CANZ

COMPETITIVE ADVANTAGE NEW ZEALAND

NZfilm:
A case study of the New Zealand Film Industry

Peter Jackson's stature truly represented:
Premiere Night in Middle Earth: 20 December 2001
Guy MacGibbon: thanks to SCOOP

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June 2003

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PREFACE JUNE 2003

Substantive work on this report was completed in April 2002, and it was circulated within the CANZ team and to industry and academic commentators for feedback. After some revision and further bibliographic work, it has now been edited for publication on the CANZ website (July 2003).

Deborah Jones initiated and coordinated the project, as well as carrying out research and writing. Jude Barlow and Steven Finlay carried out original research and writing. Helen Savage carried out further bibliographic checking and research, and edited the whole report.

Since this report was first written, a number of industry and government studies have been completed that are very relevant to the topics covered here. The most significant are listed below. (Note that versions of documents originally sourced from the Industry New Zealand website are no longer available in the original web format since Industry New Zealand became New Zealand Trade and Enterprise in July 2003).

NZIER (2002, April). *Scoping the lasting effects of the Lord of the Rings. Report to The New Zealand Film Commission.* Wellington: New Zealand Institute for Economic Research. [Online]. http://www.nzier.org.nz/SITE_Default/SITE_Publications/x-files/181.pdf

NZIER (2003?). *Creative industries in New Zealand: Report to Industry New Zealand.* Wellington: New Zealand Institute for Economic Research. [Online]. http://www.nzier.org.nz/SITE_Default/SITE_Publications/reports/default.asp

Pinflicks Communications & NZ Institute of Economic Research. *Capability study: The New Zealand Screen Production Industry. Report to Industry New Zealand.* (2003, February). [Online]. http://www.google.com/search?q=cache:TIdeezlDtPAJ:www.industrynz.govt.nz/about-us/publications/_reports/Executive-Summary-of-the-Capability-Study.pdf+pinflicks&hl=en&lr=lang_en&ie=UTF-8

Screen Production Industry Taskforce. (2003, March). *Taking on the world: The report of the SPT Production Industry Taskforce.* Wellington: Industry New Zealand. [Online] http://www.industrytaskforces.govt.NZ

SUMMARY

The objectives of this case study are to create the basis for further academic study of the New Zealand film industry by:

- Identifying key issues in the New Zealand film industry
- Identifying and reviewing major existing secondary data
- Beginning to identify theoretical perspectives for analysing these issues and data
- Providing the basis for specialised follow-up interviews and
- Presenting our findings in a case format for comment and feedback from research team members and selected industry experts.

It is intended to address both practitioner and academic audiences, and addresses the capability issues that have led to the successes of the industry to date.

This study is a subset of the *Evolution of Competitive Capability* research programme carried out by [CANZ: Competitive Advantage New Zealand](#) . The case is intended as the foundation for a longitudinal study, which will develop along with the New Zealand film industry in the future. The CANZ contribution will complement the intensive scoping, strategic and development work already being carried out by film industry practitioners and government agencies. We intend to contribute academic perspectives on key issues such as strategy, human capability and national identity.

This is a preliminary case study based on published sources.   We start by identifying cultural and strategic perspectives on the industry, then scope the basic outline of the industry, including its history and characteristic forms of organising. We review key strategic issues such as funding and human capability, then discuss closeting in the industry with particular reference to the Wellington film cluster. Finally we summarise key strategic issues and identify issues for further research.

Some emerging research questions identified as a result of this study include:

1. Cultural industries - broader issues: what are the relationships to other cultural industries? Relationships to government policies on cultural industries? Relationships to conceptions of 'knowledge economy' and 'knowledge society'?
2. Globalisation: what are the possibilities for local screen industries and local culture in the face of increasing globalisation and industry convergence?
3. Human resources issues: what are the human resources issues in the New Zealand film industry? How can human capability be enhanced?
4. Clustering: how successful has formal and informal 'clustering' been in managing local and global flows?
5. Government policy framework: how effective are/have been the policies? How do factors like funding and planning made a difference?
6. Industry convergence: in the contexts of which other industries should a given aspect of the film industry be studied? Will there continue to be a film industry separate from other media?

