for service providers

Film services are considered to be customer contact services (Long, Ouschan, & Ramaseshan, 2007) where employees and managers have direct contact with film producers. In this section, I examine the interviews with local service providers to determine the structural challenges faced by them in relating with producers.

Firstly, interviews highlighted service providers' sensitivity towards the lack of constant production and producers' pressure to lower the budgets. As Miramar's Park Road Post confirmed, "There continues to be big pressure on the budgets of NZ film-makers, predominantly due to the limited funding available. It's a constant struggle for both, film-makers and service providers" (Onfilm, 2008, p. 24). For a small local supplier it is "the sporadic nature of the business {…} [that makes it] hard to do the kind of long-term business plan {…} [their bank manager asks them for], let alone the short-term one!" (Onfilm, 2009b, p. 33). Some sources have suggested that overreliance on government funding bodies' unrealistic budgets—which are generally very small—might be distorting producers' understanding of the market rates of the real costs of making shows (Onfilm, 2008, 2009b).

Secondly, interviews indicated the difficulties posed by the contrasting gap between small and large productions. On the one hand, many small local producers cannot afford hiring services and tend to buy their own affordable gear. On the other hand, satellite production requirements exceed the capacity of local service providers. The scarcity of medium-sized productions in the district—such as television production and the decrease of television commercials (TVC's)—add to the difficult situation. Such structural challenges impact negatively on independent service providers' sustainable cycles of reinvestment to upgrade their gear and facilities.

Figure 37 Map of specialised service providers for film in Wellington, 2012



Note. Own elaboration with data based on *The Data Book* (Onfilm, 2012), complemented and updated through the "New Zealand Companies Office" (MBIE, 2014a) and service companies' Internet sites.

I now outline some of the effects of those structural challenges which are unsustainable including discounting, loss of market or clients, inability to upgrade or reinvest, and loss of synergies and interdependencies. Lack of funding and budgetary pressures has forced producers to increase demands for discounting from service providers. As a local supplier explained, "These days you have to be prepared to discount for all jobs or producers will look for someone else who will do the job for less" (Onfilm, 2008, p.24). This is also the case for Park Road Post: "we always try to find ways to work within the budget restraints" (Onfilm, 2009a, p. 31). The level of discounting has actually made it difficult for independent service providers to maintain capability. "Healthy competition," some say, could easily become "unhealthy price fighting" and "playing suppliers off each other isn't a good long-term strategy for producers or suppliers" (Onfilm, 2008, pp. 26–28). A local supplier mentioned that the levels of discounting given by the company "weren't sustainable" (Onfilm, 2008, p. 27). I identified the strategies of some service providers' to deal with the fierce competition, including being aware of price fighting and communicating with other companies. A local supplier said, "I try to get prices from the other rental companies, so {…} they can keep {…} [their] prices and make a profit." Another strategy was to co-supply: "I work hard in keeping the relationships good {…} with other rental companies, so we cross-hire, if I don't have something we'll get it from another player in Wellington {…}. There is no money out there to try to buy your own gear a lot of the time."

Interviews showed that with the increased tendency for producers and film-makers to buy their own gear, service providers face losing clients. One service provider commented how production units tended to outsource equipment from outside but now "they have a lot of in-house". This is also a strategy for production companies to recapitalise themselves:

> in setting out to do your own production you end up with resources around you that you feel aren't utilised {…} we decided that we could develop a business in renting those {...} the fact that we had already invested considerable money to do that and the flow-on effect just made sense.

For film-makers it is a matter of saving costs, recapitalisation and control: "It is nice to have your own [gear], because then you can just go out and do your things". Nonetheless, for established rental companies this presents a challenge. In the traditional system, production companies hiring rental companies implied: "keeping the money flowing into the rental company {…} [to] purchase the latest gear. {…} if we change that, {…} the industry starts to dummy.”

In this adverse environment for service providers, some of them have had to scale down their operations and staff. To make things worse, rapid changes in technology have made equipment and facilities obsolete very quickly which increases the pressure to reinvest. However, those changes can benefit service providers; a supplier observed that changes to digital equipment can mean “a reduction in price but it still keeps out of the range of the regular person, so that is where the rental companies want to sit.”

Furthermore, sporadic film production in the district has also meant that transactions are not frequent, and therefore, not synergistic enough to have an impact on creating interdependencies among hire companies and production companies. Nonetheless, the software area is quite fertile ground. One supplier company commented on innovation as a result of providing customised services to clients who prefer to use film rather than digital cameras. The piece of software that the company was making at the time, he commented, “was based on {…} feedback from people we would have work with. {…} [If] we can produce some tool to help digital cameras look almost exactly like film there would be a way forward {…} I guess there is a need for something like that.” It is these types of learning-based transactions that could create interdependencies and foster a comparative advantage for suppliers and clients (Scott, 2005) but they are not very frequent in this phase of development of the Wellington film district.

Relations of independent service providers with satellite productions

I now turn to the discussion of the local service providers relations with large scale Miramar productions. Examining the titles produced by Miramar (IMDB, 2014a), it is evident that only very general auxiliary services like local catering companies or security services have benefitted. When outsourcing intra-sectoral services, Miramar establishes relations with international companies, drawing upon, for example, special effects, audio-digital recording, digital production and titling from Australia, the UK, and the US (see Appendix E). A local service provider commented on Peter Jackson’s businesses “over the years, he owns his own equipment, he has rented from overseas in the past, nothing personal, this is just my own perception.” Nonetheless, the local service providers acknowledge that many local rentals do not have the scale to supply Jackson’s big budget films. However, as one suggested, “if he spread it over a couple of rental companies in Auckland or Wellington then that would help. But he is not concerned about the local industry in that sense.” Independent hire companies call for large local or satellite productions to keep it local: “at least give us the opportunity to quote no matter what size the shoot {…} the greater industry has everything to gain” (Onfilm, 2009a, p. 31). Nonetheless, some local service providers have benefitted from buying equipment no longer used by Miramar service companies such as cameras. For instance, a service provider explained “we do pick up bits and pieces.”

For Miramar service companies, Hollywood productions are at the core of their business. For smaller independent service providers international productions that are not based in Miramar are very important: “It is really important to occasionally get the large overseas job, otherwise I can’t afford the big ticket gear that local[s] {…} expect” (Onfilm, 2008, p. 25).

There is an old debate about the negative externalities of Miramar activities in the form of inflationary effects. For example, Pinflicks-NZIER (2003) and Conor (2004) had counselled against the effect of runaway productions driving up costs for the local industry. In Wellington some of my interview participants commented on potential inflationary effects that Miramar had on both TV and the film industry by increasing salaries and in consequence driving up costs. Although it has been followed by an increase in onscreen technical quality, the participant notes that catering companies do not increase onscreen quality, “and yet, catering is much more expensive because the base rate is higher.” The same logic was observed by a service provider, with regard to Miramar’s world class facilities who said,

> all that has to sit with the price point, if you build a big facility more money goes into more expectation, more people involved and suddenly the prices up and up and up and up and it’s beyond the scope of any production to drag themselves down here because it is not cost efficient.

According to the perceptions of some of my interviewees regarding Miramar’s negative externalities in the form of rising salaries, it could be inferred that this is contributing to polarised pressures on service providers in the form of rising costs (to afford gear and staff wages) and providing discounts to local producers.

Conclusions

In order to tackle the question regarding the relations within the film district and their ability to generate sustainable results, I have delineated a set of critical relations within the Wellington film industrial district. In order to do so, I examined the generation of synergies, interdependencies and positive externalities derived from the interaction and co-existence of the districts' agents, that engage in 'spirals of increasing returns' (Young, 1928). The chapter described, firstly, how the urban externalities have shaped forms of cultural socialisation in Wellington, which in turn, mobilise a space for collective experimentation in film activities. However, Wellington's creative grassroots disenfranchisement from industrial dynamics limits the possibility to reprocess sources of creativity into sustainable production mechanisms.

Secondly, I have explained that the film district in Wellington is comprised of two polarised models. The local model is dominated by micro and small locally owned companies. The satellite model is mostly concentrated in Peter Jackson's co-owned large companies in Miramar whose key investment decisions are made externally by Hollywood majors. Despite their asymmetries, both models are flexibly organised. However, flexible production has not yet entailed generalised levels of frequent and functional interactions among district players that could become competitive advantages (Scott, 2005). In analysing the patterns of industrial organisation, I identified synergetic outcomes, those frequently praised by the government and media, but I have also contended that such assessments overlook a pervasive perception of disconnection among districts' components against functional collaboration.

I have noted that despite their financial struggle, locally owned small companies remain literally 'independent,' as they hardly ever collaborate with each other. Likewise, there is a lack of functional interdependencies at the financial and production levels between the Miramar activities and the local independent production houses. Furthermore, there is a limited exchange of above-the-line creative talent and content creation between both models. Therefore, there are limitations to the positive spillovers that could be derived from the larger scale of operations of the satellite model in those crucial areas. I argue that my analysis confirms the assumptions of GI theory that the absence of functional interdependencies signals the early phases of a district development where agglomeration economies are not fully realised and, hence, sustainable dynamics are not yet functioning. But, despite the absence of major spillovers from primary economies—production activities (Young, 1928)—there are, mutual externalities between the models regarding technical labour mobility, upskilling, and an enthusiast film atmosphere.

I have noted that local service providers are disconnected from Miramar productions, and the undercapitalisation of independent producers has weakened transactions with service providers who face heavy demands to discount. Those challenges underscore the difficulty of developing interdependencies driven by customised services in which both producers and local services benefit (Williamson, 1981).

To conclude, the film industrial district in Wellington could be conceptualised as a hybrid satellite/state-anchored film district (Markusen, 1996). This is because the district depends to a large extent on state financing to complement private investment and to incentivise external satellite investment. While I have attended to the industrial organisation in this chapter, in Chapter 8 I evaluate the patterns of labour and institutional relations to complete the analysis of the internal dynamics of the film district.

Chapter 8

Patterns of Labour and Institutional Organisation

As the preceding chapter, this one addresses the question: *What are the relations within the Wellington film industrial district and their ability to generate self-sustainable results?* However, here I shift the focus of my analysis to the patterns of labour and institutional organisation.[36] While Chapter 7 analysed the industrial organisation in the film district, that is, the boundaries between firms and markets, in Chapter 8, I complement the district analysis by adding two other key factors, labour pools and institutional arrangements. I aim to evaluate the functional interdependencies and externalities operating among production players, labour and institutions within the district, as GI theory considers them critical factors to explain film industrial development. Here, I argue they are also crucial factors to take into account when analysing and promoting sustainable outcomes as discussed in Chapter 2. In order to conduct the analysis, I explore academic literature, media reports, public documents and interview accounts.

Patterns of Labour

GI assumes that labour pools are one of the key factors for the development of a film industrial district, and consider that specialised film workers are organically developed by a complex set of interlaced relations of production and work in a given place (Scott, 2006). In the following sections, I examine employment patterns in the Wellington film district, as a way to analyse the links between production and labour markets. More specifically, I look at the conditions and regulatory frameworks in which labour relations are embedded. I pay especial attention to how the satellite model has shaped film work dynamics in the district.

One of the major reasons claimed by the government to offer tax breaks for large budget international films was their capacity to generate local jobs (Key, 2012). As Table 21 shows, according to official statistics, screen production employment in the country grew substantially as a result of hosting satellite productions. However, very little information is publicly available about the characteristics and statistics of satellite and

[36] Film related institutions are understood as those organisations that have developed conventionalised practices and rules (see Chapter 1).

local jobs such as screen workers numbers by subsector and region, let alone the number of international and local workers employed by satellite productions and the duration of contractual relations. Rather, it has been the role of academics to study labour markets in the film industry both nationally and in Wellington (Jones & Pringle, 2013; McAndrew & Risak, 2012; Rowlands, 2009; Strathdee, 2008).

Table 21 Screen production and post-production employment in New Zealand

Year	1996	2001	2006	2010 or 2011	Methodology
Workers	1,700	3,600	4,500		Census
				4,156	FTE[37]
				5,900	Adjusted RME[38]
				8,600	LEED[39]

Note. Own elaboration based on (MED, 2012a; SNZ, 2012; Thorpe, 2009). Includes workers in production and post-production of film TV, TVC's, music videos and shorts films.

Satellite productions increased the number of workers in Wellington by a couple of thousand. There is a lack of regional statistics but the government affirmed that Miramar's activity at its peak employs around 3,000 people (Parliament Today, 2012).[40] According to interview participants, a few hundred people in Wellington might work for local independent production. Most of them across a variety of mediums, such as film, theatre, television, music video and TVCs as writers, directors, producers, technical crew and actors. In her study of film workers in Wellington, Rowlands (2009, p.12) found that film industry growth had "not brought any degree of stability and consistency of work for the majority of workers {…}, rather just a series of short-term contracts." Employment statistics attest that at a national level there were 1,700 employees and 4,200 contractors (freelancers, sole traders, owner operators) in screen production and post-production sectors in 2010.[41] It can be inferred that, as in the rest of New Zealand,

[37] Full time equivalent (FTE) direct jobs "counts part-time jobs as a proportion of a full-time job and accounts for working proprietors and independent contractors." (PWC, 2012, p.21).

[38] Rolling Mean Employment (RME) is "the twelve month moving average of the monthly employee count {…} [salary and wage earners] provided by Inland Revenue" but it is adjusted to include contractors who would have at least one working person (MED, 2012a, pp. 19–20).

[39] Link Employer-Employee Data (LEED) uses taxation with business data and includes non-PAYE-based employment contracts with more detail than the Adjusted RME (MED, 2012a).

[40] WingNut Films stated they had employed those numbers for *The Hobbit* movies (Chapman, 2013).

[41] Those numbers are obtained with the Adjusted RME. Other figures vary substantially depending on the source because freelance work challenges counting methodologies (see Table 21). LEED estimated that in 2011 there were 4,300 workers in screen production businesses and 4,300 in contracting activities that service work to production business (SNZ, 2012a, 2012b). According to Statistics New Zealand, the Adjusted RME "undercounts the industry" as it is based on average figures. By the same token, it could be argued that LEED data overcounts the industry as it does not distinguish between "a person who works one day, or 365 days" (SNZ, 2012b).

Wellington's film labour force is mainly comprised of self-employed individuals with temporary contracts, and a minor proportion of employees with permanent jobs, usually administrative (MED, 2012a). Therefore, I suggest that film industry labour relations in Wellington are highly flexible.

Based on previous research and my informants I outline the characteristics of the satellite film jobs that are usually concealed by celebratory views of job numbers. Rowlands (2009) found that regardless of the creative or technical nature of the job, there is a 'core' of workers, a "tight knit group whose main source of income comes from work in the film or related industries," and who enjoy a certain degree of autonomy on projects. And there is a peripheral mass of film workers with lower wages, or who work for free to prove themselves, while having employment in other sectors (Rowlands, 2009, p. 15). Furthermore, Rowlands argued that the majority of the jobs in the industry are not considered creative. Rather they are technical jobs in which Strathdee found a military-like organisational style in which workers need to "be highly disciplined, able to follow instructions, and work as part of a team" (Strathdee, 2008, p. 98). This was confirmed by one of my informants who spoke of the "war-like" nature of film projects. Another participant demystified work in animation for its lack of creative input: "the worst thing I've ever seen in my life was walking to the Weta Digital rotoscoping where there are like a hundred people like zombies, and I just think 'Oh! That is my vision of hell' you know [laughter]."

I argue that the introduction of satellite work also shaped film labour dynamics in the district. First, my respondents confirmed the escalation of workers' numbers in Wellington and their connection with the "boom and bust" structural characteristics of the satellite-reliant industry. A service provider commented: "since the likes of Peter Jackson came about and he got big feature films {…} it brought a whole lot of people into the industry in Wellington and {…} increasing interest in the industry." However, the gaps between big projects meant that, "all those people that come out {…} struggle to get work again for a while."

Secondly, satellite productions have shifted the occupational style. For example, they have enhanced technical capabilities in animation but at the same time they have employed workers who had never worked in the industry and became "ready-made experts" with highly delineated skills. This occupational style contrasts with "more general well-rounded people [that] could move between departments" from smaller local productions where a career path of knowledge and experience, was key. The occupational shift, it was suggested, had organisational and political implications, "you get people with highly specialised skills {…} and it is hard to get to actually lift their heads out of it and get them to see the broader issues." For another informant, the oversupply of labour started "undercutting top professionals who really know how to do their stuff."

Thirdly, academic literature has highlighted the number of voluntary jobs as a point of entry into the industry, and for gaining skills (Jones & Pringle, 2013; Strathdee, 2008). Moreover, as a result of the "feast" periods, the income of satellite film workers has also impacted positively on independent local production in Wellington. A public servant noted,

> people in Wellington are more willing to do stuff for free and if they work in the industry already because they work in {…} Miramar, they can get paid an international salary, it is low international salary but it is high in New Zealand terms.

Voluntary work was perceived by some participants as part of an 'artistic community ethos' based on solidarity: "you turn out and work for free or greatly reduced rates on a project just because you support the project." More importantly, this allowed film workers to get involved in projects where they had more autonomy, creative input, and the opportunity to take a personalised approach than they could have had in large Hollywood movies. But for other participants, this was an sign of losing professionalism in the industry because local film projects have "become subsidised by the workers, who are sacrificing their wages, their gear to make a movie {…} which I think is {…} criminal." Voluntary work is, nonetheless, part of a broader set of working conditions that I explore in the following section.

Uncertainty in labour relations: Working conditions

In a recent study Jones and Pringle (2013) discuss how creative work's precarious conditions, as examined by international critical research (Hesmondhalgh & Baker, 2011; Randle, 2011), are intensified in New Zealand's small film industry where, "scarcity of work in relation to demand drives the conditions and precariousness that film workers tolerate" (Jones & Pringle, 2013, p. 8). In addition, studies have reported that intermittent production brings uncertainty to film workers about how long the current job would last and how long it would take to secure another (Jones and Pringle, 2013; Rowlands, 2009). Rowlands (2009) argues that, in Wellington, the uncertainty is increased by the use of open-ended contracts as a common business practice. This allows production companies to avoid giving compensation to workers if the work finishes earlier, but impedes workers in their planning for the long-term. Furthermore, workers in Wellington lack of security and benefits (Jones & Pringle, 2013; Rowlands, 2009; Strethdee, 2008). As a result, Rowlands (2009) identified that workers suffer from financial stress during the periods of unemployment where they often have to resort to the unemployment benefit. The author highlights that in comparison to the benefits that freelancer counterparts have in the US, UK, Canada and Australia, film workers in Wellington lack provisions for sick leave, holiday pay, superannuation, health insurance and a negotiated hourly rate. In addition, there are the common working conditions found in many film industries such as extremely long work day (and even weekend work), the workload and pressure to perform to high standards.

Rowlands and Handy (2012) examined the psychological and health consequences derived from work pressures and the absence of work-life balance among Wellington film workers such as depression, anxiety, broken social relationships, and a low sense of self-worth and self-steem. The authors suggest that structural factors underwrite "workaholism" as a collective modus operandi of film industry labour. Workaholism refers to work becoming such a predominant feature in workers' lives in an intense love-hate relationship with the industry.

Academic research has also explained how film working conditions are socially reproduced. For Rowlands (2009) the addictive side of film work implies workers' perception of a lack of control over their lives and financial situation, as well as compelling feelings to return to work in an industry which they know is not good for their physical or emotional well-being but which they feel somehow powerless to change. This all adds to freelancers being "trapped in a vulnerable and insecure situation and enables the industry to continue to function in this manner without challenge" (Rowlands, 2009, p.130).

For Jones and Pringle (2013) the precariousness of work and other working conditions, such as gender inequality, are perpetuated due to the fact that the "labour force is expendable and can be replaced quickly" (Rowlands, 2009, p.18). In this way, workers might be forced to lower their rates and comply with rigid codes of unspoken rules (such as social pressure to “not complain”) and explicit rules (such as signing confidentiality agreements) that deterred dissent (Jones & Pringle, 2013; Rowlands, 2009; Strathdee, 2008). Adhesion to the rules is particularly important in film work which is based on reputation and social networks to gain access to and maintain work (Rowlands, 2009).

Another form of the social reproduction of working conditions is facilitated by the glamorisation of the film industry to which the media and government contribute a great deal (Conor, 2014; Jones & Pringle, 2013; Rowlands, 2009). People are attracted to the film industry and once they are working in it, the creative and prestigious elements are tied to their sense of identity; they “provide a feeling of importance, or being special, even if their work is actually very mundane and ordinary” (Rowlands, 2009, p. 128). Such a perception was shared by many of my informants: “because it is a very glamorous industry people seem to sort of take it on the chin and accept it.” In other words, workers fail “to look at the structural conditions of the industry” (Rowlands, 2009, p.130). On the contrary, critical scholarly studies identified that working conditions are easily attributed to workers’ “own choice, to either refuse or accept” and “make sacrifices” (Jones & Pringle; Rowlands, 2009, p. 48). However, as Rowlands explains,

> Choice is always socially embedded (Lewis et al, 2007) and film industry contractors are heavily constrained by industry structures when making decisions about their working lives. The insecure nature of its work means that they must accept the working conditions which are given. (Rowlands, 2009, p. 48)

In other words, due to the highly reputational conditions necessary to maintain work, any dissent may cause the industry to reject them (Rowlands, 2009). In the next section I look at the broader social-regulation framework that contributes to reinforcing the working conditions discussed above.

Regulatory environment

Scholarly literature has identified that “at the core of the problem faced by freelance production workers are the structural issues in the industry” (Rowlands, 2009, p. 144), that is, intermittent project-based production and high competition in labour markets (Jones & Pringle, 2013; Strathdee, 2008). I argue that these are related to broader structural issues such as producers’ lack of financial capacity and their cost-effective imperatives. It is important to highlight that none of those structural issues are inherent to the film industry, but rather they are socially embedded in regulatory environments in the form of policies, legislation, cultural and business practices as well as conventions shaping people's behaviour (Boyer, 2005).

For example, the project-based model has been favoured as prototypical of flexible production as it has evident cost-effective advantages for production companies (Storper & Christopherson, 1987). That does not imply the model is necessarily the best, for example, it runs the risk of losing key institutional knowledge when the project finishes and freelancers move to another project (Davenport, 2006). The model has also "contributed to uncertainty and heightened sense of personal risks for workers in the field" (Strathdee, 2008, p. 95). In his research of film work in Wellington, Strathdee argues that project-based work has been "encouraged by policy changes introduced by successive governments. Of significance here is the way funding provided by the state is specifically intended to support one-off productions, which have definite completion dates" (Strathdee, 2008, pp. 94–95). Strathdee, refers to funding to independent as well as satellite productions. He also discusses that the state's promotion of entrepreneurial freelance jobs is a strategy designed to encourage people to adjust to "'dispositions that present a barrier to {…} them participating in the creative labour market'" (Dean as cited on Strathdee, 2004, p. 92).

Another example of social regulation influencing structural characteristics is film industrial relations in New Zealand that are based on non-enforceable codes of practices agreed on by professional guilds and the producers' association. But guild organisations are unable to represent workers in collective bargaining agreements. As a result of this, Jones and Pringle (2013, p.8) pointed to the risks of the "individualised nature of work arrangements in the film industry" and similarly Rowlands (2009, p.136) observed how "the structure of the system and the freelancers' individualistic approach to negotiation, further hinder them from any form of collective bargaining which might bring about improved conditions." For Rowlands (2009) this lack of collaboration generates intense competition that ensures that film production companies retain power in negotiations. Therefore, she suggested the need to protect New Zealand film workers from the effects of high-level international negotiations by increasing unionisation and requiring legislation to include industry workers' contracts with end dates. As Jones and Pringle (2013, p.7) note, "unlike larger film industries where there is a history of unionism, albeit eroding (Blair et al., 2003), there is no unionism in local filmmaking" in New

Zealand. Contrary to Rowlands' proposal (2009), the law changes after *The Hobbit* dispute (2010) naturalised film workers' vulnerable situation when,

> the New Zealand government introduced into the national Parliament, legislation designed to strip workers in the film production industry of the rights and entitlements all employees in New Zealand have {…} including the minimum wage, protections against unfair dismissal and discrimination for union activity, access to paid sick leave, bereavement leave, public holidays, paid vacations and the right to bargain collectively. (McAndrew & Risak, 2012, p.1)

A crew member who welcomes satellite productions reflected,

> we've got good pay rates established {…} but I worry that it is only a matter of time before {…} [they] offer New Zealanders half of what {…} they would have on the last film in New Zealand {…} Well, without a union it is going to be very hard to stop it. And it is only a matter of time before someone in Hollywood would…, 'cos they are all about the money, {…} if it is a biased market and we are a non-unionised workforce then we are wearing a tight rope.

The last comment is related to the continuous threat that foreign investment might go somewhere else (Conor, 2011) (see Chapter 4). As McAndrew and Risak (2012, p. 6) observed, "union avoidance has long involved the use of 'runaway' production strategies" and Hollywood conglomerates' power poses new challenges for unions in Hollywood and elsewhere. The pressure to diminish unions' power derives not only from transnational corporations, but also from local companies and governments. As the documents released by the OIA regarding *The Hobbit* dispute in February 2013 demonstrated (Joyce, 2013), Jackson and SPADA lobbied in favour of such law changes being made (see Chapter 6). Furthermore, political leaders who see "workplace rights and protections not as basic, non-negotiable human rights, but as something that can be exchanged for other goods like foreign investment", are also liable (McAndrew & Risak, 2012, p. 21).

In this section I have integrated earlier material and my original research to highlight the ways that the satellite model has contributed to the oversupply of film workers. As a result, the model has shaped extremely flexible and uncertain employment relations—reinforced by the regulatory framework—which have disadvantaged workers in Wellington. This analysis of labour patterns is relevant to my evaluation of conditions of sustainability because despite the existence of labour pools, the district has not been able to provide what GI considers key to industrial development, and that is, a production system that can guarantee the generation and maintenance of quality jobs (Scott, 2006).

Patterns of Institutional Organisation

According to institutional economics, complex economic arrangements that can reproduce themselves based purely on market relations without a minimum of collective support do not exist. Furthermore, consistent with GI, economic development can be enhanced where markets are complemented by appropriate institutional arrangements (Scott, 2000a). This section examines the relations of key institutional actors involved in the film industry in Wellington and the potential impact they have on sustainable outcomes.

Figure 38 Institutional Map

GOVERNMENT MINISTRIES Ministry of Cultural Heritage Ministry of Business, Innovation and Employment INDEPENDENT GOVERNMENT AGENCIES Statistics New Zealand (Screen Industry Survey) Office of Film and Literature Classification GOVERNMENT AGENCIES New Zealand Film Commission New Zealand On Air New Zealand Film Archives New Zealand Symphonic Orchestra QUASI-GOVERNMENT AGENCIES Film New Zealand New Zealand On Screen LOCAL GOVERNMENT Wellington City Council Film Wellington FESTIVALS AND FILM SOCIETIES New Zealand Film Festival Trust Wellington International Film Festival Wellington Film Society	GUILDS & PROFESSIONAL ASSOCIATIONS New Zealand Film and Video Technicians Guild New Zealand Actors' Equity New Zealand Writers' Guild Directors and Editors Guild of New Zealand Screen Production and Development Association Women in Film and Television Nga Aho Whakaari Te Paepae Ataata Script to Screen DISTRIBUTION AND EXHIBITION ASSOCIATIONS Independent Cinemas Association of Australasia New Zealand Motion Picture Industry Council New Zealand Screen Association (NZFact) Motion Picture Distributors' Association of New Zealand CONSU MER ASSOCIATIONS Consumer New Zealand Creative Freedom Foundation SCHOOLS Film and Television School Massey and Victoria Universities Emerging Artists Trust

Note. Own elaboration

The film district in Wellington is supported by a wide range of public, private and civil screen-related organisations which participate along the whole value chain (see Figure 38). Some of these institutions have conflicting interests and practices and their power to intervene in the district's governance varies. This confers on them an unequal ability to influence sustainable outcomes. My interviews provided a basis to examine the interdependencies and challenges among inter-institutional relations. Some of the institutions covered here operate at a national level which impact upon Wellington, while others are exclusive to the region.

Public sector institutions

Local government in Wellington is influential in providing support to the film district. My investigation has highlighted that the Wellington City Council (WCC) has contributed markedly to the development of the satellite model in the district complementing national tax incentives. To attract foreign investment to the city WCC has implemented red tape-free strategies; it has invested in cinema real estate; in developing facilities—tied to a single producer; as well as in innovation and capability development (see "Education and training institutions").

In the late 1990s, WCC considered screen production and digital technologies to be a strategic sector. In 1996, Film Wellington became the first regional film office in the country and its reactive role consisted of approving permits, and location finding as well as facilitating contacts with local services and crew (Prendergast, 2010). As one informant explained, the development of Film Wellington and Miramar was almost parallel: "it was pretty much specifically in response to what Miramar needed with *The Lord of The Rings*. {…} they were doing so much filming in Wellington {…} that they needed basically a separate desk just to deal with their enquiries." In order to become a film-friendly city, nine different councils (which together they make up WCC) signed the Local Government Filming Protocol (INZ, 2002). Film Wellington is in charge of informing the councils to maintain their commitment. It also has a proactive approach to engage in research and promote business development initiatives as it is part of Grow Wellington, an economic development agency funded by WCC.

In 1999, the WCC approved a loan of $NZ300, 000 to set up the Film and Television School in Wellington. The reasons underlying that support were to address the overseas perception that Wellington could not provide enough crews: "A big part of creating the right conditions for mainstream film production to flourish in Wellington will be providing those crews" (WCC, 2001, p. 6).

Other initiatives from WCC involved the restoration of the Embassy cinema, a heritage building in the city centre that received an initial loan of $NZ1.3 million. Subsequently WCC took ownership of the Embassy to lease it to private companies.

> the Council sought to capitalise on the production of The Lord of the Rings trilogy within the City. The cinema [Embassy] was the site of {…} the world premiere of the last film, providing publicity to the city as a tourist location and film production centre. {…} The Council contributed with the majority of $4.5 million upgrade of the site demanded by US producer New Line {…} [that underlines that] Wellington's strategy for post-industrial success has been dependent upon satisfying the interest of transnational corporations. (Huffer, 2012, p. 252)

Similarly, WCC paid $NZ1.1 million for *The Hobbit* premiere in 2012 (WCC, 2012). Other initiatives to attract international work included assisting with $NZ2 of the $NZ10 million it cost to build Stone Street Studios in Miramar (WCC, 2010). The stage, however, was tied to a single producer, Peter Jackson, and was used for making *Avatar* and *The Hobbit* movies reportedly providing $NZ250 and $NZ650 million revenue (PWB, 2006). Nonetheless, this revenue impacted mainly on Miramar production companies with their many, albeit temporary, jobs and equally short-term spillovers to general local services.

My interviews with local practitioners showed that WCC has only sporadically supported independent film businesses through subsidising internships or other types of aid. The perception of one informant was that the WCC has put:

> all the eggs in the basket of Hollywood productions and Peter Jackson and that is fine but doesn't really help the independent productions which all feed into it as well, they put a lot of money in the past into Peter Jackson facilities {…} which is {…} great but I don't feel it has maximised its potential at all {…} They are not close enough to the independents to see how it all glues together.

Wellington is also the base of national government screen-related institutions. Contrary to the focus on the satellite model, as discussed in Chapter 6, NZFC has had a crucial role in supporting the local model of production in the country. In the remainder of this section I explore NZFC's relations with the domestic and the satellite models. NZFC is the most cherished and the most criticised film institution in New Zealand as shown by media reports and my interviews. I argue that this position responds to its central spanning function by bridging the institutional relations of the whole film industry, from guilds to relevant ministries. The criticism also relates to the industry's dependence on NZFC, its broad spectrum mandates, limited resources, and the lack of long-term integrative policies.

As mentioned in Chapter 6, NZFC offers loans and equity investment for "short films, low budget features and cinematic documentaries and feature films with significant New Zealand content" (NZFC, 2014b). Besides, the Commission administers the tax break grants for different production and post-production budgets. However, the funding body's relations with the industry were characterised by one local producer as overly reliant: "you wouldn't have an industry here without government support, even Peter Jackson still relies on the large budget grants {…} which is interesting for a company like ours because we don't want to be a government-reliant company." Another producer commented also on the need to "empower people to sort of outgrow the initial forms of support that they could get." However, even when film-makers get funding and are empowered to be self-reliant, another producer explained that despite having successful box office and sales, their film had not paid back the investor, that is, the NZFC. The producer noted: "I think that you really need the government subsidy." Nonetheless, I argue that the issue highlighted here is the financial redistribution of commercial returns in which exhibitors, distributors and investors recoup first over the producer and they keep "the biggest slice of the pie".

Besides funding films, NZFC is involved in funding above-the-line guilds, including the producers' association (SPADA) with $NZ70,000 dollars a year. Interviews showed that NZFC was considering stopping its support for what it saw as an increasingly dependent relationship. However, interviews showed that the guilds struggled to self-fund through their membership as a result of the structural issues of flickering production and undercapitalisation impacting stable employment. NZFC encouraged the guilds to reinvigorate themselves to keep receiving funding. Nonetheless, one participant considered that initially NZFC's role was to represent the film community within the government, a bottom-up approach (i.e., representing film-makers' needs to the government). He considered that NZFC had shifted to represent government priorities instead. Indeed, the financial concerns underlying NZFC's approach are demarcated by its own relationships with the ministries.

NZFC's strongest historical relationship has been with the Ministry of Culture and Heritage as the ministry responsible for funding it, monitoring its accountability, advising its strategy and responding on its behalf inside the Parliament. My interviews with public servants described a top-down approach with regards to NZFC's strategy that reflects the government's main priorities of "economic growth through growing an export-led economy" and the static allocation of government funding to the NZCF (see Chapter 6). In fact, interviewees reported the growing influence of the Ministry of Economic Development (later Ministry of Business, Innovation and Employment or

MBIE) over NZFC's operations; specifically, since it started administering the large budget scheme in 2003. Interview participants shared a similar view of the current government's lack of clarity about what the cultural priorities are, if any.

In this environment NZFC is pressured to "remain a viable organisation" that needs to demonstrate to the ministries "that what [it is] {…} doing has some economic benefit as well as cultural benefit." Consequently, public servants commented that to promote itself to the government NZFC has taken the role of "the research and development laboratory", that is, finding and upskilling talent that feeds not only the domestic but the satellite export-led production model which is the government's priority. However, I argue that in terms of sustainability focusing primarily on talent development is an incomplete strategy. But, I suggest this approach combined with strong support for distribution and audience development could have better outcomes for sustainability.

Another challenge for NZFC in terms of remaining relevant is the digital convergence among screen content platforms. In this context, another government priority has been interagency collaboration. As a public servant explained, this was part of the "value for money" approach to sharing information and saving costs. Another public servant suggested that the coordinated response had improved in terms of project management but not necessarily on the creative or dissemination outcomes for screen products. This priority was reflected in the creation of Screen New Zealand in 2014, a virtual agency that merged the NZFC, Film NZ and NZOA, the television funding agency (MCH, 2014). The results of this restructuring are yet to be seen. However, I argue that positive outcomes depend on fostering common synergies not on budget cuts or in re-allocating funds from the local industry to the satellite exports of intermediate services.

Despite being driven by a different model of production, Miramar has given policy advice to NZFC. During the electoral campaign of 2008, explains a public servant, "certain senior film-makers in the industry were unhappy {…} and they thought they could put pressure [on] {…} through the National Party." Once the National Party was in power, the Minister of Culture and Heritage commissioned a ministerial review of NZFC by Australian scholar David Court and director Peter Jackson (New Zealand Parliament, 2009d). This was despite a potential conflict of interest since Peter Jackson was a powerful film-maker and entrepreneur who benefited from certain arrangements within the film industry. The review, released in 2010 (Jackson & Court, 2010), had several recommendations for NZFC which, in 2011, claimed nearly all had already been addressed (NZPA, 2011). The NZFC staff—and not the board—were making funding decisions by then; NZFC had relaxed requirements of director, producer or distributor attached to applications and had removed the prerequisite to use the funding body as a sales agent; the Commission had also begun to focus on fewer but bigger budget projects (MCH, 2014). The only set of recommendations not addressed were those suggested as alternatives to cycles of dependency and, therefore, I argue essential for sustainable mechanisms. Among them were a Box Office Incentive Scheme for experienced film-makers, and a Mezzanine Distribution Fund which would match distributors' financial commitments to projects, with the distributor having priority in recoupment of its distribution fees (see further discussion in Chapter 9) (Jackson & Court, 2010).

Although the review had consulted the film community, Jackson's imprint on the report was evident. For example, the Commissions' view, as "the research and development laboratory", was to feed the industry in the image and likeness of Miramar, implying that the satellite model is a successful one to develop the local industry: "If we had six or eight strong Kiwi storytellers based here, attracting US dollar budgets, there will be a natural mix of films with Kiwi content and films without" (Jackson & Court, 2010, p. 59). As mentioned above, NZFC has accommodated itself in this role to complement the export-led satellite model, legitimising itself as economically significant. In this way, I argue, the institutional relations between NZFC and the domestic production model have become subjected to top-down priorities including the institutional support given to the satellite model.

Guilds and professional associations

Another part of the institutional scaffolding in the Wellington film district is comprised by organisations of skilled labour markets. According to GI theory, these type of organisations are crucial to nurture the production system in flexible environments to avoid losing labour pools (Power & Scott, 2004). Labour markets in New Zealand are organised in professional guilds at a national level, often with local branches: for example, the New Zealand Film and Video Technicians Guild (NZFVTG),[42] Directors

[42] During the 1980s it was part of The Academy, and has been independent since 1988. It has a fully paid membership of over 500.

and Editors Guild of New Zealand (DEGNZ),[43] New Zealand Writers Guild (NZWG),[44] New Zealand Cinematographers Society,[45] and New Zealand Actors' Equity (AE).[46] In the last couple of decades they have been instrumental in establishing relations with producers and government agencies. As one informant observed, professional organisations represent the concerns and practices of New Zealand film-makers and their members have been key in developing the film and screen industries in the country in the first place. However, my interview analysis has identified a diminishing power in their ability to influence film dynamics in the district. This complements the analysis of the industrial relations dispute discussed in Chapter 6.

Guilds are important because they offer their members professional forums, information, expert advice and political representation. They also promote work opportunities, professional standards, welfare and security in the workplace. The guilds are in charge of negotiating the non-enforceable guidelines of best practice—such as the Pink Book (actors), the Blue Book and Safety Code of Practice (technicians) as well as the White Book (writers)—with the employers, that is, the producers as represented by SPADA (DEGNZ, 2014; Kelly, 2011; NZFVTG, 2014; NZWG, 2011).

Except for Actors' Equity, the majority of the guilds are young, reflecting a young film industry. There are also other organisations representing social groups such as Women in Film and Television (WIFT)[47] "with a particular emphasis on equal opportunity and participation for women" (WIFT NZ, 2014); Nga Aho Whakaari formed by Māori practitioners in film, TV and video; Te Paepae Ataata, a Māori film development organisation; and Te Mangai Paho, the Māori broadcasting funding body. After *The Hobbit* dispute the NZ Actors' Guild (NZAG) formed as a breakaway actors' group, independent from Actors' Equity. It was created to work in tune with "the fact that under the current law actors are independent contractors" (NZAG, 2014). There are also other industry and community organisations such as Script to Screen "established to develop the craft and culture of storytelling for the screen" (Script to Screen, 2014).

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[43] Before 2014 it was called the Screen Directors Guild (SGD). It broke away from SPADA in 1995 and before that it was part of the Independent Producers and Directors Guild.

[44]Given the precedent of the Poets, Essayist and Novelists (PEN), a meeting of scriptwriters and playwrights to create the organisation called the New Zealand Scriptwriters Guild took place in 1975. In 1980 it shortened its name to NZWG.

[45] Established in 2009.

[46] AE has a membership of 600 performers.

[47] The first chapter was founded in 1993 in Wellington. In 2009 all the regional chapters merged into WIFTNZ. It has approximately 500 members.

The level of interaction among the guilds is highly circumstantial with periods ranging from unity to distant relations. I noted that interrelations among guilds were demarcated by the interplay of their inherent occupational interests which reflected their interaction in the workplace, the divided opinions within each guild membership or each occupational field, the power of influence conferred on them by their membership numbers, the strategic communication and collaboration among them, and the influence that that government policies have on them (for instance, the positive or negative influence of the satellite model on different occupations).

Yet, sometimes the guilds have common interests such as their status in negotiating with their organised employers (SPADA) with whom guilds establish 'professional' relations such as negotiations on the codes of practice. On other occasions, the guilds and SPADA have advocated for mutual interests when dealing with the government, such as the establishment of local screen quotas, the creation of local film funds, and guilds funding.