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APPENDICES

1. INTRODUCTION

Why the New Zealand film industry matters

In the week before Christmas 2001, the city of Wellington was temporarily re-named 'Middle-earth'. This name honours the premiere of *The Fellowship of the Ring,* the first of [*The Lord of the Rings*](#) (LOTR) trilogy directed by New Zealander and Wellingtonian Peter Jackson and written, produced and filmed in New Zealand. The re-naming expresses all the joy, pride and confidence that Wellingtonians feel for the local film industry, and powerfully expresses recognition for the importance of the industry regionally, nationally and internationally.

The ambitious scope of national hopes for spin-offs from the trilogy and from the film industry more generally, and the official commitment to these possibilities, is crystallised in statements made by the Prime Minister, Helen Clark, also the Minister for Arts, Culture and Heritage, on funding packages to promote and assess positive spin-offs from the trilogy:

> Set against the spectacular and diverse New Zealand landscape, the *Lord of the Rings* trilogy has the potential to be a major tourist promotion and investment tool for years to come, by highlighting the country's natural beauty and the creative talents of its people across a wide range of knowledge-based industries (Clark, 2001a).

The specific spin-off opportunities are listed as:

- Film location attraction and film infrastructure investment
- Promotion of New Zealand made film
- High technology innovation and tourism promotion
- Attracting New Zealand talent to return home
- Profiling of New Zealand globally, particularly talent, creativity and innovation profiling, through the media and through other appropriate means (Clark, 2001b).

Why study the New Zealand film industry? The industry is seen as important for three main reasons:

- Its economic importance to New Zealand is growing steadily - as an industry in its own right and as part of the creation of 'Brand New Zealand', a way to make a global mark as a tourist destination and as a country to do business with;

- It is seen as culturally important - not only as contributing films that are culturally valuable in themselves, but as contributing to the cultural development of Aotearoa / New Zealand as a whole. This development in turn is seen as providing the ground for wider economic and cultural development.
- The film industry is seen as a 'new economy' industry: while it is not 'new' historically, its typically project-based and flexible forms of organising are seen as representative of 'new economy' industries, and the increasing convergence of film with other screen industries such as television, gaming and 'new media' generally is seen as central to trends in economic developments based on new information and communication technologies.

The New Zealand film industry has a higher profile now than ever before. In the turn to a knowledge-based economy, arts-based industries fight with science and technology to be recognised as part of national development strategies based on a 'knowledge economy'. The arts sector is now directly headed by the Prime Minister as Minister of Arts and Heritage, and the current Labour government hangs its hat on a 'Cultural Recovery Package' (Tizard, 2002), involving 'a significant injection of funding into the arts, culture and heritage sector' early in its new term of office, which was intended to 'allow New Zealand's arts and culture to flourish and create jobs and growth' (Clark, 2000). The *Rings* spin-off project furthers this agenda, as does the February 2002 launch of 'Growing an Innovative New Zealand' (*Growing an Innovative New Zealand*, 2002). In this latest policy initiative, government has identified three areas which have both the potential to grow in their own right and, because of their horizontal nature, positively improve productivity across the economy. These areas are: Biotechnology, Information and Communication Technology, and Creative Industries - which include the screen production industries of film and television.

Objectives of this case study

The objectives of this case study are to create the basis for further academic study of the New Zealand film industry by:

- Identifying key issues in the New Zealand film industry
- Identifying and reviewing major existing secondary data
- Beginning to identify theoretical perspectives for

> analysing these issues and data
> - Providing the basis for specialised follow-up interviews and
> - Presenting our findings in a case format for comment and feedback from research team members and selected industry experts.

It is intended to address both practitioner and academic audiences.

The key research question is:

- What are the 'capability' issues in the New Zealand film industry, at individual, regional and national levels?

This question addresses the capability issues that have led to the successes of the industry to date. (For a more detailed outline of research questions see Appendix 2: Twenty Questions).

This is a preliminary case study based on published sources. We have also been influenced by informal conversations with industry experts and practitioners in the process of collecting secondary data.

The project is a subset of the *Evolution of Competitive Capability* research programme carried out by CANZ: Competitive Advantage New Zealand (see Appendix 1). The current phase of the project includes studies of companies and industries whose evolutionary paths since the reforms of the mid-1980s, and the emergence of the internet, have been faster, more networked, more globalised, or in other ways different from those more traditional industries studied to date (for previous studies see Campbell-Hunt et al., 2001). The programme also pursues new enquiries into the evolutionary experience of individual enterprises and (sometimes regional) networks of firms that are (a) IT-based, (b) science-based, and/or (c) culture-based. The film industry meets all these criteria to some extent. In addition, the film industry introduces to the CANZ project the distinctive interaction of artistic and business issues that characterises cultural industries.

This case study is intended as the foundation for a longitudinal study, which will develop along with the New Zealand film industry in the future. The CANZ contribution will complement the intensive scoping, strategic and development work already being carried out by film industry

practitioners and government agencies. We intend to contribute academic perspectives on key issues such as strategy, human capability and national identity. We will also focus on the evolution of the industry, looking retrospectively and also tracking its development into the future. We also plan to make connections with other aspects of our study: for instance, to compare film industry clusters with marine industry clusters, and to compare creative processes and employment practices in the film industry with other 'new economy' industries such as software development.

If further funding is obtained, research will continue in 2002-2004. Future research design will depend on issues raised and relationships created in the first phase. It may include the creation of a video and/or oral history file of life-history studies of a range of individuals involved in the industry.

Scoping the case

We have been lucky in that two other major film industry reviews have been in process while we have worked on this case study: one commissioned by Industry New Zealand (O'Leary and Frater, 2001); and the 'Pinfold report' by Investment New Zealand under TradeNZ (Pinfold, 2001). We plan to complement these in our analysis as well as drawing on their findings. O'Leary and Frater (2001, p. 4) summarise the current situation as follows:

> In essence, New Zealand's creativity, talent and industry capability has achieved an international reputation, enabling the New Zealand film industry to move into an international production role. However, capability and capacity to build that market position lags well behind, especially in terms of financial capacity, skills, experience and specialist facilities. The industry also has to meet the challenge of new investments for the burgeoning age of digital convergence.

Similarly, the 'Pinfold report', which looks at the relationship between the industry and Film NZ, New Zealand's film locations office (see Appendix 5), underlines the importance of an integrated industry structure working at regional national and international levels (Pinfold, 2001). Both reports call on government to intervene further to support the industry, partly in terms of policy and planning, but mainly as a source of funding. A further report, on the long-term economic benefits of the *Rings* project, has just been released (23 April 2002) by the New Zealand Institute for Economic

Research for the New Zealand Film Commission (Tizard, 2002)[1]. Looking ahead, Industry New Zealand is in the process of commissioning an industry survey which will broadly map capability in the New Zealand screen production industry, establishing a database that can then be maintained on an ongoing basis. This study is due for delivery in September 2002.

In this report we summarise some of the data and the ideas in these and other completed reports, as well as reflecting retrospectively on issues in the evolution of the New Zealand film industry. We identify areas where there seem to be provocative gaps in what has already been covered, and emerging areas for further exploration. These gaps and emerging issues provide the basis for our research agenda.

We also sketch out the binary framework - business and art - within which the New Zealand film industry (and cultural industries worldwide) are generally framed. We use this framework to create multiple perspectives on the industry, as well as to consider whether and how these two dimensions conflict and at times converge. We consider how a business approach can enhance the creatively-based film industry without killing the goose that lays the golden eggs. We identify key debates in the industry, such as those between government agencies and filmmakers on what film-making should be funded, and how; between local cultural values and 'international' (mainly US) markets.