According to informants, with the satellite model's importation of production the guilds have "suffered a considerable disadvantage" amidst increasing pressures to fund themselves. The technicians guild benefits most from satellite activities in Wellington and yet they are aware of the risks of the districts' overreliance on work from Miramar which is "intermittent at best" (NZFVTG, 2010). Before 2012, the main guilds were in charge of providing letters of non-objection to grant visas for non-residents to work with offshore productions in New Zealand. Guilds were able to charge a fee to compensate for administrative and research endeavours to ensure there were no New Zealand workers available with the expertise to work on the projects. That same year, a change came into effect whereby the Immigration Department was then placed in charge of granting work permits for overseas projects (NZFVTG, 2011). According to these changes, for long-term productions, guilds have only five days to object should they find New Zealand workers available to do such jobs. Besides the shorter time frame, participants from the guilds mentioned they were not receiving the overseas applications they were supposed to receive from Immigration: "[the guilds have] still got to do the work, and in the past could charge $51 for doing it. If [guilds] don't do anything in five working days then Immigration would just sign it off." As Immigration is not doing the research work, the outcome of those changes is, "taking jobs away from New Zealanders because {…} [the guilds] cannot monitor it". In addition, the changes allowed any non-resident to work in the country for fourteen days or less without a permit. Consequently productions can be "unregulated" and "off the grid"; as such they are difficult to monitor or to advise about the "local rules and conditions", such as permits, environmental and, safety matters among others (NZFVTG, 2011).

Participants from these organisations specified that the introduction of these changes spoke about the government's lack of knowledge of the industry. One informant commented that there is a "lack of understanding of what we do, and what we are and a lack of evaluation." Guild staff that have worked in the industry for several decades have accrued significant network access to New Zealand workers, knowledge of their job positions, and were able to monitor a project's workflow and end dates, all of which are key to leveraging the job opportunities that foreign productions bring to the country. As one informant mentioned, the Immigration Department thought, "there were actors involved in an application from Weta Digital! [a digital post-production company]."

The perception of the guilds was that they were not being consulted by the government, specifically, the Immigration Department under MBIE. The creation of Screen Industry New Zealand (SINZ) (see Chapter 6) that agglutinates most of the guilds was an attempt to find a common voice to face the current issues: "we know, we've got to work together" said one representative.

Private industry associations

There are yet other institutional players which my interviews show have greater ability to influence the policies of the film industrial district. In the interplay of institutional relations, SPADA is one of the key organisations spanning relations in the film industry. With its headquarters in Wellington, it "represents the interests of producers and production companies {…} [as well as] independent screen production in New Zealand" (SPADA, 2013). Its members "include film and television production companies, post-production houses, production accountants, entertainment lawyers and other film industry related service providers" (SPADA, 2013). SPADA as an advocate group has a strong relationship with government agencies such as NZFC whose philosophy, according to an informant, "has always been that a film cannot be made without a responsible producer." For that reason, said a public servant, NZFC has always had "a relationship with SPADA, sometimes easy and sometimes uneasy, but always understanding that {…} [they] need to work with each other." SPADA is also influential with the MCH and MBIE. As mentioned above, its relations with the guilds are also frequent.

Another prominent organisation is Film New Zealand (Film NZ), a national location office established to attract offshore productions to make use of the New Zealand landscape and crews. As a funding agency facilitator commented “their interest is completely 100% economic;” that is, to attract offshore productions and generate crew jobs. After being constituted as a private company it then became part of SPADA, and later on was owned by Peter Jackson. Since 2005, it has become an independent trust receiving annual grants from the MED (later MBIE). According to a public servant the MED decided “there were good economic reasons to fund Film NZ.” For example, in 2009 the government granted $NZ799,000 NZD to Film NZ in 2009/10 and $NZ1.1 m in 2012 (MED, 2009a, 2012b). On top of the government’s annual funding, Film NZ also receives money from NZFC. It has also shared an office with Park Road Post in Los Angeles, California, since 2011 (Screen Digest, 2011).

According to my interviewees, the immigration changes referred to in the last section, were advocated by Film NZ and a few industry players. Documents from 2010 released through the OIA in 2013 (Joyce, 2013), provide evidence indicating that SPADA, Film NZ and Peter Jackson had concerns around Actors’ Equity role in granting letters of non-objection (Hurdle, 2010; Swallow, 2010). In 2010, Actors’ Equity was requesting individual information about the unsuccessful auditions of New Zealand actors in a Walt Disney TV production in New Zealand, causing production delays. SPADA and Film NZ considered that providing names and reasons as to why individuals were not cast raised “significant privacy and reputational concerns for the actors involved” (Swallow, 2010). The issue was resolved by the Department of Labour directly issuing the visas in a couple of days. The document recommended Minister Brownlee to ask AE to look for alternative ways to gather information about fair opportunities given to New Zealand performers and encouraged all the other players to agree on assessment processes and timeframes. It also suggested investigating whether the policy should be replaced, although it noted, “this could be problematic because under ‘the Kiwi-first’ principle, a relevant union may still need to be consulted” (Swallow, 2010). After the immigration policy was changed in 2012 (INZ, 2012), one informant commented: “they changed the legislation based on actors’ issues and they damaged the whole industry, because {…} they don’t understand how the different parts of the industry work.”

According to the informant, most guilds were cooperative, non-obstructive, and efficient in negotiating issues.

According to a guild representative, SPADA was also concerned about the effect the immigration changes would have on the guilds' survival. The sentiment was not the same towards Film NZ. One guild representative commented, "they have done nothing but damage our industry and the guilds." Not only had Film NZ "pushed for" the immigration changes, but foreign producers were not complying with the codes of practice because Film NZ was not informing them about the regulations in New Zealand. The perception of disconnection and antagonism with Film NZ from the rest of the domestic film industry was confirmed by other participants. A public servant mentioned:

> they organised to take John Key to Hollywood and introduce him to these fancy people {…} [Film NZ's CEO] has the ear of John Key and is standing up making quite big announcements standing on the toes of quite a lot of people, because she's [Gisella Carr's] got this weight behind.

As illustrated in Chapter 6, there are conflicting interests between the satellite model and domestic production. Here, I have shown that in Wellington this is reflected in the institutional interplay of national and local organisations, where tensions and power alliances have inclined towards favouring satellite-model conditions, while increasing the vulnerability of the domestic model.

Education and training institutions

In the institutional framework of a film district, educational organisations facilitate the innovation and transmission of creative skills and cultural resources. However, these aspects might remain inert unless "energised through an actually working production system" (Scott, 2000a, p. 25). In this section, I focus on the relations between the education institutions, trainees and the industry, as indicators of the capacity of the film district to draw on creative and technical sources.

Wellington has tertiary courses for heterogeneous filmmaking skill areas and many cross-over with other fields, for example, drama, scriptwriting, design, arts, administration, law, accounting and technical skills for film and TV. Of significant role is the Wellington Film and Television School covering the areas of screenwriting, directing, lightning, camerawork, sound and editing. There are also non-technical courses such as universities' film or media departments which have "little to do with the application of film-making" (Strathdee, 2009, p. 108). However, they provide exposure to a commonly neglected but important area, film culture and that translates into cultural capital (see Chapter 2). There are also short-term courses and workshops provided by the guilds with NZFC funding. The WCC also launched a trust to establish mentoring by experienced practitioners (EAT, 2009).

In his study of training institutions in the Wellington film industry, Strathdee (2009) argued that the relation between tertiary education and access to the labour market was weak. He identified that most film-makers and workers were self-taught and that film project managers resorted to informal practices, that is, social contacts to gather information about potential recruits. The study by De Bruin and Dupuis (2004) of New Zealand film workers had noted that nepotism (including family and friendship connections) was a pervasive practice and was considered as a reliable way to recruit workers with the necessary social skills to work in teams and be trustworthy. Nonetheless, concluded that nepotism could not guarantee that recruits were always competent. In such an environment, Strathdee (2009) observed: "there did not seem to be any connections between the production of innovative or creative ideas and training in the tertiary education sector" (Strathdee, 2009, p. 105). On the one hand, for creative workers "it is the quality of their ideas and their attractiveness to buyers of content that counts. [However] knowledge about {…} [these] was only available to [industry] insiders, or those who participated in the right networks" (Strathdhee, 2009, p.109). On the other hand, networks were also essential to enter and maintain technical jobs.

Furthermore, Strathdee (2009) argued that tertiary education was sometimes a dead end for students that lacked understanding of the rules, skills and contacts required to enter the labour market. Therefore, the need to create an educational environment that could provide students with "quality advice" regarding such "rules" as well as allowing students to be "embedded in the social networks" (Strathedee, 2009, p. 109). I argue that with hermetic commercial gatekeeping positions, the power of tertiary education to influence such networks is limited. I suggest that apprenticeships and internship programmes that are strategic enough to engage with the industry could be successful. This type of liaison is commonly used in other countries' screen industries (Strathdee, 2009).

In Wellington recent attention has been placed on the area of computer graphics and animation. Current undergraduate, Honours, Masters and PhD programmes at Massey and Victoria universities (MU, 2014; VUW, 2011), offer digital media skills and involvement with the local industry: "We have worked very closely with leading companies in the digital industries sectors particularly with Weta Digital, Sidhe Interactive and Unlimited Realities to develop a course that {…} will produce graduates with the skills that the sector needs" (VUW, 2011). The ongoing liaison with the industry entails scholarships, internships, guest lectures and consultation. The programme at Victoria also received support from the Ministry of Science and Innovation.

Another development in animation is the Pukeko IP Initiative (PIPI) formed in 2013. It comprises animation companies Pukeko Pictures and Gamefroot.com, Grow Wellington, the law firm Chapman Tripp, and Massey and Victoria universities. The programme consists of providing student writers and designers skills to collaborate and commercialise their creative content by introducing them to the "industry process {…} of entertainment properties for international export" (GW, 2012, 2013). As an informant mentioned, Miramar—through Pukeko—is reaching out as it recognises that "they need to serve their own pipelines." Those are important developments when considering that after more than a decade of satellite productions there was still significant importation of animation workers from overseas—526 foreign workers worked in Weta Digital in 2013 (Howie, 2013). Although, it is too soon to evaluate the outcomes, those programmes seem to be targeting the obstacles to labour market entry outlined by Strathdee (2009). Other fields, such as adult drama scriptwriting, need similar attention. For example, only a couple of graduates from the Masters scriptwriting programme at Victoria University (VUW, 2013) have had the opportunity to produce their film or television scripts.[48] A recent initiative to enhance links with the industry was the organisation of pitching sessions where students test their ideas with a handful of local production companies.

Through my interviews I identified that the type of engagement between tertiary education organisations and the industry—including government agencies, the satellite

[48] Such is the case of *The Orator* 2011 by Tusi Tamasese.

cluster in Miramar, the independent producers, service providers, and exhibitors—could be grouped into five categories:

1. Education institutions and industry practitioners benefit mutually as the former *provides teaching and mentorship* "day-jobs" while benefiting from industry expertise via permanent positions and guest lectures;

2. The industry has occasionally provided input to develop universities' curricula that better adapt to the industry's needs (although currently limited to animation).

3. Schools and industry establish technical relations in the form of sponsorships when the industry offers facilities, equipment and mentoring in the use of those.

4. Fourth, there is a weak but incipient establishment of professional and research and development relations that through apprenticeships, internships and scholarships could have an impact on the industry's recruitment of professionals and technological advancements (although currently limited to computer animation and children-targeted scriptwriting).

5. There is an emergent area of liaison based on exposing students to networking in order to gain insider knowledge within the industry. This liaison has addressed animation and children-targeted scriptwriting and, only recently, adult drama screenwriting.

By drawing on the work of Strathdee, I have outlined the detachment of education institutions and their trainees from the film industry. Nonetheless, through original research I have pointed out important recent developments in the form of institutional partnerships among the private, public and educational sectors to increase the application of local creativity and technical skills to the working production system. Although, it is early to evaluate the outcomes, based on GI theory this type of local grassroots initiative could generate vibrant externalities as a comparative advantage to contribute to the districts' sustainability.

Relations with the distribution and commercialisation sectors

In the institutional scaffolding of a film district, distribution organisations are crucial to linking production and consumption of films (Garnham, 1990). Therefore, they are important intermediaries to propel sustainable cycles in the value chain. Having characterised the New Zealand distribution and exhibition markets in Chapter 5, I turn to explore the particular links of Wellington producers with distributors and exhibition outlets. In doing so, I look for the reasons that underwrite functional interdependencies or detachment between them.

Wellington lacks any locally based film distributors, which led one of my informants to suggest: "we accept other people's choices in that respect. But it is a really strong exhibition town." Commercialisation windows in Wellington such as cinemas and video shops all set up links with distributors based in Auckland and Australia. Producers from Wellington, however, expressed difficulty in dealing with them. According to an independent producer, leaving aside any issues of quality, a low budget film is a limitation in terms of a distribution deal, as "distributors will not want to even touch it." My interview with a large transnational distributor confirmed this: "It is hard to get a local film to screen these days, 'cos generally is not a big enough budget film and you are trying to get screen space competing with all Hollywood blockbuster films." Likewise a small New Zealand distributor explained that profitability and a lost sense of loyalty are the reasons for disengaging from New Zealand producers:

> Sadly, we as a company have made the decision for the short-term, we would not release another New Zealand locally produced film. And I am a bit sad about that, but the reality is they don't work {…}. And again there is only us and Rialto distribution really that acquire films that are based in New Zealand and I get a bit offended because a lot of the bigger more likely to succeed [local] films get signed by Madman and Transmission [offshore-based distribution companies], they seem to have a higher ranking {…}. And I am tired of losing money on locally produced films, basically.

Furthermore, evidence from my interviews show that even local films that achieve national and international distribution deals with successful sales and box office figures struggle to recoup. I argue that presale financial structures and revenue streams—encompassing the different intermediaries along the value chain—are disadvantageous for the producer. For example, my respondents explained how sales agents, distributors and the exhibitors "take their cut and take their expenses" which accounts for "the bulk of the money." According to my informants, there are two models of box office redistribution. In one model, the exhibitor takes its house costs and what is left over is split between distributor and exhibitor. In a second model, the exhibitor's share usually starts at 55% and the distributor's at 45% of the box office; this can change each week up to 75% and 25%, respectively, depending on the movie. In addition, other investors might recoup ahead of the producer. I suggest that these models are designed to compensate for the risks that distributors, exhibitors, and investors incur given the uncertainty of the movie performing well; however, they fail competely to compensate the producers' investment, added value and risks. In fact, for independent producers in Wellington theatrical exhibition is accepted as a non-profitable window. Instead, producers expect to make money directly from sales to territories: "it is just one figure that comes back to the investors, whereas the box office is everyone taking their slice." I argue that these findings are in line with studies based on PEC which has suggested that the global distribution of films, dominated by Hollywood's powerful oligopoly, presents a bottleneck that impedes competition (Aksoy & Robins, 1992; Garnham, 2005).

This situation, in turn, has led independent producers to self-distribute their films with modest results: "I'm working directly with them [cinemas] now." Another producer said "I think if you go with a distributor they end up doing nothing so in some ways is much better to have control over this." With producers' self-distribution cinemas "generally get 70% and then it goes down every week about 5 %." Nonetheless, producers have to pay for advertising costs: "so you are lucky if you break even." Once again, I suggest that business models for revenue streams reflect a power imbalance, this time between producers and the exhibition market. In fact, the only reason independent producers keep thinking in terms of theatres is so the film "travels around the country and people get to see it."

It was interesting to find that, unfortunately, the burgeoning Wellington independent exhibition,[49] which offers international films as an alternative to the Hollywood-centred major chains[50] is, nonetheless, reliant financially upon widely promoted Hollywood movies to be able to deliver diversity (Huffer, 2012) (see Chapter 6). In this environment, only local movies that have proven to be critically successful or are backed up by a big distributor are screened in independent and major chains. Modest

[49] The Roxy in the suburb of Miramar, the Penthouse in Brooklyn, the Paramount and Light House in the city centre, and another Light House in Petone (in 2013 the Empire in Island Bay closed down).
[50] Reading Cinemas (Reading International) and the Embassy (Event Cinemas)

local films have a space in the film festivals and the New Zealand Film Archive (NZFA). However, some participants expressed disappointment with NZFA's exhibition endeavours: "they don't decide their program till really late, they don't market or publicise the program, so what they screen is a wasted opportunity and the room that they screen in is a wasted opportunity." Another participant commented the NZFA had "a real sense of protection, to preserve but also [made] it […] difficult for people to make use of it." Despite this, it is one of the few institutions set to address "the failure of the commercial market to provide a space for New Zealand films within the city centre" (Huffer, 2012, p. 258). However, as Huffer (2012) argues, the funding and support NZFA receives from WCC is not enough and "pales in comparison to the support" received by other film initiatives involving transnational corporations (Huffer, 2012, p. 258).

In sum, although there is a clear market failure at the distribution and commercialisation level for local films, film policies barely target these areas. I now go on to outline other alternative outlets for the consumption of local films.

Relations with the television sector

In this section I discuss the synergies between television and film-related organisations in the Wellington district at the production and broadcasting levels. Despite the differences in the way they reach audiences via theatrical exhibition or broadcasting, film and TV are able to establish synergies at the production, labour, and commercialisation levels. In New Zealand, both are also heavily reliant on state funding. Furthermore, in the context of flickering film production in the Wellington district—and in New Zealand—television offers potential continuity in production activities due to the wider demand for broadcasting programmes. Therefore, a discussion around those synergies is relevant to the study of the capacity to maintain sustainable cycles of production.

Unfortunately, my interviews showed a disconnection between the television sector and local film production in Wellington. This issue is related to the relocation of advertising and television activities to Auckland in the late 1980s (DP, 2011). As one participant noted, "the networks are in Auckland so {…} it is easier for networks to engage with Auckland production companies." However, I argue that disconnection also derives from the regulatory arrangements of the television sector; for example, the lack of content quotas and the type of contestable mechanisms used to obtain funding for local content production (Dunleavy & Joyce, 2012; Thompson, 2011b).

New Zealand's free-to-air television market comprises a public channel, Māori Television Service (MTS), two state-funded channels—TVNZ 1 and TVNZ 2—obliged to provide commercial dividends, and TV3 and Prime channels which are privately owned. Satellite television is monopolised by Sky TV which can retransmit state-funded channels for free. As part of the Labour government's efforts to "redress the market failures of the broadcasting sector stemming from the deregulation of the 1990s" (Thompson, 2011b, p. 1) (see Chapter 4), it established MTS and restructured TVNZ as a crown company. However, TVNZ failed to maintain its public service charter because of obligations to perform commercially. TVNZ was 90% dependent on commercial revenue and therefore started competing with private networks for audience share and advertising. In 2008, the National-led government shared with private networks the vision that the public subsidy to TVNZ was a market distortion, so it abolished TVNZ's public service charter. In addition, the government redirected its funding through a contestable fund for independent producers to be administered by NZOA, a state funding body. However, NZOA funding requires "that a national broadcaster agree[s] to air proposed programmes {…} [which means that] funding decisions cannot always be insulated from the commercial priorities of commissioners/schedulers, especially with genres that incur significant opportunity costs" (Thompson, 2011b, p. 2).

NZOA has acknowledged the potential for local films to be screened on TV and has established co-funding synergies with NZFC to support two or three films a year. Therefore, a film project could convince a New Zealand broadcaster to ask for NZOA funding. According to a public servant, NZOA funds 95% of local television content and lamented that, "it's a disaster that New Zealand doesn't have quotas because the government always seems to spend large sums of money to get New Zealand content for New Zealanders." The general sentiment among film practitioners and producers was that the fight for quotas "had been fought and lost,"

> Quota became a dirty word {…} you say that and politicians will be reaching for their guns. {…} It's almost like a shame or a kind of embarrassment of their own culture. {…} And now, they don't even understand the concept of something having a cultural good. {…} It is such a philistine country. They don't respect things that you can't see on a balance sheet [laughter] I hate it!

For interviewees in Wellington, the fact that commercial gatekeepers such as broadcasters and advertising companies decide on which projects get public funding was "the great issue" with repercussions on content quality and access to funding. For the government, explained a public servant, "is just a mechanism" to ensure that "the programme they spend money on will reach an audience." However, a filmmaker explained, there "is a big gap now between the producer and the audience":

> the scheduler talks to the advertisers on the basis of 'what is it you think you might be interested in buying or paying for?' And effectively the advertisers have a scheduler now to come up with programmes that they like {…}. Now, when you look at Māori Television that doesn't exist because they don't have the pressure of advertising.

Another producer commented, "Broadcasters become the gatekeepers because they decide what is good for them. But what it's good for them is not good for the country {…}. And the visible evidence of that is on the TV screens every single night. We just have a diet of shit!." Similarly other participants referred to television as "rubbish {…} reality blah blah blah!" or "it's a disgrace".