Scoping a 'New Zealand film industry' means engaging with a complex field of activity with no obvious boundaries. For instance, many practitioners prefer to talk about a 'screen' industry. SPADA, the Screen Producers and Directors Association, calls itself the leading advocates for screen culture in New Zealand' (For more on SPADA see Appendix 5). The concept of a screen industry most importantly refers also to the TV industry with which it is closely linked, but also to other digital screen industries such as digital gaming, 'movies' on the internet, and virtual reality simulations. The film industry is also strongly related to other cultural industries such as theatre, music, fashion and literature, and to technology industries which provide the range of traditional technical and new digital technologies being used in film production now. Practitioners

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[1] July 2003: NZIER (2002, April). *Scoping the lasting effects of the Lord of the Rings. Report to The New Zealand Film Commission.* Wellington: New Zealand Institute for Economic Research. [Online].
http://www.nzier.org.nz/SITE_Default/SITE_Publications/x-files/181.pdf

and production companies pass between these boundaries from project to project and within projects. While in this case study we talk of the 'New Zealand film industry', we map this loosely and take a specific interest in the porosity of its borders with other industries.

There are other fuzzy boundaries in the film industry. As in other culture industries there is a strong drive for creative and self-expression, and the line between amateur and professional is soft, as individuals get involved in filmmaking as a hobby or as an occasional event, as in the case of film extras, for instance. We explore these boundaries in considering issue of professional development and commitment, and in how those who want to can move from hobby to professional filmmaker.

It is also hard to define a 'New Zealand' film project, as filmmakers from New Zealand typically move to projects overseas, then back again, and international filmmakers come here to be part of specific projects. Furthermore, any given film project may be 'international' in combining funding, filmmakers and locations across the world. Critical questions for those interested in the New Zealand film industry include:

- How can we define and measure the economic basis for a New Zealand film industry?
- How can we define what is a 'New Zealand' film from a cultural perspective?

One approach initiated here is to use Wellington as a location to focus on how these relationships work. This requires a meaningful way to define the Wellington film industry. In this case we discuss the Wellington Film Cluster, as officially created by the Wellington City Council. However much local film activity takes place outside these clusters, and other clusters, such as the Creative Industry Cluster, are also strongly related to local film production, so our scope includes this more broadly-defined idea of a cluster.

2. CASE STUDY APPROACH

Cultural industries such as the film industry are seen by practitioners and academics from either or both cultural and strategic perspectives. This binary is also described as 'business' and 'arts' perspectives, 'artistic' and 'commercial', etc. Even the word 'film' is associated more with the 'artistic' aspect of the industry, as opposed to the 'movie' industry with its

more commercial spin. Until now, the CANZ project has primarily focussed on the strategic aspects of the industries we have studied, drawing on theories of 'competitive capability' (see below). The intention with this film project is also to use cultural analysis: to look at the ways that practitioners and researchers frame the film industry in cultural terms, and to look at how the two 'art' and 'business' voices interact - converge and diverge - in the practices and the analyses of the film industry. This case takes both of these perspectives into account to some extent. It is likely that subsequent CANZ work will more specifically separate strategic approaches (e.g. using clustering - see below) and cultural approaches (looking at human capability in terms of national culture and identity). Discourse analysis of interviews and documents will also show how these two discourses play out in practice, and affect ways that problems and solutions in the industry are framed (see section 3 below).

Recent reports on the film industry are taking place in the context of a felt need by government and the industry itself for urgent planning in the film industry if it is to benefit from recent successes. However, the focus of the CANZ project is on the evolution of firms or industries over time, and the factors which make them successful. This case therefore points to some long-running issues, and also indicates issues that could usefully be retrospectively surveyed in more detail. By taking these analytic approaches, as well as by collecting further fieldwork and media data, academic researchers can add value to the reports already prepared by practitioners and policy analysts.

After a brief introduction to the concept of competitive capability, this case study moves from a brief outline of the international film industry to the New Zealand Film Industry. We set out key industry groups and describe forms of organising, review key issues in New Zealand film history, and then go on to a discussion of funding issues. We then review issues in the development of human capability. Within this broad film industry context we introduce the Wellington film cluster and some of the theory of clustering. We complete our discussion by reviewing some of what we see as key issues in competitive advantage, and we summarise key and emerging issues which we think could usefully form the basis of a research agenda covering the evolution of the New Zealand film industry.