Another public servant criticised the networks' use of the rating systems that ultimately determine how much state funding is allocated based on advertising revenue,

> I think it is quite a flawed model. {…} it is like a chicken and egg, if you watch at 8 pm and there is crap in every channel but you are a household that has TV all the time, one of them will be crap, you'll watch the crap. If there was quality stuff would you watch it? Probably. Would they know that? They won't know. {…}. It goes round and round.

This system seems to have profoundly damaged the screen sector in Wellington. One public servant mentioned that Wellington was over-represented on New Zealand screens in terms of locations per capita. This might be true for news since Wellington is the political capital of the country. However, in the opinion of local film producers and practitioners the picture was quite different. A local producer commented that television broadcasters were "such a different beast" and "literally ruled by the ratings. {…} so unless you really fit into what they are after, I find it quite difficult." For many participants in Wellington the television system had had a negative impact on television drama and documentary. Having to pay a license fee as part of the agreement with NZOA, "generally for things like drama {…} [broadcasters] pay more than they would for an international programme" which disincentivises local drama production. In addition, one creative participant stated that the entire style of TV drama, "has turned into an Auckland style {…} which is more an American model." In the past, however, “people in TV had a little bit more ambition to put complex shows up, and shows that commented on New Zealand in an interesting and sometimes confrontational way and that seems to have completely gone.” Other participants felt that television broadcasters had given up on documentaries which are otherwise an important format for Wellington independent producers.

Even when producers are able to persuade a broadcaster and thus obtain NZOA funding, as one public servant commented, “the producer doesn’t get any money if it is popular on television, it is all presales and the presales are low because they expect it to not do that well.” In other words, NZOA funding is fairly close to the cost of making the programme, and therefore, television production gives no money back to producers and the subsidy does not contribute to producers’ economic returns to reinvest in sustainable cycles.

Conclusions

In this chapter, I have addressed a key set of relations within the Wellington film industrial district, specifically the patterns of labour and institutional organisation as indicators of the district’s ability to generate conditions for film industry sustainability. The latter are functional interdependencies—such as mutual benefiting collaboration (Nelson & Winter, 1982)—and positive externalities—benefits that an activity generates for third parties (Bator, 1958)—that give rise to spirals of increasing returns (Young, 1928). In examining these relations, I identified that a common perception of disconnection, dependency and power imbalance are perceived as a result of the interaction among producers, workers, markets and institutions.

Based on previous academic studies and original research, my examination of labour patterns concluded that satellite productions have influenced the district by increasing the number of workers. The fierce labour competition coupled with flickering production has engendered individualised contract negotiations with repercussions such as weakened bargaining position for workers, increased financial uncertainty and diminished conditions of work (such as the right to bargain collectively). I have argued that this signals a major hindrance for one of the sustainable conditions outlined in Chapter 2, that is, the existence a production system that can guarantee the generation and maintenance of quality jobs.

In my discussion of institutional arrangements, I identified a sense of disconnection between the needs of independent film-makers and the priorities of government and quasi-government bodies. Recent industrial relations that have had a negative impact on the film-making's grassroots have, at the same time, catalysed closer relations among them in order to advocate for their interests. By contrast, Miramar stood as a well-positioned actor with the ability to influence government agencies because it embodies the government priority of growing an export-led industry. The primacy of the satellite model in the institutional interplay occurs despite its spillover limitations and its dependency on overseas capital that threatens its mobility in the long-term. Furthermore, state mechanisms of financial support to both local and satellite activities lack the inclination to promote the financial autonomy of industry players and their recapitalisation (through audience development, opening alternative distribution and commercialisation channels, and better financial structures for redistribution of profits). In this way, I argue, the dependent relationship among the government and the industry maintains a status quo that contradicts the basic logic of sustainable development.

Furthermore, to expand the discussion in Chapter 5, I have contended that the distribution subsector, which is dominated by Hollywood majors, lacks interest in local productions due to their lack of profitability. The exhibition market has become a hopeless opportunity for local films' recoupment, even for successful titles, due to the big slice that distributors and exhibitors take in exchange for their intermediary services. Furthermore, the film industry in Wellington is disconnected from the television industry, whose externalities are limited by being located in Auckland, lacking local content quotas, as well as involving commercial gatekeepers in deciding contestable government funding mechanisms. The inability of local production to establish functional interdependencies with distributors and commercialisation outlets shapes the disarticulation of the value chain with structural consequences for sustainable outcomes.

Overall, taking into account the limited externalities and functional interdependencies present in the district, I argue that it shows two unequal stages of development. Applying Scott's (2005) categorisation of industrial agglomeration processes (see Chapter 2), I argue that the local production model is in the first phase of development, a phase of localisation facilitated by geographic specificities, urban externalities, and the film culture tradition. I suggest that the satellite model has developed into a second phase, one that attracts investment standing out over other regions (such as *Avatar* producers decision to film in Wellington). However, its attractiveness is primarily driven by cost-efficiency and only secondarily by its innovation or differentiation strategies (see the *Avatar* deal in Chapter 6). The district's development is also limited by its overreliance on one big internal player and a few external players which makes its attraction "slippery" (Markusen, 1996). Other successful film industrial districts have, on the contrary, been able to generate multiple interdependencies among the interaction of different players and their functional specialised interconnection, which leads them to a third phase of development based on competitive advantages borne out of agglomeration.

In the following chapter I discuss the arguments made in this and the preceding chapters with reference to my original line of inquiry, identifying constraints and opportunities for sustainability.

Chapter 9

Discussion: Constraints and Opportunities for Sustainability

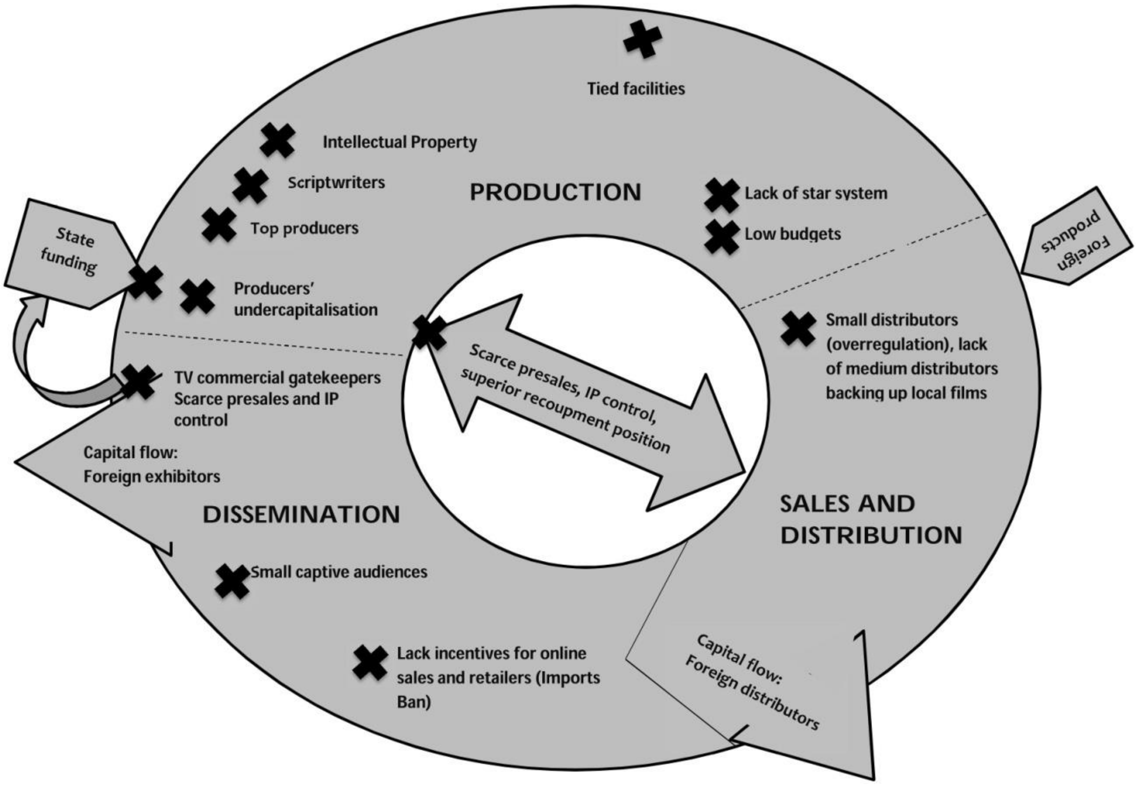
In this chapter, I discuss the question: *How can relationships in the film industry in Wellington work to create sustainability?* In order to answer the question, I establish links back to PEC and GI theory to map out the sources of increasing returns, as suggested by Power and Scott (2004). I pay special attention to the increasing returns that are critical to sustainability according to my analytic and normative framework (see Chapter 2). Therefore, I thought it important to integrate the constraints on increasing returns in the value chain cycles, and the generation of interdependencies and externalities identified in Wellington as part of this thesis. When identifying the constraints on sustainable outcomes I suggest they are also opportunities for development. As a result, I present the opinions my informants and other film industry stakeholders on what the film industry should look like in Wellington.

Later in the chapter, as part of a critical analysis I trace in my participants' responses some conventionalised ways to 'think' about the available channels of action to develop a sustainable film industry in Wellington. These conventionalised ways of thinking or mindsets, shape policies and business practices as well. In particular, I focus on those conventional thoughts that I argue represent constraints on achieving a sustainable industry. I also present the possibilities that alternative points of view offer and, when appropriate, I suggest that transformation of conventional ways is necessary to move forward. My suggestions are based on my analytical framework on sustainability.

Constraints on the Value Chain and Interdependencies

In this section, I integrate findings from Chapters 4 to 7, to outline and discuss the blockages which have been identified in the value chain and interrelations among film district players that prevent them from generating spirals of increasing returns whether economic or social. In order to do so, I first track such constraints on each of the five criteria of sustainability, that is, on the industry's financial capacity, the ability to feed from pools of specialised labour and creative sources, adequate levels of productivity and appropriate infrastructure, as well as captive market audiences (see Chapter 2). Secondly, I locate the constraints in the value chain phase, which I call "vertical blockages". Then, I identify constraints on the interrelations with other players, which I call "horizontal blockages" (see Figure 39). Lastly, I argue blockages actually offer opportunities and I explore some proposals traced from the theory, reports and participants' normative statements. The latter are subjective expressions that evaluate the desirability of various scenarios.

Figure 39 Blockages in the value chain for the local film industry



Note. Own elaboration.

Financial capacity

Scholars working on the economics of the film industry, such as Garnham (2005), Picard (2002), have observed that films incur large amounts of costs in the phase of production, while the distribution phase experiences lower or nill marginal costs. This has promoted the generation of economies of scale for businesses that control production and distribution (Garnham, 2005). This tendency to market expansion has historically favoured the existence of oligopolies, that is, market concentration in a few companies. As explained in Chapter 2, for independent producers, fundraising can be extremely difficult because of the non-competitive conditions derived from an oligopolistic environment such as barriers to entry and disadvantageous agreements regarding revenue streams. Based on the emphasis in PEC theory on the articulation of the value chain as a way to guarantee cycles of reinvestment, I have argued that having financial capacity is a necessary condition for a sustainable industry. In the next section, I make the case for how and why independent producers in Wellington struggle to achieve financial capacity.

Undercapitalisation

One of the main constraints I identified, that aligns with other research findings (Campbell & Jones, 2009; Jackson & Court, 2010), is the undercapitalisation of local producers. It is a vertical blockage shaping the phase of production in the value chain, but structurally linked to the phases of distribution and commercialisation of films. In this sense it signals a hindrance to capital flow from markets back to producers (Garnham, 1990). As the report from Pinflicks and NZIER stated, “Sustainability and growth in the screen production industry depend on the ability to generate profits in each of those steps of the value chain, as well as across the chain as a whole” (2003, p. 6). Interviews with film practitioners in Wellington showed that undercapitalisation is a horizontal blockage that reflects broken relations between local independent producers on the one hand, and investors, sales agents, distributors, exhibitors and broadcasters on the other. Specifically, the perception of the impossibility of finding mutual benefits in working together hinders collaboration.

The undercapitalisation of the production base perpetuates itself in a vicious circle. The lack of funding decreases productivity, underwrites intermittent production, and lowers film budgets, all of which increase uncertainty—understood as the perception of unknown future circumstances—(Kawashima, 1999). In turn, uncertainty discourages investors and presale deals with distributors because of the risk or “possibility of loss” they represent (Rose, 2001). Even for state-funded films, the dominant “strings-attached” funding in New Zealand means that “the potential return to the funding agency is usually much greater than the return to the producer, making it not financially viable for the producer to spend further money marketing and distributing the product” or in developing new projects (Wrightson, 2003a, p. 3). Although the creation of SPIF in 2008 gave local producers a 40% grant as a better foundation from which to negotiate with intermediaries (Campbell & Jones, 2009), local films’ overreliance on big foreign distributors and exhibitors that dominate the markets puts them in a disadvantageous position regarding negotiating waterfall revenue streams. According to the common practice of such financial agreements, even if commercially successful, the producers are at the back end of the recoupment process and hardly ever receive any profits. Meanwhile, there is a flight of capital to the headquarters of overseas companies (Conor, 2004; Huffer, 2012; McAndrew & Risak, 2012; Watson, 1988). According to interviewees, commercialisation through broadcasters shows a similar power imbalance through presale contracts that inhibit producers' recapitalisation. Although the government view is that commercial gatekeepers—broadcasters and distributors—guarantee there would be an audience for the products, in reality, and as informants and Jackson and Court (2010) believed, it exposes independent producers to unfavourable positions and results in market failure. Although NZFC relaxed its distribution attachment requirements to obtain their funding from 2011 (MCH, 2011), the power imbalance in negotiations with distributors and broadcasters in the market place is still disadvantageous for local producers.

The repercussions of limited access to capital were detected more than 10 years ago by the Pinflicks and NZIER report: "If no private investment is raised in New Zealand, it cuts off potential backend here, other than through the government funding agencies, as well as limiting the ability to own or have a major interest in IP […] which could feed back to New Zealand" (Pinflicks Communications & NZIER, 2003, p. 26). Unfortunately, a decade after these recommendations, no significant progress has been made in the form of structural policy intervention. I argue that the government support in the form of taxpayer money, though necessary, is still partly misallocated as it fails to break dependency cycles. For instance, the Jackson and Court report suggested the creation of a Box Office Incentive Scheme rewarding local box office films with "$1 per each $10 of the gross box office" (2010, p. 69), but the government made no advancements in this area. Many interview participants stressed the desirability of less reliance on government money and increased private investment through collaborations either local, international or a mix of both. For example, one participant suggested amalgamation strategies where mergers and joint ventures of production companies could leverage access to capital.

Ability to feed from creative sources and pools of specialised labour

As discussed in Chapter 2, another two necessary conditions for film sustainability are production systems that can nurture from labour pools, and creative sources. According to Scott (2006), in order for specialised labour to be available, film workers have to be organically developed and maintained in relations of production over time. In this way they can acquire the technical skills and cultural sensibilities that are applicable to the production process. By the same token, Scott (2000a) considers that film production systems are entrenched in a creative substrate that infuse a ‘cinematic vocabulary’ to them. Nonetheless, workers and the creative substrate might remain inert unless energised though a working production system (Scott, 2000a). I now outline my findings around the Wellington district’s ability to nurture film production from creative sources and specialised labour.

Above-the-line talent

Another main constraint identified in this thesis and other studies is the lack of professional screenwriters (Jackson & Court, 2010; Kenworthy, 2013). It is a vertical blockage in the value chain phase of production as it impedes good storytelling from becoming an input into film development and, further on, to engage with audiences. It is also a horizontal blockage of disconnection between the pool of creative writers and screen producers. Although some scriptwriters work in other forms of creative writing, the special skill and craft required to develop screenwriters is “built through the ‘doing’ and opportunities for ongoing work are not always available. Rarely does international production (except sometimes through co-production) allow for continuous work” (Pinflicks Communications & NZIER, 2003, p. 28). Although television drama could provide continuity, the cost-effective strategies of broadcasters move away from that format.

Therefore, I argue that undercapitalisation of producers and flickering production has an impact on developing good storytelling and vice versa. Many participants’ normative statements included the need to develop “good storytellers” and “good scripts.” A creative participant observed that “there is too much attention on the golden egg rather than the goose who lays it,” suggesting not only the importance of formal writing training but the implementation of schemes to develop writers instead of projects. A way to do so, the participant suggested, is through a series of screen projects with modest budgets that allow writers to establish collaborative relations with directors, gain exposure to audiences, learn from project to project and “build up.”

Another vertical blockage I identified is the shortage of experienced creative producers (Barnett, 2013). The limited access to capital and lack of production continuity diminish producers' exposure to dealing with financiers and buyers. A decade ago, that issue was reported as a constraint on creating screen content, as there are "shortages of high-level business skills, [in]ability to exploit the idea, the lack of international finance and marketing skills other than a notable few" (Pinflicks Communications & NZIER, 2003, p. 28). Furthermore, in order to expand international audiences, market intelligence and co-production knowledge are required which are "time consuming and expensive" (Pinflicks Communications & NZIER, 2003, p. 28). In this area, my interviewees referred to the need to "work beyond our borders" and to increase "knowledge of the international market and the ability to market." Despite long-term government efforts to finance individual producers to attend film markets—a strategy that is still current—some practitioners have observed that experienced producers apply their marketing knowledge only to their own projects while inexperienced newcomers keep entering the industry (Campbell & Hughes, 2003). I argue this is another disadvantage of the project-based model identified by Davenport (2006). Such a model is unable to retain the specialised knowledge and social contacts acquired by individual producers to be able to establish permanent and transferable resources to other producers. In this case, I suggest that it would be appropriate to set up local intermediary organisations with private, public or mixed capital, that are able to accrue marketing knowledge and to manage it in the long-term (Grant, 1996).

Intellectual property

A third constraint is the infrequent generation of intellectual property rights and the inability to exploit them. It is a vertical blockage in the production phase that prevents the film industry from transforming ideas into products to reach dissemination phases. It is a horizontal blockage in the sense that it reflects disarticulation and unequal relations between innovators or content creators on the one hand, and producers, financial pools and markets on the other. Intellectual property rights are first and foremost important assets for creators, innovators, and producers' livelihoods "which, in turn, flow to their investment in developing new projects" (Wrightson, 2003a).

A major hindrance with respect to copyright is the dearth of professional screenwriters but also their vulnerable position in controlling the benefits of retaining the copyright holder status. Something similar occurs in the area of computer and industrial design (Pinflicks Communications & NZIER, 2003). This is because the creation, management and exploitation of rights is costly; it requires expertise and a range of intermediaries such as accountants, lawyers, sales agents, distributors and collecting societies. A report for the World Intellectual Property Organisation (WIPO) and UNCTAD has acknowledged this as an obstacle for the development of local cultural industries (Wallis, 2001). Furthermore, Epstein (2005) has argued that because of the current global imbalances of corporate power, large media conglomerates are better described as platforms involved in extracting value from intellectual property. In the context of New Zealand's market dynamics: "Ownership of copyrights and patents is often lost with foreign money driving the deal" (Pinflicks Communications & NZIER, 2003, p. 27). This is true for Jackson's blockbuster movies such as *TLOTR* whose vast copyright revenue—including theatrical, secondary markets and ancillary products—belongs to the US-based transnational company (SPT, 2003). The Pinflicks and NZIER report concluded that satellite production servicing activities do "nothing to build the intellectual property platform for income generation and future development" (2003, p. 27). There are of course individual efforts from Miramar companies to venture into intellectual property development (McFadden, 2009) but the broader screen-industry sectors do not benefit from it. IP is therefore an area of market failure and Pinflicks and NZIER have suggested "there is a role for government in assisting with a broad-based development of industry capability" (2003, p. 42). But the issue of IP ownership is also present within the public funding system in New Zealand:

> Government funders, in search of making their limited money allocation go further, were often insistent that they should claim these [rights]. Industry people saw this as an unnecessary piece of equity taking {…} it has meant that the residuals are often wind up in the hands of people with limited motivation and abilities to exploit them (Pinflicks Communications & NZIER, 2003, p. vii).

By the same token, when funding bodies encourage producers to search for third party investment—known as "gap funding"—investors have "a powerful negotiation position, which often weakens the position of the owner of the residual and other IP rights" (Pinflicks Communications & NZIER, 2003, p. vii). To the present day, the lack of direct structural change in this area hampers the film industry's ability to feed from creative sources, a necessary condition for self-sustainable outcomes: "The development and exploitation of intellectual property is one of the major ways in which the industry can be responsible for its own growth without direct Government funding or intervention" (SPT, 2003, p. 27). The normative statements of interviewees pointed to the desirability of growing not so much service-like production companies, but IP-generating companies, which are indeed, according to the theory, primary economies with potential to develop positive externalities (Young, 1928).

Productivity and appropriate infrastructure

Drawing on several studies, I have argued that another necessary condition for the sustainability of the film industry (see Chapter 2) is adequate levels of productivity that allow for the maintenance of jobs and upskilling processes, the development of audiences and the encouragement of film services and facilities that support it (Coe, 2001; Davenport, 2006; Scott, 2000b). In the next section, I present the constraints on productivity and appropriate infrastructure in the Wellington film district.

Mismatch of scale of operations

Another set of horizontal blockages identified here is made up of budgetary mismatches between independent and large satellite productions during the production phase, and between small producers and large international distributors during the distribution phase. As explained below, these mismatches reinforce flickering production and low productivity.

In the production sector, most of the projects and companies are polarised on either large-scale satellite operations or small-scale independent productions. Middle-tier productions such as co-productions, television productions and medium-sized film budgets are scarce. This creates a disproportionate effect on the industrial ecology, those interdependent networks of mutually beneficial relations (Corner, 1999). Firstly, the small domestic producers lack the capacity to absorb large numbers of workers during the satellite blockbuster downtimes. Secondly, neither large- nor small-scale producers can provide the industry with the continuity of work it requires to develop. This problem has been identified by government reports “dating back to the 1990s. {…} The central issue for New Zealand’s production/post-production sector {…} is the ‘lumpiness’ of demand, the feast/famine rollercoaster that inhibits growth and creates havoc across the entire value chain of production” (Film NZ, 2013, p. 25). Despite the issue being acknowledged, there have not been enough structural strategies to address it. Film NZ’s recent recommendation to attract satellite international television series that could provide mid-term continuity to the industry has considerable short-comings. This is because the governance of transnational companies often imposes limitations on developing domestic, creative talent and IP which are essential for a long-term strategy.

Thirdly, as large satellite productions drive up costs of labour, facilities and general services (Pinflicks Communications & NZIER, 2003), the domestic industry has to stretch its already thin budgets. For example, domestic production is systematically resorting to cross-subsidisation, through wages from satellite productions or other industries, and discounting demands. Both of these measures are unviable for some film workers' livelihoods and local service providers' operations. Another example is the existence of high-quality facilities built with government support but tied up to a single, top producer which makes them expensive for independent producers to use. This could be considered discriminatory and represents a horizontal blockage in which many producers are left out. Producers themselves see the need to build facilities that can be "open to all customers to use" (Kenworthy, 2013, p. 52).

In addition, big disparities are found in the distribution sector between large and medium but internationally-owned distributors that dominate the New Zealand market and a few local small distributors; this also contributes to a budget scale mismatch. Firstly, large and medium distributors are not interested in small-budget local films, and tend to bring in larger budget international films. Secondly, small local distributors who are striving to survive depend on medium- or large-budget international films as they are highly publicised. This, in turn, inhibits symbiotic relations between small distributors and local films.

The disparities described above are related to the uncompetitive oligopolistic market both in the production and distribution of films in New Zealand that inhibits growth of competitor businesses (see Chapter 5). The disparities signal market failures that are important to address, particularly, the assumption in New Zealand's economic policies that favouring large corporations will spillover to the rest of the sector that is, the "dynamic trickle down hypothesis" (Quiggin, 2010, p. 143). The normative statements of some interviewees referred to "the need to breach the gap" or sit in the "middle of the road" to "increase production" that provides "ongoing work on an indigenous level" as well as increasing local or international television production and middle-tier films. Some participants believed that expanding areas of retail and other windows of commercialisation were needed to grow a local distribution business that can afford a risk-taking attitude.

Captive local and international audiences

One final necessary condition for sustainable dynamics in the film industry is the capacity to obtain economic and social rewards through expanding market audiences and to be able to generate economies of scale. This is the reason why political economists consider distribution and commercialisation to be the critical phases of the value chain to generate reinvestments (Garnham, 2005). In the following section, I pinpoint the constraints on accessing local and international audiences that Wellington films face.

Low market share

The small share of local audiences for New Zealand screen products is another major vertical blockage identified in this thesis. This constraint is located in the dissemination phase of the value chain. For instance, from 1993–2012, the local market share represented an average of 2.5% of the box office (MPDA-NZFC, 2013). There is no data available to estimate the volume of international audiences for New Zealand films but interviews indicated that it is very modest. This is a historical issue since the Pinflicks and NZIER (2003, p. vi) report mentioned the "inadequate connection to global sales for television and features, other than through some individual producer efforts." Furthermore the report observed, "there is a lack of cohesion in approaching the global marketplace, which means less consistent and comprehensive market intelligence that might be needed" (2003, p. vi), especially when film sales and distribution are based on expanding networks. I argue this is, once more, an unintended consequence of the project-based model (Davenport, 2006). Therefore, the small domestic market share also signals a horizontal blockage in the relations among producers and audiences caused by distributors becoming the bottleneck or traffic control of film products and it is this control that influences the possibility of obtaining commercial and social rewards at the end of the value chain cycle.

The small domestic market share can be explained by multiple factors such as the saturation of foreign screen products which has shaped consumers' preference for foreign films (Dunleavy & Joyce, 2012); the filter of a handful of distributors and broadcasters which prefer to buy highly publicised foreign products; the modest volume of local films produced; the lack of local exploitation of synergies among different commercialisation-ancillary windows; and the shortage of small and medium independent distributors and platforms backing local films (see Chapter 5).

So far, the small domestic market share is an area of market failure neglected by policies which have focused mainly on subsidising production but could be at the same time, implementing audience development strategies. For instance, a ministerial report established that the production sector: "makes the majority of the industry {…} and [is] the most appropriate sector in the industry to analyse when investigating economic impacts, as it is an internationally tradable sector" (MED, 2012b, p. 9). Nonetheless, Chapter 6 argued that official figures for production are skewed by aggregation of categories and because it is a labour-intensive sector. Contrary to the previous ministerial quotation, Chapter 7 discussed the limitations of a service-led tradable sector. In here, I argue that in order to understand the economic impacts of the film industry the inclusion of distribution and consumption sectors is crucial. For public policies whose rationale is the generation of social and commercial rewards—let alone the promotion of final and not just intermediary exports, as well as achieve a self-sustaining film industry—local and international consumption should be emphasised, as it has the potential to outgrow dependency dynamics on external support.

The normative statements of interview participants referred to this overlooked area by talking about the need to expand audiences for New Zealand screen products, as well as increase the channels for dissemination of screen products. For instance, one participant said "I would like to see more New Zealand [content] {…} available for a wider audience either TV or online." Other participants concurred on the desirability of having "a much healthier, more collaborative relation with New Zealand broadcasting." By the same token, another interviewee proposed the appropriateness of having spaces of cinema exhibition that are alternative to mainstream cinema with a well-publicised programme that could offer enjoyment of cinema. In Wellington, he proposed, it should be run by a non-for profit trust and its facilities should include a café, bookstore and an ancillary shop, meeting rooms to host forums and have genuine partnerships with the tertiary educators and the Film Archive. Another participant proposed strategies to engage audiences, such as pre-screen tests and audience research. Respondents also agreed on the need to expand international markets.

After outlining the industrial constraints in the last sections, the following discussion addresses key social conventions identified as constraints on the idea that sustainability can be implemented in New Zealand.

Conventional Mindsets

Some recurrent topics among my interviewee responses illustrated ways to think of the film industry which, in my view, might hinder a transformative path towards a sustainable industry. First of all, I have noted the internalised belief of most participants that New Zealand's small population size explains its industrial struggles. The following quotations summarise participants' perceptions: "you cannot make money from NZ because it is only 4.4 million people", "So there is not enough population here to make a profit off just about any film."

Indeed, the New Zealand market size is small compared to many other countries, and represents a significant challenge for its film industry. Nonetheless, I argue that this issue is exacerbated by New Zealand's regulatory and market arrangements. The internalised belief in a "small market" has a wide range of implications from participants' acknowledgement of a challenge with possibilities to overturn it, to more pessimistic views whose political repercussions contribute to legitimise the status quo of industrial affairs. This latter view was particularly evident in the responses of public servants:

> I slightly laugh when people say we need to do this to develop an industry and I… you know, a country with 4 million people, how realistic would it be? Yes we can become a production facility for international production, but that is not a local film industry, that is just about what is reasonable for the population.

Another public servant explained his view on the influence of the small domestic market on state subsidies: "The only market failure reason for supporting New Zealand stories on screen is that […] the markets aren't a sufficient size for the private sector to provide that [local] content. We are just getting international material imported in, which is much more cost-effective." John Barnett and Peter Jackson are two examples of top producers who disagree, "believing that it is possible for local productions to turn a profit" (Jackson & Court, 2010; Kenworthy, 2013, p. 53). Here I argue against some deterministic assumptions of the impossibility of developing film industries in small countries. Firstly, New Zealand participates in a global capitalist environment where free trade market dynamics dominate and the government has pursued an export-led economy. Therefore, arguments that limit New Zealand's available channels of action to the domestic market can be counter-argued even within the free market logic in which products have potential markets beyond a country's borders. Secondly, I argue that cinema markets in New Zealand have not even been expanded to their full potential—2.5% of domestic market share—making the already-small market much smaller. Thirdly, the issue of having an undercapitalised local production sector is common to many underdeveloped film industries around the world like Australia (Hartley & Cunningham 2002), UK (UKFC, 2000) and Mexico (Muñoz Larroa & Gómez García, 2011; Ugalde, 2005), which indicates the problem is not unique to small-population countries. As I argued in the previous sections, the structural challenges lie elsewhere.

A second belief identified in some interviewees' responses pointed towards New Zealand's isolation as another constraint on developing its film industry. As one participant noted, "it is difficult with a country […] that is physically remote from the rest of the world." Another participant commented, "our location is crap. Compared to being in the middle of Europe or America […] We are really disadvantaged by that." Nonetheless, the same interviewee observed that the constraint lies in the New Zealand mindset, "I think even mentally, it is the truth, because we have a lot of technology that could help us maintain contact, but it's mentally where there is this… even we have had so few co-productions with Australia." Despite physical isolation being an important aspect of New Zealand's cultural history and without denying the challenges of the higher costs to commute to other parts of the world, I agree that those arguments have less and less weight in a contemporary cosmopolitan, technology-led, diplomatically and trade-wise connected New Zealand.

As a third example of how current arrangements are institutionalised models that have been internalised in people's beliefs, I present a common assumption that New Zealand local content and its cultural imprint in films is a barrier to gaining international markets. A public servant explained,

> sustainability has always been a goal for the local industry no matter how [far] back you look. But the truth is, for indigenous New Zealand productions with strong New Zealand stories, New Zealand content, there isn't a large international market for that type of content. Hence, {…} the reliance on government subsidy.

Yet, the same participant conceded: "The only way it could really be made sustainable is if producers would be generating unique intellectual property and sell that internationally and be able to rip the ongoing revenue streams from film sales, DVD, merchandise, online distribution." As I commented in previous sections, those are some of the unexplored areas of opportunities more likely to succeed according to the theory used for this research and examples from other regions. In the last decades, New Zealand films such as *Once Were Warriors* (Tamahori, 1995), *Heavenly Creatures* (Jackson, 1994), and *Whale Rider* (Caro, 2002) gained international visibility, widespread distribution, and successful box office by being New Zealand films with New Zealand content. I argue those movies are good examples of New Zealand films connecting with local and foreign audiences. This in turn, questions the validity of accounts based on the impossibility for New Zealand's screen industries to capture the interest of international audiences.

A fourth belief signals an institutionalised model also influencing industrial practices. Some interview responses implied participants' beliefs in the "given nature" of economic conditions, which inevitably led to a feeling of impotence to change things. For example, a producer commented about intermediaries taking their slice of money in this way: "it's a rough business model {…} But *it seems to be part of the model*" (emphasis added). A public servant talking about market audiences, "*the truth is* that for New Zealand indigenous productions {...} there isn't a large international market" (emphasis added). Or a public servant's realisation that wishing for better relations between local producers and TV broadcasters cannot be "mandated": "*It is just the reality*" (emphasis added). Those comments correspond to the participants' internalised ideas of given economic circumstances, which align with the neoclassical economic assumptions in New Zealand. Whereas, based on criticism of institutional economic (see Chapter 3), I argue that economic circumstances are socially made and therefore can be transformed. This is not to say that they do not present constraints, or that they are easy to change, but is important to emphasise their social genesis. With this awareness in mind, it is fair to rephrase the quotes and say that *under the current socio-economic arrangements*, local producers are disadvantaged in their relations with intermediaries; as also, that *in the current socio-economic settings*, local films have a limited international market. Furthermore, it can be misleading to infer that the particular market arrangement of the screen industry in New Zealand is *how the* *economics of the film industry works in general*. Indeed, I suggest that self-sustainability in the cultural sector is not exclusively limited to market dynamics. For example, I argue that experience around the globe provides examples of successful, sustainable film districts that are based on state regulation—not state dependency—on private-public partnerships, and on some form of support from the civil society.

In fact, other participants demystified these assumptions. For some interviewees, mainly creative film workers, pessimistic mindsets make the public sector support far from satisfactory: "New Zealand is not a country which understands the concept of putting a lot of money towards arts; it is a physical country funded on farming and hard work." Likewise, another interviewee reflected on the focus of commercial imperatives:

> you go to other countries like in Scandinavia {…} and it is a completely different approach and mentality. And I think we kind of breathe this into ourselves and we are kind of made up with it now and I think it is going to take a long time to change that.

Anther participant commented,

> things are different for us because we are a bit further away from some other countries, but in some ways, that is the reason why {…} we can play with stuff, iterate and say 'well, this actually works for us, what about you guys?'

Conclusions

The discussion in this chapter addressed the question: *How can relationships in the film industry work to create sustainability?* In order to answer it, I followed the GI theory suggestion to map out the industrial district's sources of increasing returns (Power & Scott, 2004, p. 9). Based on my analytic framework on sustainability in Chapter 2, I paid special attention to those constraints to increasing returns occurring in each of the necessary conditions on a sustainable film industry: financial capacity, the ability to nurture from pools of specialised labour and creative sources, adequate levels of productivity and appropriate infrastructure, as well as captive market audiences. In this way I hope to contribute to systematising information that could be useful to guide policymaking to foster film industry relations that could work to create sustainability. Of great help were not only the theoretical normative statements that informed my integrative framework on sustainability, but also what my interviewees and some unofficial reports considered desirable for the film industry in Wellington.

I now summarise the proposals on tackling industrial restraints addressed in this chapter. Some of the main sources of increasing returns mapped out in this chapter are film dissemination channels. However, a major constraint underwriting Wellington independent producers' undercapitalisation is the overreliance on large, dominant, foreign distributors, exhibitors, and New Zealand broadcasters. Their power allows them to dictate the terms of the revenue streams where producers get the lowest margins and are at the lower end of the recoupment process. In addition, state support has not been enough nor allocated appropriately to facilitate alternative channels of dissemination for producers. As I have argued in this chapter, based on the normative statements gathered in this thesis, there are suggestions to tackle this issue, among them:

1. The possibility of implementing revenue schemes, for example, Jackson and Court's Box Office Revenue Scheme (2010). Or, I suggest, minimum standards regulating contractual relations between dissemination channels and producers to guarantee the latter a better cut and recoupment position.

2. The establishment of collaboration and amalgamation strategies between production companies to leverage their position to negotiate access to capital or dissemination deals.

The chapter argued that other sources of increasing returns depend on the availability of screenwriters, creative producers, and the generation and exploitation of intellectual property (IP) rights. But opinions collected in this thesis identified a lack of experts in those areas. Some industry practitioners mentioned that continuity of projects, even when they are low-budget projects, was desirable to build up proficiency in scriptwriting. I also suggest that producers' marketing skills and copyright expertise should move beyond an individual-project-based model towards an organisational model specialising in accruing and transferring marketing or IP management in a collective way.

Other major sources of increasing returns identified here were middle-tier budget scale projects that provide continuity and overcome the highs and lows of large and small productions characteristic of Wellington. Another constraint on increasing returns in the distribution area is the budget scale mismatch between the distributors' interest in large-budget films and local low-budget independent films. Many interviewees were of the opinion that a solution should focus on facilitating an increase of projects and distribution companies that sit in the middle ground.

Finally, another source of increasing returns derives from captive audiences for local films which are so far very limited for New Zealand films. Expanding audiences was an imperative for many practitioners who saw the existence of a major constraint in this area. I suggest that in terms of public policy, there are potential strategies that have not been explored yet, such as audience-development strategies and facilitation of alternative channels of dissemination.

In this chapter I argued that besides the industrial constraints there are also social conventions nurtured by people's beliefs that represent barriers to thinking that sustainability is possible for the film industry in Wellington. Based on the normative statements gathered through various sources, I argue that it is important to be open to the possibility of expanding domestic and international audiences. I suggest that earlier examples of local films that have enjoyed international success are considered as an evidence of New Zealand's unique cultural appeal to the rest of the world. It is also important to bear in mind that the current socio-economic arrangements of the film industry are contingent on the set of regulations, conventions and industry practices currently in force and which can be transformed in the future.

Chapter 10

Conclusions: Towards Sustainability in the Film Industry

In this concluding chapter, I discuss the potential contributions of this thesis by referring back to the line of inquiry as expressed in the main question: *What interrelations in the film industry enable its sustainability?* My interest in this question was motivated by a central issue outlined in Chapter 1: the struggle for many regions—including Wellington—to sustain local film industries vis-à-vis Hollywood's global supremacy (Aksoy & Robins, 1992; Scott, 2005; Wasko, 2004). In order to outline the potential contributions towards addressing this issue I go back to sustainability as an initial concept with which to capture the long-term viability of the film industry. I also suggest potential paths for policymaking and further research at a local and international level.

After having tested the analytical framework of sustainability on the Wellington example, I propose its transferability to other film districts and the possibility of making empirical inferences to districts that, like Wellington, experience similar situations. These would include analogous local, national, and international environments characterised by having similar film production models, film policies, and economic policies. In this sense, there are lessons to learn from the Wellington case that could be inferred to other districts around the world. Similarly, the study of the Wellington district and the analytical framework of sustainability help to understand the wider issue of sustainability in a national context.

The Contributions of the Thesis

This thesis began with a contradiction between accounts about the film industry in Wellington. These were: (a) celebratory accounts of increased foreign investment; and (b) discouraging accounts questioning the long-term viability of the industry. Indeed, in the preceding chapters I have confirmed the existence of a very polarised and fragile industry in which many players are small and vulnerable, and a few others are large and powerful. I argue that the main challenge, therefore, is that future opportunities in the industry should be better spread by the industry becoming sustainable. I defined the self-sustainability of the film industry as its ability to achieve the long-term supporting viability of the sociocultural aspects of film and the socio-economic aspects of its industry, as well as the capacity to fend for itself. In the following sections, I explain how I integrated a framework to analyse and evaluate a film industry in terms of its sustainability, and based upon that I explore potential directions to transform challenges into opportunities.

Theoretical and analytical contributions

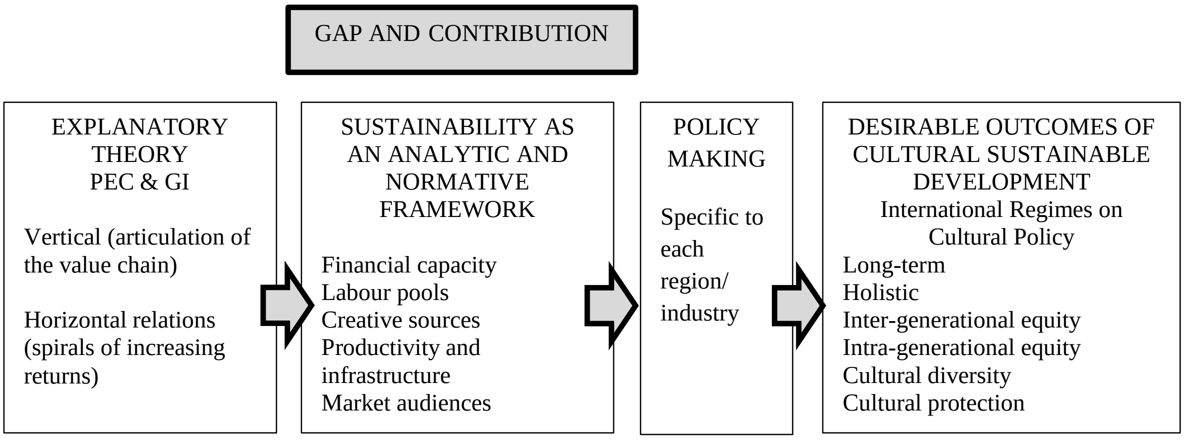
Theoretical and analytical gap

Several scholars have observed that Hollywood's worldwide dominant position challenges diversity in filmmaking and film consumption in other regions (Aksoy & Robins, 1992; Christopherson, 2006; Garnham, 1990; Scott, 2005; Wasko, 2004). In this international context, where many regions struggle to keep their film industries afloat, two relevant fields of literature on the cultural industries particularly concerned with the previous issue have emerged.