3. COMPETITIVE CAPABILITY AND CULTURAL PERSPECTIVES

Strategic analysis in the CANZ project has centred around theories of competitive capability which are widely used in the strategy literature. These ideas are briefly introduced here for readers who are unfamiliar with this literature. The concept of competitive capability is based in economics, and takes as its premise the broad proposition that within capitalism businesses (and regions or nations) must compete to survive. In New Zealand government policy, typically 'economic success in the 21st century' is equated with a 'vision is to see New Zealand back in the top half of the OECD economic Indicators' (Clark, 2001c). It is important to flag this assumption in this case study. Although this premise is taken for granted in most of the strategy literature, in this respect it frequently conflicts with embedded value propositions in the discourses of the arts. These conflicts, and attempts to reconcile them, form much of the basis of debates within various cultural industries. Debates about clustering also raise issues about competition and cooperation within the context of the strategy literature itself.

Prahalad and Hamel (1990) define capability using the 'Resource Based View' of the firm. This approach suggests that both the tangible and intangible resources that are able to be utilised within organisations form the unique and defining basis of potential capability. Barney (cited in Campbell-Hunt et al., 2001, p. 5) defines resources that can create capability as valuable, rare, hard to imitate and organisationally integrated. These criteria offer a 'best practice' model that suggests resources can sustain advantage over the longer term when the resource fits all these criteria. Resources that fit all four have included relationships (both external and internal), reputation, innovation, multiple technologies, and organisational configurations that reliably deliver complex value propositions (Campbell-Hunt et al., 2001, p. 7).

Recent work defines capability, following Grant (1991), Winter (2000), and Amit and Schoemaker (1993) according to three dimensions of an organization: an organisation's inputs and resource-base; the configuration of these resources in support of the organisations' activities; and the application of these resource portfolios to the creation of an output of value in a specified market. New 'capabilities' are thus recognised as the creation of a new resource, or a change in the configuration of resources, applied to achieve competitive advantage in established or new markets. This reveals a dynamic process that is based on existing capabilities that

each firm (or project) has, the firms' configuration of these resources to achieve maximum benefit within the firm, and finally how these change over time to meet changes in the market. Thus the evolution of capability within film projects is conditional on each of these unique 'parts' and how they evolve in relation to each other.

Much of the 'resource-based' and 'competitive capability' literature takes strategy to be driven by the CEO and other senior-level managers in a traditional 'firm', and takes the 'firm' as its central unit of analysis. This model is clearly unfitted to the local film industry and other cultural industries where there are few, if any, 'firms', and where is there is often no management hierarchy and little talk of 'strategy' in the managerial sense. However cluster theory is a form of strategic analysis which can be used to analyse how capability has developed in distributed networks in a given location - in a country, city or cluster - as centres of best practice have emerged over time. This 'centre of best practice' can be viewed to assess how industry groups have evolved and what forms they have taken. Cluster theory is introduced and discussed in the context of the New Zealand film industry in section 6.

A recent presentation by Ruth Harley, CEO of the New Zealand Film Commission, provides a classic example of how strategic and cultural approaches are interwoven in discussions of film industry issues (Harley, 2001):

> Cultural industries such as film and television, fashion, multi- media, music and tourism are transforming New Zealand's economy. Our commercial interests are indissolubly linked with our cultural interests.

> There is no place in the new economy for the type of thinking which sees a disjunction between the business world and the art world.

> Cultural industries are based on national identity. National identity is key to creating a unique positioning for our goods and services. Take film for example. It creates culture, builds identity and markets that identity to the world. Film is important not just as a potent advertising medium for New Zealand; not just as a way of creating and personifying our country as a brand in all its diversity; not just as a high growth, high margin knowledge based business.

> It is all of these, but it is also as a statement to ourselves. It is a central ingredient in constructing our identity for ourselves, as a lever to help New Zealanders get the confidence and boldness to foot it aggressively on the international stages. Cultural industries are high yielding economic plants that should be cultivated by design not left to accident.

Here Harley firmly rejects a disjunction between 'business' and 'art', and she presents 'culture' as not only a 'good' in itself, not only as the basis for an industry, but as a driver for a more confident nation and therefore a stronger economy, and as a 'brand for New Zealand which will enhance tourism and other international activities.