On the one hand, there are two theoretical approaches that have explained how the film industries work: these are the political economy of culture (PEC) and the geographical industrialisation (GI) theory. On the other hand, there are reports from international organisations on cultural policies, which suggest the desirability of cultural sustainable development (UNCTAD, 2010). The latter entails equal access to culture by different social groups and urges the need for cultural protection and cultural interconnectedness with other aspects of socio-economic development. However, as Figure 40 shows there is a gap between the theoretical accounts of PEC and GI and the broad, normative goals of UNCTAD and other international regimes with respect to achieving sustainable development in the film industry. My analysis drew from, and contributes to both fields—in which there remained few explicit clarification of how to give an account of sustainability in the film industry—by proposing a framework to analyse and evaluate sustainable criteria and outcomes.

In these concluding sections, I join the various strands of my argument together to summarise how I developed the normative and analytical framework and the ways in which I applied it to study the film industry's sustainability in Wellington, New Zealand.

Figure 40 Theoretical and analytical contribution of the thesis



Note. Own elaboration. For more on each approach see Chapter 2.

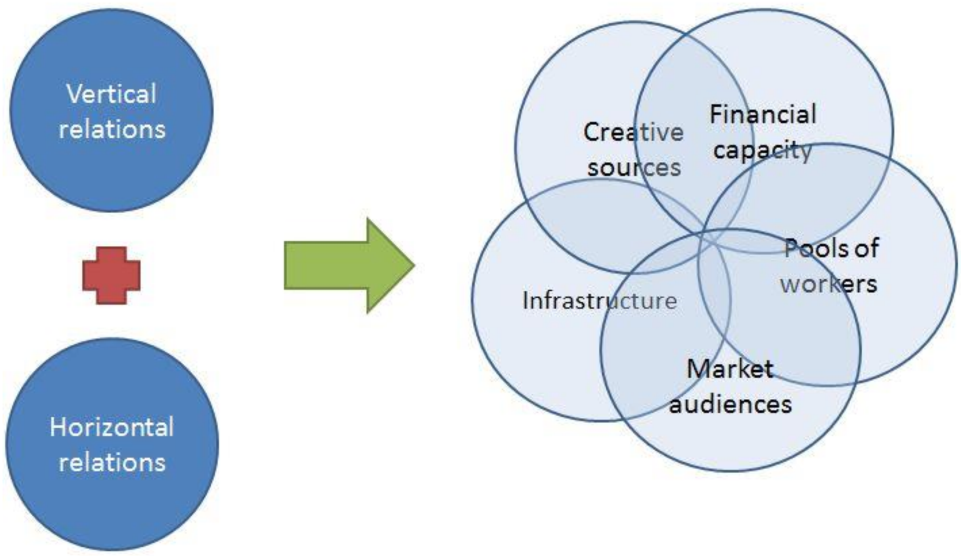
Analytical framework

Throsby (1997) has argued that tangible and intangible cultural stocks—and practices—carry a symbolic value that can deteriorate or grow. Their maintenance requires resources just as other elements of economic and social systems do. He then established the link between such cultural stocks and the capacity to make them sustainable, that is, viable in the long-term (Throsby, 1997). In addition, international organisations promoted the desirability to protect the world's cultural diversity by achieving sustainability in cultural industries so that they can be preserved in the long-term and continue to provide access to production and consumption for different social groups, and interrelate with other socio-economic activities (UNCTAD, 2010; UNESCO, 2002). My analytical framework started by appropriating those normative principles and defining the film industry's sustainability as the capacity to fend for itself and enjoy the long-term supporting viability of the cultural aspects of film and the economic aspects of its industry. I then enquired about the process necessary to achieve sustainability by examining and interpreting the empirical and theoretical studies of various film industries by PEC and GI authors. Both approaches had developed theoretical explanations of endogenous industrial development whose advantages encompassed two main qualities: (a) the long-term maintenance of the film industry, and (b) the incorporation of its wide cultural and socio-economic aspects.

I identified the first of those qualities in PEC and GI's use of visual metaphors like "cycles" to implicitly depict the long-term dynamics of self-sustaining systems (Garnham, 1990; Scott, 2005). With the use of "positive cycles" PEC refers to sustainable vertical interrelations within the value chain phases created by the flow of resources from production to distribution, consumption, and reinvestment in more production in a self-perpetuating way (Garnham, 1990). With the use of the term "positive cycles" GI refers to sustainable or horizontal interrelations in the form of externalities and interdependencies among film industry players that self-perpetuate their functional benefits (Scott, 2005).

My analytical framework incorporated the cyclical models of GI and PEC theory, interpreted here as representing the sufficient conditions for the reproduction of capital in the film industry. But I also identified in PEC and GI studies a set of necessary conditions that are mutually constitutive of such cyclical models. In their empirical studies GI and PEC have distinguished that film industries with positive outcomes have financial capacity for reinvestment; pools of specialised workers and a production system with the ability to generate and maintain quality jobs; the capacity to feed from creative sources and environments; adequate productivity levels with the appropriate infrastructure; as well as captive local and international audiences. Those necessary conditions completed my analytical framework.

Figure 41 Analytical framework of sustainability



Note. Own elaboration.

As explained in Chapter 2, the normative frameworks of sustainability should rely on regional sovereignty and the one proposed here does not pretend to replace that local process, nor to be the best or the only one. However, it systematised and integrated previous work and was tested by an in-depth analysis of the vertical and horizontal interrelations in a film industrial district. I have analysed these interrelations and their influence on the sufficient and necessary conditions for sustainability across multiple sources including public policy documents, media reports, statistics, and interviews with individuals working in a range of film industry organisations. In the following section I integrate with examples the most significant findings of this endeavour.

Testing the theory and the analytical framework

My research has contributed theoretically by confirming the relevance of the main explanatory cues of PEC and GI theories as the key, contemporary theoretical proposals to understand the film industries. This confirmation was achieved by testing PEC and GI theories against the case of Wellington as a film industrial district. Studies had emphasised the importance of the film industry's interrelations for its development and, I have inferred, for its sustainability. The thesis has addressed the main question, *What interrelations in the film industry enable its sustainability?* I have argued that vertical and horizontal film industry interrelations are critical to sustainability, and this can be observed in five specific areas: financial capacity, labour pools, creative sources, productivity and infrastructure as well as captive audiences. As explained in the previous section, I arrived at such conclusions by integrating my theoretical approaches. Firstly, as Chapter 2 illustrates, authors of PEC such as Garnham (1990) and Aksoy and Robins (1992) give primacy to industry relations in the form of vertical value chain articulation. Accordingly, Chapters 5 and 6 examined the film industry value chain in New Zealand through a historical-structural analysis. As a result, I have identified that over time the persistent disenfranchisement of the local production sector from distribution and commercialisation sectors—oriented to transnational corporations and products—has played an important role in keeping the local production artisanal and undercapitalised. This in turn, has favoured dependency on state subsidies and tax incentives. Secondly, as discussed in Chapter 2, geographical industrialisation theory in the work of Scott (2005) gives explanatory pre-eminence to industry relations in the form of horizontal interdependencies among film industry players. Thus, Chapters 7 and 8 examined the film district in Wellington via an industrial and institutional analysis. I have argued that the film district in Wellington comprises two different models of film production, the satellite (transnationally-oriented) and the local independent production models. The disparities between both models indicate a big gap, something I traced by triangulating data from interview responses, document analysis and previous academic research. The satellite model's scale of budgets, employment capacity, and power to influence local and national policies, overwhelm the capacity of local independent producers. Nonetheless, I have shown that because satellite activities are service-led, they have a limited ability to spin off opportunities for the rest of the district that, otherwise, production-led activities could have generated. Other film districts have an important lesson to learn from the Wellington example regarding the limitation of satellite activities based on cost-efficiency as they have been implemented there. This also adds to the findings of international research of other satellite centres where, so far, policymakers have not been able to "push the development of the film industry {…} to the point where a virtuous circle of agglomerated growth is set in motion" (Scott, 2006, p. 14). Therefore, different policies should be explored. In the Wellington case, the satellite activities based on cost-efficiency have created, for example, limited interdependencies with above-the-line New Zealand workers, who have more opportunities in the local production model. Additionally, I have identified a financial breach between both the satellite and local production activities, which is reflected in a series of dysfunctional relations. Firstly, there are no co-financial and co-production activities between the models; relations are reduced to sharing of below-the-line workers and technical sponsorship. Secondly, relations with local service providers are hampered because local producers cannot afford them and satellite activities exceed local services' capacity. Thirdly, I have discussed how the downtime in satellite employment generates an oversupply of workers that the local industry is unable to absorb. In turn, this has disadvantaged the bargaining position of non-union workers' organisations demanding better working conditions.

My findings confirm those of international studies which noted that decentralisation of film production—in the form of independent production or satellite productions outside Los Angeles—"does not imply the end of unequal economic power among firms" and among different types of workers (Harrison, 1997, p. 9).

Despite the structural constraints, I noted that some participants identified what they considered strengths in the film industry in Wellington. For example, the effort and passion of many film practitioners; the psychological boost of enjoying the international visibility of the satellite model; the film community's excitement to get involved in film activities; the increased technical quality of films—derived from Miramar's facilities and sponsorship; and the perception of a growing enthusiastic reception of some local films by New Zealand audiences. Moreover, I have argued that the cultural socialisation practices and urban externalities in Wellington create a facilitating environment for film-making. Nonetheless, throughout my research I have maintained a focus on the sufficient and necessary conditions for a sustainable film industry. In this regard it is important to distinguish between strengths and structural sustainable outcomes. When contrasting the previous findings with the conditions for a sustainable industry, I have also argued that the film industry in Wellington presents several challenging areas. As outlined in the previous chapter (Chapter 9), these are constraints on the financial capacity; on employment continuity; on canalisation of creative sources into the production system; and on reaching domestic and international audiences. These are all key areas which restrict sustainability, but are also areas for opportunity. It can be inferred from the Wellington example—which expanded the empirical and theoretical findings of PEC and GI—that districts—and film industries at a national level—with attention to these areas[51] positioned themselves to achieve sustainable goals. In the following section I consider what the implications of my research might be for policymakers.

Considerations for Policy Making

From the start, my purpose was that my research would be relevant to policymakers working in the area of cultural industries in New Zealand and other regions by linking the theories' explanatory power to more prescriptive suggestions of where structural constraints and opportunities might be addressed. However, I did not intend to make recommendations for policymaking as such, because implementable policy suggestions would require access to inside financial and legal knowledge of both public or commercial institutions, which I do not have. Therefore, the potential practical contributions of this research lie in pinpointing main areas of policy influence and business strategies, hoping it might contribute to discussions between academics, practitioners and policymakers.

As examined in Chapter 6, the important role of NZFC in capitalising the sector has been essential, yet insufficient. A decade ago, the production sector was somewhat

[51] For the film industry in Vancouver, Coe (2001), in Mexico City, Munoz Larroa & Gómez García, (2011), for French cinema, Scott (2000), for Hollywood, Scott (2005).

transformed by transnational interests as well. The global expansion of satellite productions as described in Chapter 4 corresponded with New Zealand domestic growth-model policies to attract such activities. However, up to the present day neither state support to local production nor the incentives for attracting satellite productions have managed to break the cycle of dependency and organic undercapitalisation.

Furthermore, I have argued that, responding to very different logic of film production, in Wellington the satellite production model fashioned new interests such as those of service-like producers and crews who became reliant on satellite productions, while other players with conflicting interests remained dissatisfied by the precariousness of the local production and the limitations of the satellite productions. In addition, as examined in Chapter 6, these conflicting interests were exacerbated as a result of discretionary, palliative and homogenising policies and regulations that have inclined to shape the environment in favour of transnational interests. As a result, many of the economic benefits are concentrated in a few companies and many are lost to overseas players. Furthermore, the economic externalities released are limited, as they are not based on organic, inward funding but the external allocation of foreign investment and state subsidies. Academic studies such as Christopherson's (2006, p. 741) have suggested that, "there is substantial evidence to demonstrate that transnational media conglomerates use their considerable political power to reconstruct the production environment {…} internationally so as to increase both their profitability and their flexibility." The example in Wellington documented here, adds to the international empirical evidence.

This scenario presents a complex industry, one whose institutional relations are highly fragmented. As Chapter 6 details, the debates, conflicts and struggles of recent years are a reflection of this situation. In this regard, I have shown that recent government initiatives seem to be targeting some parts of the challenging areas highlighted in this thesis. For example, to foster medium-sized operations, to make better use of co-production deals, to increase the commercial exposure of films, to link the industry with training institutions, and the steps to coordinate the government screen institutions. Although, I infer that those initiatives come from recognising problematic areas, they are rather isolated attempts to tackle them and, indeed, lack of awareness of structural considerations seems to underlie them. For example, the attempt to bring international TV production to foster medium-sized operations and tackle flickering production overlooks the fact that spillovers to above-the-line talent workers, IP creation and exploitation, as well as increasing inward financial pools, would be absent.

Instead, by drawing on sustainability as an analytical framework, the results of this study suggest the desirability of establishing overarching, structural and long-term policies. That is, policies which encompass the production, distribution and commercialisation of films; that are coordinated by an integrative policy; that target the structural blockages of the industry; and that are able to identify vulnerable players and those areas of economic and cultural activity that have the most potential to create long-term benefits. This by no means implies the presence of a paternalistic state; rather, it suggests the potential of film and screen policies in several areas, such as research, regulation and strategic intervention.

However, first of all, the best film policies should be based on establishing clear definitions and objectives (Pinflicks Communications & NZIER, 2003, p. iii), and this thesis aimed to contribute to this goal with some clarifications regarding a definition of a sustainable film industry. In order to build clear definitions and objectives it is also important for the New Zealand film industry to have more detailed statistics to provide a more realistic foundation on which to base policymaking. For example, statistics that:

1. Disaggregate film related activities (such as film from TV, or production from services).

2. Provide indicators of profits for each sector, currently they focus only on revenue but not on contrasting it to expenditure.

3. Offer a more realistic reflection of freelance working characteristics (including duration of contracts and periods of unemployment).

4. Are able to capture the asymmetries among different players (market concentration).

5. Measure consumption habits through cultural diversity indicators (market share by country of origin).

In the discussion presented in Chapter 9, I have detailed the areas that need special and consistent attention, such as audience development; professionalisation in scriptwriting as well as production and protection of original creative content; intermediary expertise (including public and private organisations accruing knowledge around marketing networks and copyright management); alternative channels of distribution and dissemination and the synergies among them (including theatrical, TV, online, etc.). Furthermore, I suggest the importance that contractual models for financial recoupment of such alternative dissemination channels guarantee with minimum standards a fair and quick redistribution of the revenue stream for the producer (see Chapter 9). In addition, I have argued the suitability of fostering functional bonds between local producers whose businesses are of equivalent and different sizes to combine efforts, for example, with co-financial or creative collaboration (either co-productions or joint ventures). Likewise, I consider it essential to increase the collaboration of local companies with *independent* international players in order to maintain the balancing power in negotiation. This collaboration could occur through distribution deals, international co-ventures and official co-productions—which have not been used at their full potential (Gibson, 2014). As mentioned in Chapter 4, independent transnational links offer advantages such as access to financial pools and markets as well as above- and below-the-line jobs without compromising control over revenue.

Further Research

Throughout my research, I have maintained a focus on discussing the general forms of interrelations in the film industry in Wellington and I have provided an explanation of how they shape the industry's potential to be self-sustaining. A key question raised by my analysis is what are the specific (micro-level) mechanisms leveraging or hampering the sustainable operations of a film or audio-visual firm. Further research to address this question would need to consider the specific contractual transactions within the industry. Film distribution is one of these transactions and because of the way that film distribution forms a 'bottleneck' it would be important to study it (among other intermediaries such as sales agents). It is also a globally neglected topic in academic and government research. In addition, the structural relevance of securing copyrights makes it another potential area of research. Both areas of investigation could lead to workable policies.

Another fruitful avenue of research is the detailed consideration of the international standards of the industry; that is, the business models, contractual practices and regulations not only accepted in the industry but also taken for granted in people's mindsets. A specific analysis of the power relations and self-regulatory institutional mechanisms that reproduce those conventionalised practices would require attending specifically to how they are legitimised as institutional practices. Furthermore, it should open up the question of forecasting scenarios about the transformation of such conventions which might imply economic costs, social risks and cognitive challenges (Scott, 2004).

Research about distinct and potentially comparable policies from other countries could provide valuable evidence to be incorporated into policymaking processes here. For example, the case of the film industry in Denmark is interesting to the New Zealand case because of Denmark's relatively small population of 5.6 million and because it has successfully tackled in an overarching way constraints similar to the ones identified in the New Zealand film industry. Initially based on state support, the Danish film industry has increased its commercial success and social rewards by differentiating itself from Hollywood (Hjort, 2010). Its financial capacity has received a boost by transforming local state funding mechanisms into international sales through extending independent distribution networks (I Bondebjerg, 2014; Tartaglione, 2014). It has established significant synergies between film and TV series in terms of branding and flows of creative and technical film workers (Sérisier, 2014). In addition, it has focused on IP creation and exploitation based on increasing the quantity of low-budget but high-quality storytelling (Collins, 2012; Séry, 2012). By developing writers the industry has increased its ability to feed from local creative sources. Furthermore, audience development strategies and collaboration of local exhibitors with local producers (Schramm, 2002) has expanded local audiences (Ib Bondebjerg, 2014). The so-called Danish cinema's golden era reflects its stable 25–30% share of the domestic market, and the 2.4 ratio of yearly cinema attendance per capita, the increased productivity to an average of 35 films per year between 2000 and 2008, and increasing export sales (MacPherson, 2010; Mathieu, 2006; NFTF, 2013; Scoffier, 2014). A more in-depth analysis of the film district in Copenhagen could shed light on the pros and cons of their film policies in addressing the film industry's sustainability.

Towards a Sustainable Film Industry

This research has been concerned with the global problem of contemporary societies that are struggling to sustain local film industries and therefore to express and disseminate diverse cultural depictions through cinema. In this regard, the project was motivated by the idea that different cultures have the right to express themselves and make themselves known (UNESCO, 2002). I have observed with a critical lens the vertical and horizontal interrelations of the film industry in the hope of understanding better its implications for social access to participation, dissemination, and consumption of films in Wellington and New Zealand. My findings aligned with and confirmed the relevance of my main theoretical approaches, PEC and GI, in which structural constraints on the film industry's interrelations are able to have a decisive influence on struggling industries. Underlying my research were values of equal access to participation and dissemination in cultural domains as prompted by political economists of culture and UNESCO's *Declaration on Cultural Diversity* (Mosco, 2009, p. 4; UNESCO, 2002). In addition, motivating this research was the idea of social praxis, in that "the division between research and action is artificial" (Mosco, 2009, p. 4) as well as the assumption that human agency is able to transform its social and economic environment. With these principles in mind, I have argued that questioning and analysing the film industry's interrelations and identifying its industrial and institutional constraints (vertical, horizontal blockages, and conventional mind-sets) have the potential to create paths for social transformation towards sustainable outcomes.

In this chapter I have joined together the strands of my thesis to present the argument that even in the context of increased externally allocated funding, where celebratory government accounts dominate, film-makers and film practitioners in fact continue to be marginalised, and audiences remain disenfranchised from local narratives and storytelling. My analysis illustrates that the recent set of government policies does not address and challenge structural difficulties about sustainable mechanisms which should otherwise be inclusive of different social groups as well as aim to pursue the film industry's long-term viability. It is only through the discussion of critical and alternative accounts of different film industry stakeholders, their industrial and institutional relations (including power relations and business models), that conventional ways to 'do' and 'think' the film industry will be re-evaluated, and integral transformations might become plausible. It is with this hope that my thesis may contribute to the creation of a sustainable film industry in Wellington and elsewhere.

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Appendix A

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA
UNIVERSITY OF WELLINGTON

THE IMPACT OF INSTITUTIONAL RELATIONS ON THE DEVELOPMENT

OF THE FILM INDUSTRY: THE CASE OF WELLINGTON

Consent to Participation in Research

If you agree to participate in the project, please fill in and sign the consent form.

I have been given an information sheet explaining this research project. I have been given the chance to ask any questions and they have been satisfactorily answered. I understand that I can decline to answer any particular question as well as withdraw from the study at any stage before analysis is carried out (August 1st, 2013) without giving any reason.

I also understand that any information collected and analysed will be kept confidential to the researcher and the supervisors. Neither the result reports nor the results published will use my name and no opinions will be attributed to me in any way that will identify me. I understand that the audio recording and written data will be kept in a restricted way confidential to the researcher and supervisors and it will be electronically destroyed 3 years after the end of the project.

☒ I would like to have an opportunity to revise the interview transcript to ensure that the intended meaning has been captured and not misconstrued in any way.

☒ I understand that the data I provide will not be used for any other purpose than the thesis, academic journal articles, conference papers or teaching, nor will it be released to others without written consent.

☒ I would like to receive a summary of the results of this research when it is completed. If so, please provide an email addressed so this can be sent through to you.

Email:_____Click here to enter text.____

☒ I agree to have the interview audio-recorded.

☒I agree to take part in this research.

______________________________ Date:Click here to enter a date.

Participant's signature and name (please print clearly)

______________________________ Date:Click here to enter a date.

Researcher's signature and name (please print clearly)

Appendix B

INTERVIEW QUESTIONS OUTLINE

Round of interviews with key personnel of diverse film institutions

1. **(Topic) Background.**
    1. Can you tell me a little bit about your background?
2. **(Topic) Job practices.**
    1. Could you describe your job for me?
    2. In your experience, what are the main challenges that the organisation faces?
3. **(Topic) Institutional functions.**
    1. If we could picture the organisation and the place it occupies in the screen industry in Wellington, NZ, and the international arena, which will be other film organisations that are vital or who make it easier or harder for the organisation to work (could be government agencies, service providers, companies, guilds, etc.)? You could draw them or list them.
    2. Now, based on your previous response or diagramme, how would you describe the relations of your organisation with those other film industry players? Are they stable, sporadic, synergic, problematic, etc.
    3. Could you think of any challenges or difficulties that have arisen in dealing with any of those other players?
    4. Can you think of other players that the organisation does not currently engage with at present but that you could benefit from establishing a relation the future?
4. **(Topic) Evaluation of the film industry.**
    1. Some people talked about on the one hand the existence of the Miramar cluster and on the other hand the local independent production. In your opinion, how those two relate?
    2. What do you think about distribution of films in NZ?
    3. How would you evaluate the relations between television and film in NZ?
    4. What is your perception of NZ film exhibition or commercialisation outlets?
    5. What is your perception of NZ audiences?
    6. In your opinion, what are the strengths of the film industry in New Zealand? And what are the strengths of Wellington film industry in particular?
    7. What do you believe are the main challenges for the film industry in New Zealand? And how do you think that relates particularly to Wellington?
    8. In a perfect world, what would be the ideal Wellington film industry for you?
    9. In order for this to take place, what steps do you think need to happen?
    10. And who do you think is needed to make this happen? Who should be in charge of those developments to take place?
    11. Do you think this could ever happen?

Round of interviews with film boundary spanners (Creative, technical, gateway, advisory and advocacy roles)

1. **(Topic) General background information.**
    1. How did you get into working in film-related activities?
2. **(Topic) Job practices.**
    a. Could you briefly describe your job for me?
    b. How would you call the tasks that you do at work (for example, projects or programmes)?
    c. Can you describe the process that the project/programme goes through to achieve its final goal? Or in other words the stages that it goes through?
3. **(Topic) Brokerage.**
    1. In your experience as a cultural manager or (referring to your administrative position), which are the key moments when you have to link, mediate or negotiate during a project/programme?
    2. Who do you need to work with when you do that?
    3. Which are the key moments for decision-making in your position during the project/programme?
    4. In the following list, I outline some brokerage situations, so I would like you to take a look at it to identify which ones you are familiar with as a cultural manager (could be just a few could be all of them) Of those which are the more frequently need?
        - Conveying or passing on information (giving information to all parties or translating it into an easy language for them)
        - Connect previously disconnected parties (to establish links among people with different professions and skill sets)
        - Coordinate parties (to bring the different elements into a working relationship that will ensure efficiency or harmony)
        - Keep connections (draw on social networks to develop current projects and to maintain ties among the participants for future projects)
        - Generate or come up with ideas
        - Negotiate ideas among different people
        - Integrate / adapt ideas (apply them to produce something creative, technical or administrative)
        - Represent a group of people or points of view
        - Mediate between parties in tension or conflict
        - Direct the process (to control, manage or govern the operations of a project)
        - Delineate roles and contributions from people participating in a project
        - Decision-making during the process of a project
    5. Can you give some examples of when you need to ________________________ (following the list)?
    6. How do you go about it? Or how do you manage (those brokerage situations)?
    7. What kind of tensions and challenges come up when you are dealing with ____________ (those brokerage situations)?
    8. And what were your strategies to deal with those tensions?

9. Where there any interesting benefits for the project/programme?

Now at the beginning of the project/programme:

10. Is it clear from the start what the outcome of the project/programme should be or do you learn on the go?
11. Is it obvious to begging with who do you need to be on board and what they need to offer?
12. And is it clear from the start which steps need to be taken to achieve a successful project/programme?

4. (Topic) Evaluation of the film industry

1. Some people say that on the one hand there is the Miramar film cluster and on the other hand the domestic independent production. In your opinion, how those two relate?
2. What do you think about distribution of films in NZ?
3. How would you evaluate the relations between television and film in NZ?
4. What is your perception of NZ film exhibition or commercialisation outlets?
5. What is your perception of NZ audiences?
6. In your opinion, what are the strengths of the film industry in New Zealand? And what are the strengths of Wellington film industry in particular?
7. What do you believe are the main challenges for the film industry in New Zealand? And how do you think that relates particularly to Wellington?
8. In a perfect world, what would be the ideal Wellington film industry for you?
9. In order for this to take place, what steps do you think need to happen?
10. And who do you think is needed to make this happen?
11. Do you think this could ever happen?

Appendix C

Pilot analysis of boundary spanners' working processes

Creative boundary spanners

An example of creative boundary spanner is film producers—except for line producers in charge of technical tasks—who link the creative and technical teams inside a film project as well as connect them with external players like investors, funding agencies, distributors, etc. Their ultimate goal is to produce a creative outcome: a movie. In our study we identified that in very abstract terms the process in which a film producer gets involved might include the following stages (see Figure 1).

Figure 1 Stages of creative boundary spanners' process in the film industry

In the phase of "inception and development", is where the idea of the film story is created and where the first drafts of the script and film treatments are written. The phase of "packaging" the role of the producer becomes extremely active consists on preparing a consistent creative project and team to present to other potential contributors and to help persuade investors to finance the film. In "pre-production" the preparations such as casting, locations, equipment, etc. takes place and "production", is where the actual shooting occurs. The "postproduction" phase, is where the editing takes place which implies coming back to the story and put together the shots and sound. The role of the producer enters again to a quiet period as opposed to the previous stages. In the phase of sales and distribution, the role of the producer is important to deal with distribution windows to disseminate the film. Over all, the main concern of creative boundary spanners was *to avoid potential conflict from dissatisfied participants due to misunderstandings about how the creative outcome should be*. Behind these misunderstandings was the ambiguous nature of how the final product should look like.

Gateway boundary spanners

Gatekeepers are decision makers, particular individuals who channel flows of information, of cultural projects or products (C. Gibson, 2003). In the production phase there is a number of funding and financial organisations acting as gatekeepers that allocate scarce resources to an oversupply of film projects, whether they are public, private or mixed funds. In the dissemination phase of film products, distributors are gatekeepers in organisational networks that control the traffic flow of cultural products to final outlets. They determine what is available according to license systems, marketing strategies, promotion and advertising, control of stock and financial flows. In the consumption phase the role of gatekeepers as wholesalers, theatres, and media outlets are essential to disseminate the product (Hirsch, 2000). Direct gatekeepers decide to programme certain films (in theatres, TV, etc.); indirect gatekeepers may exist in publishing companies, television, radio stations and online websites that function promoting a film. Either in the gateway to funding sources or to audiences gatekeepers are an important part of the film industry.

Figure 2 Stages of gateway boundary spanners' process in the film industry

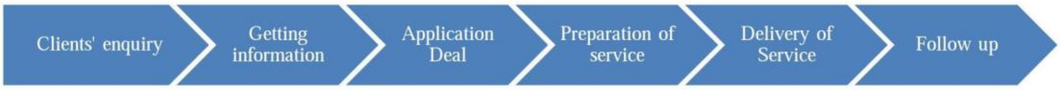
In this study we found that gatekeepers' working processes start in the "Supply" phase where gatekeepers become aware of the available film projects material that can be supported for funding, for distributing or for programming. This might follow a proactive (e.g., research, market showcase or festivals) or a reactive approach (e.g., receiving applications, being offered deals). The "decision making" phase starts once the gatekeeper is interested in a potential project and attempts to make a deal to secure it. The next stage is "Sourcing" in which gatekeepers or their organisations obtain the master of the film or establish licensing and legal contracts or informal agreements to set the financial investment conditions on the projects (to produce, disseminate or programme). Once the film is being made or is getting programmed there is a "Follow up" phase monitoring the performance of the project (see Figure 2). The main concern of gatekeepers was not only *to secure potential successful projects but to reduce the uncertain reception of the film project or films by other people or audiences.*

Technical boundary spanners

In flexible production, film production companies depend on external service providers to cover all the technical aspects of making a film. On the one hand they facilitate external services; transportation, accommodation, catering, insurance, and legal services. On the other hand, other providers specialize in rendering film services; equipment hire, location scout offices, studios, sound engineering, PR, postproduction special effects, distribution agencies, etc. (A. Scott, 2005). These services are mainly delivered by private companies but sometimes they are administered by public offices or state companies as well.

Most of the technical services can be considered 'customer contact services' (Long et al., 2007) where employees and managers have direct contact with clients, mainly film production companies, suppliers and other organisations. Technical boundary spanners engage in the activities outlined by Bettencourt and Brown (2003) like external representation, internal influence within the firm through contact with co-workers and service delivery.

Figure 3 Stages of technical boundary spanners' processes in the film industry



In this study we found that technical boundary spanners' job processes first consisted on addressing "Clients' enquiries" and needs, followed by "Getting the information" about the details of the transaction (i.e. customised products and services) before the "Deal or the application" process can start. The next step is the "Preparation of the service or facility" which consisted on cutting red tape, sending products and crew to work with the client, etc. Once the service is delivered there is a "Follow up" phase to monitor client's needs satisfaction (see Figure 3). The main objective of technical boundary spanners was getting the most information they could about what the client needed to *reduce uncertainty, provide a tailored service, and obtain customer satisfaction with service quality and delivery.*

Advisory boundary spanners

Although slightly invisible, advisory boundary spanners can have huge impact on government led cultural and film policy and other film related organisations. From private consultancy companies to government policy advisors and think tanks, there is nowadays a body of advising roles that can influence the whole value chain of the film industry, its legal environment and its institutional frameworks. Some of those advisory roles are involved in programmes that link different government departments as well as the different stakeholders in the industry, and in doing that they perform brokering roles.

Figure 4 Stages of advising boundary spanners' process in the film industry

In our study we identified the process followed commonly by advisors and consultants (see Figure 4). In general terms they proceed by identifying the problem, collecting information and evidence as well as consulting with different stakeholders about their interests and points of view. This is succeeded by the analysis and the stage of briefing or reporting to other instances. Overall, the main concern for advisors was to *reconcile contradictory interests, make them compatible and persuade the audiences with their reports.*

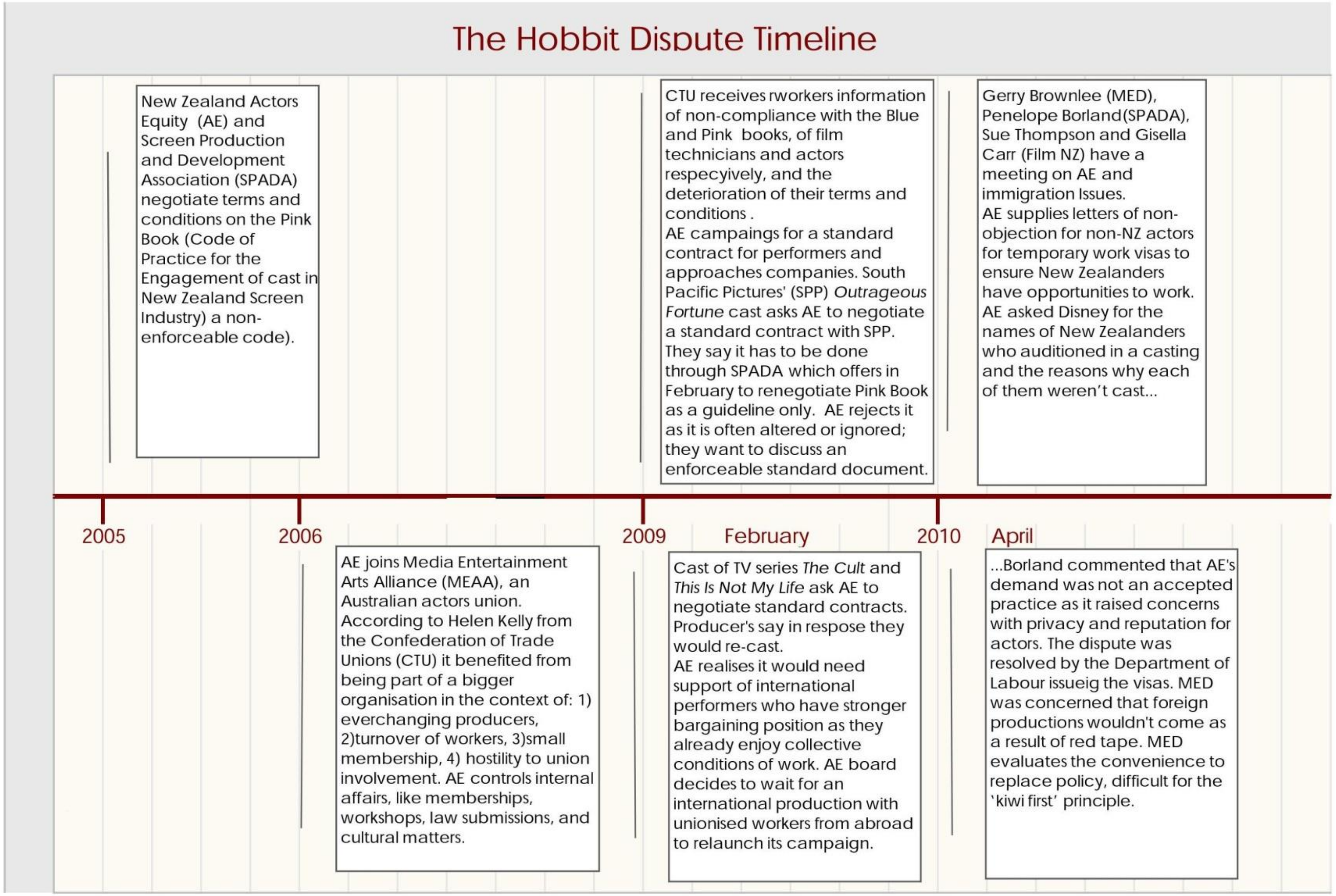
Advocacy boundary spanners

Many film related organisations whose functions are complementary need to establish relationships with each other to collaborate and resolve challenges, disputes or tensions derived from the conflicting institutional interest at play. Advocacy boundary spanners are roles representing organisational interests who focus on providing advocacy such as guild representatives, government representatives, and business association representatives, etc.

Figure 5 Stages of advocacy boundary spanners' in the film industry

A general process of representation was identified as follows (see Figure 5). Firstly, the representative needs to recognise the goals his organisation is trying to achieve. This is followed by a phase of preparation or a research process about the matter, policies, stakeholders and interests at play. Then the advocate conveys to representatives from other organisations what the needs of the organisation are, a task described as "educating other organisations." And after that, comes the process of negotiation in which the representative discusses the matter with other organisations, they collaborate, conciliate and make compromises to achieve something closer to their goals. In general, this is a non-linear but iterative process to revaluate and adapt organisational goals. When successful, the process of negotiation *brings solutions for stakeholders' challenges.*

Appendix D



The Hobbit Dispute Timeline
New Zealand Actors Equity (AE) and Screen Production and Development Association (SPADA) negotiate terms and conditions on the Pink Book (Code of Practice for the Engagement of cast in New Zealand Screen Industry) a non-enforceable code).
2005
2006
AE joins Media Entertainment Arts Alliance (MEAA), an Australian actors union. According to Helen Kelly from the Confederation of Trade Unions (CTU) it benefited from being part of a bigger organisation in the context of: 1) everchanging producers, 2)turnover of workers, 3)small membership, 4) hostility to union involvement. AE controls internal affairs, like memberships, workshops, law submissions, and cultural matters.
CTU receives rworkers information of non-compliance with the Blue and Pink books, of film technicians and actors respecyively, and the deterioration of their terms and conditions . AE campaings for a standard contract for performers and approaches companies. South Pacific Pictures' (SPP) *Outrageous Fortune* cast asks AE to negotiate a standard contract with SPP. They say it has to be done through SPADA which offers in February to renegotiate Pink Book as a guideline only. AE rejects it as it is often altered or ignored; they want to discuss an enforceable standard document.
2009
February
Cast of TV series *The Cult* and *This Is Not My Life* ask AE to negotiate standard contracts. Producer's say in respose they would re-cast. AE realises it would need support of international performers who have stronger bargaining position as they already enjoy collective conditions of work. AE board decides to wait for an international production with unionised workers from abroad to relaunch its campaign.
Gerry Brownlee (MED), Penelope Borland(SPADA), Sue Thompson and Gisella Carr (Film NZ) have a meeting on AE and immigration Issues. AE supplies letters of non-objection for non-NZ actors for temporary work visas to ensure New Zealanders have opportunities to work. AE asked Disney for the names of New Zealanders who auditioned in a casting and the reasons why each of them weren't cast...
2010
April
...Borland commented that AE's demand was not an accepted practice as it raised concerns with privacy and reputation for actors. The dispute was resolved by the Department of Labour issueig the visas. MED was concerned that foreign productions wouldn't come as a result of red tape. MED evaluates the convenience to replace policy, difficult for the 'kiwi first' principle.

The Hobbit Dispute Timeline

A performers contract for engagement with *The Hobbit* is sent to AE and agents. The contract ignores conditions in the Pink Book like residual payments.

17- Aug-2010
FIA contacts Warners to negotiate collectively; Warners is unwilling to negotiate. FIA sends a letter to Peter Jackson (PJ) director of *The Hobbit* to inform him as a courtesy as he is not the producer. Kelly (CTU) said: "He didn't need to become involved in the way he chose". According to SPADA: FIA, following lobbying by the MEAA and without a mandate from the AE members, issued an international 'boycott' on *The Hobbit*.

13-Sep-2010
Warners sends MEAA a letter refusing to bargain
25 Sep-2010
FIA releases the remit asking performers to hold off signing up.
27-Sep-2010
PJ responds to the letter sent to him on the 17 of August to say it is the last minute blackmail of his films. He says demands to bargain will never be agreed to. He releases a statement attacking MEAA for its "attempt to widden membership and power within the New Zealand film industry."
28-Sep-2010
AE held a meeting in Auckland and passed a resolution that, "Recommends that all performers wait before accepting any engagement on the production of *The Hobbit* until the production has advised whether it will enter into good faith negotiations with NZ Actors' Equity with respect to the minimum conditions of engagement" in *The Hobbit*.

2010 May June 2010 August 2010 September

Federation of International Actors (FIA) discusses New Zealand's situation (unique in English-speaking countries) and AE efforts. FIA agrees that "unless Equity could make progress on bargaining with the production company [Warners] making *The Hobbit* then it would call on performers to show international solidarity and advice to hold off signing until a negotiation is agreed upon". The information is not released yet.

20-Aug-2010
AE informs FIA about the producers' refusal to negotiatte. FIA puts a plan to support AE. The English-speaking unions in FIA confirmed their commitment and adherence to the resolution of FIA.

Released 27 Feb-2013 OIA 28-Sep-2010 Tim Hurley (MIN) prepares notes for Finlayson's (MCH) meeting with PJ & Fran Walsh (FW). Two key issues with MEAA: 1) Status of self-employed contractors versus collective bargaining arrangement for employees. 2) AE ability to vet the employment of foreign actors because they have to provide letters of non-objection.