These are big claims, and they require strategic analysis in themselves. How can we effectively measure and theorise the value of the New Zealand film industry? As a recent *Listener* editorial pointed out in a discussion of *The Lord of the Rings*,

> ...You might have been forgiven at times for imagining that the world's largest oil reserve had just been discovered under Wellington, so extravagant were some of the claims made about 'putting us on the map' (MacDonald, 2002, p.5)

Questions of measurement and analysis will inevitably relate back to the analytic standpoint, and to the related cultural and economic investments. In this case, and in planned later studies, a model of discourse analysis derived from foucauldian perspectives is drawn on which enables these standpoints and investments to be distinguished and their effects to be analysed (Foucault, 1970, 1972; Shapiro, 1981, 1992; Weedon, 1987). In this model 'discourse' does not just signify the various 'languages' used in film industry debates (e.g. 'business' and 'art'), but a complex interweaving of language, practices, power and identity. In spite of Harley's exhortations, the conflicts as well as the convergences of 'arts' and 'business' discourse are embedded in the film industry. They are also the topic of much of the literature on the management of the creative or cultural industries, which is concerned - as are practitioners - with the complex interfaces between market and managerial-based approaches on the one hand, and artistic and cultural perspectives on the other (Jeffcut, 2000). For instance, the idea of 'competitiveness', central to the strategy literature, is not usually central or even apparent in discussions of success in the discourse of arts communities. The same interface is explored in analysis of cultural policy (Volkerling, 1996; Watson, 1994).

For instance, in terms of government agencies, the political agenda of Creative New Zealand, which funds the New Zealand film industry from an 'arts' perspective, has a strong cultural emphasis, but the political agenda reflected in the New Zealand Film Commission Act of 1978 is to support film as a commercial industry. These contradictions show up in recent hot debates in the film industry, such as whether local film industry

companies such as Cloud 9, which contributes to the industry commercially but not culturally, should receive government funding and other support.

The Cloud 9 story (see also Appendix 5)
Cloud 9 became a case study in film industry policy in 2001. Although a highly successful film television production company, Cloud 9 was not seen or funded as a cultural contributor to the NZ film industry, unlike most local production houses, because its TV content was not considered to be of cultural value to New Zealand. Funding from bodies such as New Zealand on Air was therefore not available. CEO Raymond Thompson threatened to move the company to Australia, after winning awards for business excellence and becoming an important part of Wellington's Creative Cluster. He complained that TVNZ did not buy the company's products, and that his family were having trouble obtaining residency. In October 2001 the family got fast-tracked residency (Milne, 2001) and the government announced a deal to keep Cloud 9 from shifting to Australia, with Industry New Zealand particularly keen to provide support (Milne and Manson, 2001). This case study and the ensuing discussion shows how 'cultural' and 'business' discourses can come into conflict in treating film and television production as an 'industry' as well as a cultural good. Ministers were also in an uncomfortable position in not being able to command immigration service or TVNZ to accede to the company's demands. However the new role of industry New Zealand as a broker supporting high-value business came into play here and the deadlock was resolved, at least for now. Similarly, doubts about tax breaks for film projects centre around whether and why the film industry should be treated differently from other industries for investment purposes (see 'Tax policies' below).

Harley's speech also reflects the increasingly overt politicisation of the film industry, as arts-based industries fight with science and technology to be recognised as part of national development strategies based on a 'knowledge economy'.

Cultural analysis concerns itself with many of the issues highlighted above, with questions of culture, identity, and nationalism. It looks at the different discourses involved in processes like policy formation, industry employment, and funding. It draws attention to the political and strategic implications of the ways that these discourses play out in practice as people go about developing (and, if they are lucky,) making, and marketing films. This is what Yeatman calls 'the micropolitical' level: 'the inclusion of

the individuals involved in these contexts and the way that they are empowered or disempowered within organisations' (Yeatman 1998, p. 235). He argues that case-based and qualitative analysis of the strategies used by filmmakers to succeed (and to define 'success') in their environments 'is an important and necessary consideration for the understanding of not only the funding infrastructure, but of any cultural infrastructure' (ibid). A cultural analysis also considers how local and national cultures can be nurtured and developed, and the range of reasons (beyond the rational) why and how people come to be 'talented' and to choose to identify their work with local or national communities.