MEAA has legal opinion from Simpson Grierson (once the lawyer of 3 Foot 6 in the Bryson case) that, if considered employees, film workers can bargain collectively. According to "The Bryson Decision" a Weta Workshop worker was actually an employee as opposed to a contractor as assumed by the company. *The Hobbit,* said Hurley, is an attractive target because of its length and its two blocks of 8-9 weeks of not filming which means employees will be in payroll.

CTU 's Kelly communicates with Matt Dravitzki, PJ's assistant and explains that the way through the dispute was to meet with the union and

The Hobbit Dispute Timeline

2010 October

29-Sep-2010
On the advice of a Crown Law opinion, the Attorney General confirmed that *The Hobbit's* producers were prevented by the Commerce Act from entering into a union negotiated agreement with performers who are independent contractors.

01-Oct-2010
SPADA offered to meet with NZ Actors' Equity. Having had no acceptance of its offer, SPADA reiterated its offer to meet with NZ Actors' Equity, with some urgency on 12 October 2010.

Kelly (CTU) meets with PJ, FW and Philippa Boyens (WingNut Films). CTU prepares a brief media advisory with the language agreed with WingNut and following its consultation with Warners. PJ's assistant says to CTU "Meanwhile we would appreciate it if you could communicate to interested parties that you and the producers have met and we are hopeful that a meaningful dialogue between Equity, SPADA and 3 Foot 7can be established. It is imperative that SPADA be included." Parties aggreed not to mention details and the statement is released. However , CTU notes the omission of 3 Foot 7's involvement for future meetings reflected a change in Warners position.

02-Oct-2010 The President of AE stated on national television that: "The Commerce Act says you cannot collectively bargain, absolutely, and we've never asked for that." And also in correspondence with PJ it was acknowledged that it would be illegal to enter into a collective agreement.
EA's leadership stops communicating with the media.

2010 October

Released on 27-Feb-2013 OIA from 04-Oct-2010
Letter written but not sent by Finlayson (MCH) and Bownlee (MED): Despite lobbying by PJ it is "inappropriate to change the (employment) law". Tey said there was no need. Instead they offered advice.
04-Oct-2010
Philippa Boyens & FW (Hobbit Co-producers) to Radio NZ: The dispute "Has damaged NZ reputation and thrown doubt on how stable our industry is in terms of industrial relations {...} In America Warner Bros. studios are running numbers of 5 or 6 different locations, that is very real, and that has put at risk the livelihoods of countless thousands of NZ film workers."

04-Oct-2010. PM John Key says the government is playing a facilitation role. The Government issues a Crown Law advice backing PJ and FW in their dispute with unions over collective contract: "NZ actors are contractors and not lawfully allowed to be covered by a standardize contract." AE and MEA have advice that contradicts the position.
Meeting of MED, Gerry Bwonlee, with AE. AE " It would be disastrous to lose the Hobbit".
Meeting at the Beehive with MED, MCH, PJ and Fran Walsh (FW)

2010 October

11-Oct-2010, Meeting in Wellington. SPADA invites AE .
-Local actors say weren't afforded the chance to negotiate dissatisfaction of terms and conditions through local representatives.
-Helen Kelly (Council of Trade Unions, CTU) represents AE: Responds that international unions "had the muscle".
-SPADA Penelope Borland, David Gibson, Philippa Boyens (co-producer of *The Hobbit*), Sue Rogers say Regardless of the desirability to change actors conditions, collective bargaining and agreements are illegal under NZ law for contractors.

11-Oct-2010 From the meeting with SPADA and CTU local actors release a statement of the meeting sent to AE and MEA:
"to advice its affiliate international actor's unions that a boycott of *The Hobbit* is an inappropriate strategy for achieving desired outcomes.

The Hobbit Dispute Timeline

12-Oct-2010
AE media release: "We have chosen not to discuss this matter in the media". SPADA Media release: "AE has agreed to meet." Released Feb-2013 OIA Carolyn Blakwood (Warners) to Hurdle and M. Brownlee: "we are committed to NZ [...] we are not making any decisions to move this production lightly. [...] we are very open to identify solutions to our problems."
On behalf of PJ, SPADA sends Tim Hurdle the situation of Disney-AE.

15-17 Oct-2010 Warner Brothers gives green light to *The Hobbit* (other source states this happens on the 27-Sep-10)
17-Oct-2010 Agreement to negotiate Brownlee, SPADA, AE, CTU. AE sends information to MEAA, SAG and FIA to lift the ban but agrees with Warners to wait for their amendments and approval. Released 27-Feb-2013 OIA PJ and FW email Hurdle (MED): "Simon Whipp is doing this to enable the MEAA to become the distributor of all non-SAG residuals on NZ films. (This has always been his end game) ...

18-Oct-2010 Released Feb-2013 OIA
PJ email: Acknowledges the blacklist will be lifted the next day by SAG-Warner negotiations (AE "will attempt to claim credit for it"). "There is no connection between the blacklist (and its eventual retraction), and the choice of production base for *The Hobbit*. What Warner's requires for the Hobbit is the certainty of a stable employment environment, and the ability to conduct its business in such a way that it feels its $500m investment is as secure as possible."...

19-Oct-2010
After amendments by Warners and PJ the joint statement of settlement with the union was agreed on but Warners held up the release.

10 October 2010 October 2010 October 2010 October 2010

a 14-Oct-2010
SPADA-Brownlee-AE meeting. Brownlee says the meeting is unable to discuss *The Hobbit* on Warner's and PJ's instruction. And the parties agreed they would enter a period of discussion and good faith negotiation on the Pink Book. AE has agreed with SPADA that during this period AE will not attempt to negotiate or undertake any industrial action against individual productions or encourage or facilitate any of its affiliate bodies or members to do so.

...He was doing this so that he can claim to have negotiated *The Hobbit* contract. This in turn will give him and MEAA access to a very large chunk of money via actor's residuals" (it takes 5%-15% of earnings). The conditions for lifting the ban (facilities, meals and turnaround) are the ones he brought as problems with *The Hobbit* contract. "Once they control residuals they control the film industry {...} AE are about to make a statement claiming they negotiated *The Hobbit* residuals

... Warners is concerned about gray areas in the laws and spent a lot of money fighting (unsuccessfully) the Bryson case in court. And now they have an 'enemy', MEAA could use it. Hurdle (MED) says the Government makes an effort to provide Warners clarity and guarantee back casting decisions. PJ and FW's email rejects taking part on SPADA/Brownlee/AE re Pink Book as it obliges them to conform to its guidelines and do not trust Whipp.

The Hobbit Dispute Timeline

20-Oct-2010 Richard Taylor (Co-founder of Weta) and co-producers call to an emergency meeting at Stone Street Studios. Philippa Boyens co-producer says, "is too late". Flyers distributed say, "It is about the Australian Trade Union making a blatant play to take a controlling hand in NZ film industry". Workers agree to protest right away and to their surprise the banners were already made. Taylor leads the public protest of 1500-2000 filmworkers and technicians to ask actors to abandon the boycott. Kelly (CTU) says the meeting of the actors and SPADA was canceled because it was "too dangerous"; Crowds were in a "lynch-mob mood thanks to Richard Taylor who wound them up like springs". Unions would not be at fault if *The Hobbit* moves overseas "Instead it was Warner Bros seeking to gain greater tax breaks and lower wages".

21-Oct-2010
Radio NZ's Kathryn Ryan interview with FW and Philippa Boyens . Asked to confirm the statment that Warner Bros. was coming the following week to take the films offshore FW refrained to answer "You're asking us to speak for Warners which I think is a bit unfair." FW explains long term concerns, "why would they [Warners] bring it [*The Hobbit*] into a place where it's almost guaranteed industrial action
will happen during the shoot."

26-Oct-2010
PM John Key meets with Warner execs, New Line Cinema president, Toby Emmerich, and their legal counsel to canvass a "possible clarification of employment law" giving the studio confidence that the government was fully supportive of the project {...} The union has done great damage to the way Warner Bros view NZ. {...} They have to make sure they hit the

2010 October 2010 October 2010 October 2010

20- Oct-2010
Kelly (CTU) leaks to the media that the dispute had been settled and Warners was refusing to release the information.
Screen Actors Guild (SAG) issued the following statement: "Today, our sister union New Zealand Actors Equity issued a statement recommending all international performer unions rescind their member advisories on the feature film production *The Hobbit*." SAG members were free to accept engagements, under SAG contract terms and conditions, on *The Hobbit*.
PJ and FW say that lifting of the actor's union blacklist "does nothing to help the film stay in NZ [...] The damage inflicted in our film industry by [the actors union] is long since done [...] Next week Warner's are coming down to NZ to make arrangements to move the production offshore."

27-Oct-2010 Deal between the government and Warner Brothers:
-*Hobbit* films stay in NZ
-Change in the industrial relations laws to make distinction clear between independent contractors and employees.
-LBSPG requirements to qualify will be widened (participation payments for over $150 m budgets)
-Extra tax breaks of NZ $10 m for each movie on top of the $65 m already available (15% Qualifying Expenditure)
-Warner-Government strategic partnership to promote NZ as a tourist and film destination
-Offset of $13.4 m taxpayer money for Warners' marketing costs
Opposition Labour Party and Greens, Russel Norm: "We are going to prostitute our industrial law to satisfy a multinational corporation".
Hellen Kelly (CTU): "A sovereign country has sold its soul to a multinational".

Note. Own elaboration source Chung et. al. (2010), Kelly (2010), Joyce (2013), SPADA (2010), Ryan (2010), Watkins et. al. (2010).

Appendix E

COMPANY CREDITS OF MIRAMAR FILMS

TITLE	El Hobbit: An Unexpected Journey (2012)
COMPANY CREDITS	New Line Cinema, US, Metro-Goldwyn-Mayer (MGM) US, WingNut Films NZ
SPECIAL EFFECTS	The Imaginarium Studios (performance capture consultation) (as The Imaginarium) US Weta Digital (visual effects and animation) (as WETA Digital) NZ Makeup Effects Group Studio (uncredited) AU Sky Vega (special make up effects) US
OTHER SERVICES	MAC Cosmetics (makeup provided by) (as M.A.C) CA Billionaire's Catering (catering) (as Billie Lusk's Billionaires Catering) NZ Chris Boswell Catering (off set caterer) (as Chris Boswell Fine Catering) NZ Nosh Catering (off set caterer) NZ Recon Security (security services) NZ Scarlet Letters (end titles) US Pinewood Studios (stages provided by: London) UK Synxspeed (adr services: London) (as Synxspeed Sound) UK Weta Workshop (armor, weapons, creatures, special makeup) (as WETA Workshop) NZ Park Road Post (on set digital lab, digital dailies, digital intermediate, re-recording sound, laboratory services) (as Park Road Post Production) NZ Abbey Road Studios (music recorded and mixed at) (as Abbey Road Studios, London) UK WaterTower Music (soundtrack) US Stone Street Studios (sound stages) NZ Department of Conservation Te Papa Atawhai (the producers wish to acknowledge the assistance of) (as Department of Conservation Te Papa Atawhai New Zealand) NZ Red Digital Cinema (Epic cameras, camara Equipment) (as Red) US 3ality Technica (stereo rigs) (as 3Ality) US Stereo rigs Portsmouth (grip and lighting equipment) NZ Kodak (motion picture products) US Background Talent (extras casting) (uncredited) NZ Decca Records (soundtrack) (uncredited) US Ignition Print (poster design) (uncredited) US Siam Costumes International (costumer) (uncredited) TH
TITLE	The adventures of Tintin: Prisoners of the sun (2011)
COMPANY CREDITS	Columbia Pictures (presents) US Paramount Pictures (presents) US Amblin Entertainment (Steven Spielberg) US WingNut Films NZ

	Kennedy/Marshall Company, The (as Kennedy/Marshall) US Hemisphere Media Capital US Nickelodeon Movies US
SPECIAL EFFECTS	Weta Digital (visual effects) NZ
OTHER SERVICES	Casting Associates (extras casting) US Digital Media Services (DMS) (digital marketing asset management) UK Digital Media Services (DMS) (on-line promotional material creation) UK Digital Vortechs (Avid HD Editing System Support provided by) US Direct Tools & Fasteners (expendables) US Dolby Laboratories (sound mix) US Mediacom 24-7 (Travel (post production mix) UK Park Road Post (post-production facilities) NZ Park Road Post (post-production sound services) NZ Sony Classical (soundtrack) US Star Waggons (cast trailers) US
TITLE	The Lovely Bones (2009) USA-UK-NZ
COMPANY CREDITS	DreamWorks SKG (in association with) (as DreamWorks Pictures) US Film4 (present) UK WingNut Films (as A WingNut Films Production) NZ New Zealand Large Budget Screen Production Grant (with the participation of) Goldcrest Pictures (uncredited) UK Key Creatives (uncredited) UK
SPECIAL EFFECTS	Weta Digital (digital visual effects created by) (as Weta Digital Ltd) NZ Weta Workshop (conceptual design by) NZ
OTHER SERVICES	ARRI / Camera Service Center (camera and lenses by) (as ARRI Rental) US American Humane Association, The (monitored animal activity: AHA 00917) US Ardmore Sound (adr facility) (as Ardmore Sound, Dublin) IE Arriscan (scanned on) US Avid Media Composer (edited with: on Avid Unity Medianetwork) (as Avid Media Composer Adrenaline) Chapman/Leonard Studio Equipment (camera cranes, dollies, camera) (uncredited) US Cunning Stunts Limited (stunt equipment) (uncredited) NZ DIVE (ADR) (uncredited) DW Studios US David Haddad (transportation equipment) (uncredited) US Dawn Animal Agency (dog supplied by: 'Holiday') Digital Sandbox (post-production) (uncredited) US Dr. Seuss Enterprises (copyright: Dr. Seuss material) (as Dr. Seuss Enterprises, L.P.) US Ear Tonic Music (trailer music) (uncredited) US Entertainment Clearances (rights and clearances) (uncredited) US Greater Philadelphia Film Office (many thanks: for the assistance provided by) US

	Haddad's (transportation equipment) (uncredited) US Hero Animals (dogs supplied by) (as Hero Animals, Inc.) NZ J.L. Fisher (camera dollies) (as J.L. Fisher Inc.) US Klass Security and Investigations (film security) (uncredited) CA Kodak (motion picture film) US Mash Catering (catering by) US New Zealand Symphony Orchestra, The (additional music performed by) NZ On Tour Productions (camera equipment provided by) (uncredited) US Packair Airfreight (international logistics) (uncredited) US Panavision Lighting Asia Pacific (lighting equipment) (as Panavision Lighting) AU Paramount Transportation Services (transportation services) (uncredited) Park Road Post (adr facility, digital intermediate facility, laboratory, sound post production , sound re-recording facility, telecine dailies/video mastering) NZ Philly Picture Cars (picture cars) (uncredited) US Quantel® Pablo (digital intermediate created on) UK Red Digital Cinema (logo) US Rockbottom Rentals (cell phone rentals, junxion box rentals, walkie rentals) (uncredited) US Shooters (adr facility) (as Shooters, Inc, Philadelphia) US Shooting Stars Catering (catering by) CA Sony Pictures Television (courtesy of: "The Partridge Family") US Sound One (adr facility) (as Sound One, New York) US Spacecam Systems (aerial cameras provided by) (uncredited) US Technicolor Creative Services (telecine dailies by: US) (as Technicolor Creative Services, New York) US Wescam USA (aerial camera system) (as Wescam Systems, Inc.) US Widget Post Production (adr facility) (as Widget Post Production, Los Angeles) US
TITLE	King Kong (2005)
COMPANY CREDITS	Universal Pictures (presents) US WingNut Films NZ Big Primate Pictures US MFPV Film DE
SPECIAL EFFECTS	Weta Workshop (special make-up, creatures, weapons and miniatures) NZ Weta Digital (digital visual effects) NZ CafeFX (additional visual effects) US Asylum VFX (additional visual effects) US Gentle Giant Studios (motion capture) US Motion Analysis Studios (motion capture) (as Motion Analysis Corporation) US Giant Studios (motion capture) US XYZ-RGB (scanning services) US

OTHER SERVICES	ARRI (cameras and lenses) ARRI (film scanning) (as Arriscan) Alias/Wavefront Technologies (thanks) (as Alias Systems Corporation) CA Apple Computer (thanks) (as Apple) US Autodesk (thanks) US Background Talent (extras casting) NZ Corbis (stock images courtesy of) (as Corbis) US Decca Records (soundtrack) US Flying Trestles (catering) NZ Foundry Networks (thanks) US Getty Images (stock images courtesy of) US Giant Studios (motion capture technology provided by) US Hollywood Film Chorale (choir) US International Business Machines (IBM) (thanks) US J.L. Fisher (camera dollies) US Jo Anne Kane Music Services (music preparation) (as JoAnn Kane Music Service) US New Zealand Symphony Orchestra (thanks) NZ Newman Scoring Stage, Twentieth Century Fox Studios, The (score recorded at) (as 20th Century Fox Scoring Stage) US O'Henry Sound Studios (score recorded at) (as O'Henry) US Pacific Title (titles) US Packair Airfreight (international logistics) US Panavision New Zealand (lighting equipment) (as Panavision Lighting) US Park Road Post (adr facility, prints, re-recording facility, sound post-production, telecine dailies, video mastering) NZ Pixar Animation Studios (thanks) (as Pixar) US Playmates Toys (master toy license) HK Professional Sound Services (sound equipment) US Shanghai Techdisc Studio (adr facility) CN Sony Scoring Stage (score recorded at) US Spacecam Systems (aerial camera systems) US Studios (media production: Serbia , Montenegro) Technicolor (prints) US Todd-AO Studios (West) (score mixed at , score recorded at) (as Todd-AO West) US Upper Deck Film Services (negative matching) NZ Warner Bros. Studio Facilities (adr facility) US Weta Digital (color grading, digital intermediate) NZ Weta Workshop (title design) NZ Widget Post Production (adr facility) US Zandi Films (special thanks) US

TITLE	The Lord of the Rings: The Return of the King (2003)
COMPANY CREDITS	New Line Cinema (presents) US WingNut Films (as A Wingnut Films production) NZ The Saul Zaentz Company (licensor) (d/b/a Tolkien Enterprises) US
SPECIAL EFFECTS	Weta Workshop (special makeup, creatures, armour, weapons and miniatures) NZ Weta Digital (digital visual effects) NZ Tweak Films (visual effects) US Oktobor (visual effects) NZ Sandbox F/X (visual effects) US Rhythm and Hues (visual effects) US Rising Sun Pictures (visual effects) AU Gentle Giant Studios US Hybrid Enterprises (uncredited) UK Motion Works (motion capture) (uncredited) XYZ-RGB (scanning services) US
OTHER SERVICES	AFM Lighting (lighting equipment supplied by) UK AON/Albert G. Ruben Insurance Services (additional insurance) (as AON/Alber G. Ruben) US ARRI (camera and lenses by) Abbey Road Studios (music recorded at) UK Air Lyndhurst Studios (music recorded at) UK Anvil Post Production (adr facility) UK Camperdown Studios (adr facility) NZ Chapman/Leonard Studio Equipment (cranes and dollies) (uncredited) US Colorfront (digital film grading system) Colosseum, Watford (music recorded at) (as CTS Colosseum, Watford) UK Company Wide Shut (titles) US Department of Conservation Te Papa Atawhai (personal thanks) NZ Dolby Laboratories (sound post-production) US EFilm (personal thanks) (as E-Film) US Flying Trestles (catering) NZ Giant Studios (motion capture technology provided by) Imagica (scanned on) US International Film Guarantors (completion guarantee) US London Oratory School Schola, The (music performed by) UK London Philharmonic Orchestra (music performed by) (as The London Philharmonic Orchestra)UK London Voices (music performed by) (as The London Voices) UK Mahony & Company (insurance services) Mi Casa Multimedia (DVD/Blu-ray audio mastering 5.1, 6.1) US New Zealand Force Te Ope Kaatua O Aotearoa (I) (personal thanks) NZ

	Optix Digital Pictures (digital color grading) CA Pacific Title (titles) US Packair Airfreight (international logistics) US Park Road Post (re-recording facility) NZ Redline Sound Studios (foley recording) AU Reprise Records (soundtrack available on) US Spacecam Systems (Spacecam aerial camera system provided by) US The Film Unit, Wellington (color and telecine dailies) (as The Film Unit Ltd.) NZ Three Foot Six (production service: New Zealand) (uncredited) NZ Upper Deck Film Services (negative cutting) US WMG Soundtracks (soundtrack available on) US Warner Music Group (soundtrack published by) (uncredited) US Wescam USA (Wescam provided by) (as Wescam) US

Note. Own elaboration source IMDB, 2014a.