4. SCOPING THE FILM INDUSTRY

The International Film Industry

'Hollywood' tends to signify the international film industry, and there are strong arguments that the economic power of the US film industry determines all but the smallest film projects internationally (De Fillippi & Arthur, 1998; Phelan & Lewin, 1999). Hollywood, the major centre for filmmaking globally, is valued as a 'regional cluster of competencies', a place to access the overall scale and diversity of resources, rather than as the location of any particular film (De Fillippi & Arthur, 1998, p. 133). There are also a number of other sites of globally important geographically clustered networks of artistic and commercial resources, including London, New York, Bombay, Delhi, Tokyo, Toronto, and Hong Kong.

The industry has developed into 'core' and 'peripheral' groups. Core groups obtain financing from the seven major Hollywood film studios employing similar sets of commercial and artistic personnel on multiple projects. Peripheral groups use single one-off film sponsors, independent producers and employed cast and crew on temporary contracts. Employees in both groups have to seek further employment or re-employment as each film or project finished. In the 1950s, the Hollywood studios found the costs of maintaining permanent stables of filmmaking talent and associated practices prohibitively expensive. The old studio system of film production gave way to the example set by independent filmmakers. Although Hollywood studios no longer retain full time staff they still have 'a strong presence in financing films, leasing facilities, and securing distribution channels' (De Fillippi & Arthur, 1998, p. 127). Strategic analysis of the film industry in the management literature has tended to focus around the Hollywood studios, where management structures and

business cultures are more easily related to the 'firm' level of the competitive capability literature. This literature has also tended to be interested in the film industry as 'data' for competitive analyses that can generalised to other industrial contexts, rather than to be interested in film as a distinctive sector (e.g., Bowden & Johnson, 2001; Miller & Shamsie, 1996, 2001; Pomerleau, 1997).

Hollywood has a massive advantage over New Zealand in that it has an extremely well-developed film industry. As a result, the best in the industry, including many of New Zealand's talented directors and actors, tend to congregate in the world's film capital. This is because it has superior facilities, access to finance and a community of talented people who are at the cutting edge of new technology, or famous actors and directors. There is also the chance of regular work at a higher level of best practice.

The dominance of the American market influences the New Zealand industry on a number of levels. Amongst others, two key areas are, firstly, how US market size influences film content and, secondly, what choices New Zealand has with regards to positioning the industry within the US as a serious industry alternative.

Debates within New Zealand film industry over the relationship with Hollywood tend to centre around:

1. the value to New Zealand of being used as a film location by Hollywood (and other overseas productions),
2. the drain of local talent to the US and
3. the effects of Hollywood financing on the economic and cultural outcomes of local film projects.

Since the 1980s there have been local fears about the effect of international filmmaking on the local industry, and this comment by Reid (1986, p. 16) is typical of statements still circulating today:

> the fear persists in much of the New Zealand industry that productions with some offshore backing can soak up the available local private investment, create unrealistically high wage-rates and costs of services, and kill off any wholly indigenous venture. In the process, the argument goes, a distinctively New Zealand national identity in film is stifled. New Zealand becomes merely a 'cheap backlot' for Hollywood - what Spain once was to the American and European film industries.

Against this view, the domination of the industry by foreign influence is challenged, however, by the argument that the incorporation of characteristic indigenous elements within films is an effective commercial strategy which constitutes a unique advantage for the New Zealand industry through a unique 'product' (Yeatman, 1998).

While the global film industry literature tends to centre around Hollywood, it is also useful for students of the New Zealand film industry to pay more attention to the film industries of other small and/or postcolonial nations to consider their success strategies, and this could be a useful area for further research. 'Bollywood', the Indian film industry, has also become more important to New Zealand recently, as an increasing number of their films are made in New Zealand locations.

New Zealand as 'Studio New Zealand'

Film NZ is New Zealand's film locations office, providing information, introductions and support to filmmakers both internationally and locally (see Appendix 4). Set up in 1994 with the help of Trade New Zealand, Film NZ is now located and managed through SPADA in Wellington, with a yearly budget of $200,000, including funding of $110,000 from the government through Investment New Zealand and the New Zealand Film Commission, funds from the Film Unit. The Pinfold Report (Pinfold, 2001) argues that NZFC funding needs to be about 10 times its current $200,000-a-year budget to continue the success initiated by *The Lord of the Rings* and *Vertical Limit*. The review recommended Film New Zealand be established as an independent entity, separate from industry groups. Although there are fierce debates within the industry about the value of selling New Zealand as a film location for overseas productions (as opposed to making 'our own' films here), Film NZ argues that there is only positive synergy to be created between the development of New Zealand as a location and the local industry, 'positioning New Zealand as a whole creative environment, making it the equivalent of a studio' (Film New Zealand, 2001, p. 12; see also Film New Zealand, 2002).

Some commentators suggest that film activity in New Zealand may have peaked. Whilst there may never be another film the size of *The Lord of the Rings*, foreign film companies may come to take advantage of the scenery. However, some have argued that it is unlikely there will be a large number of foreign films made (Beattie, 2001).

The *Rings* trilogy has created new Hollywood-New Zealand relationships. Tom Scott has claimed recently that: 'Peter Jackson has changed the rules about filmmaking so profoundly. Most budding film directors bugger off to Hollywood: Peter made Hollywood bugger off to him' (Larson, 2002, p. 55). It would be useful for further research to look not only at the economic impact of *Rings* on New Zealand, as in the case of the recent NZIER study (Tizard, 2002), but to draw on some of the strategy-based literature to tease out in more detail the extent to which the locus of Hollywood-local power did in fact shift in the *Rings* deal - the extent to which, in Scott's words, the local industry can 'exploit the solvent drag of Peter Jackson' (Larson, 2002, p. 55).

The New Zealand Film Industry

Peter Jackson's comments in 1995 that: 'we don't have a feature film industry here' (Campbell, 1995, p. 20) seem far removed from the dynamic and growing film sector that is capturing attention both locally and internationally through *The Lord of the Rings* trilogy. However questions still remain about whether the local industry is effectively funded and sustainable.

From an economic perspective, the film industry can only be defined in very general terms. A recent economic study associated with the Industry New Zealand survey of the national film industry (Goodchild & Nana, 2001) used Australian New Zealand Standard Industrial Classification (ANZSIC) industry classifications to identify industries that fall within the description of the film industry.

The ANZSIC categories include:

- film and video production;
- film and video distribution;
- motion picture exhibition; sound recording studios;
- services to the arts;
- video hire outlets.

For instance, the Goodchild and Nana report shows the number of Activity Units (businesses) in the film industry on a national basis. They point out that Film and Video Production accounts for just over a half of all Film Industry Activity Units, and that most of the increase in business Activity Units has also come from Film and Video Production.

As the authors comment, ANZSIC industry classifications provide 'a broad picture only, as there are a range of other industries whose business activities would at least partially fall within the definition of the film industry' (ibid, p. 2). Obviously certain types of research on the film industry is inhibited by the lack of formally collected data, outside the census-based data cited above, and the annual reports of groups such as SPADA and the NZFC. O'Leary and Frater (2001, p. 8) compare the information currently available with 'the definition of the film industry as seen by the industry itself'. One useful direction for research would be qualitative work which maps out this territory - the complexities of how the industry sees itself. While this could then be applied to creating the new economic categories that O'Leary and Frater say are needed, it could also provide more complex information about the evolution of the industry and the ways that it is perceived by practitioners.

The New Zealand film industry, from small beginnings, has grown to a state where the largest film project ever undertaken – *The Lord of the Rings* - can be made here. This has been achieved through the passion and commitment, often voluntarily, of individuals and groups who have been forced to operate on a shoe-string. This has reinforced the image of an often-marginalised arts community (*O'Leary & Frater, 2001*). Recent government policy on cultural industries and increasingly measurable financial returns have changed this perception, to the point where film and cultural industries are being picked as a winner.

Cultural industries are defined loosely by creative industry commentators as 'those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property' (Fleming, 1999, p. 4). Due to their recent repositioning as key industries for competitive advantage cultural industries have found themselves in what Ruth Harley (2001, p. 5) calls: 'a tricky space to attempt to occupy.'

Economists have recently defined the creative industries and the capital they produce as 'both tangible and intangible cultural capital' (Barker, 2000, p. 11). Just as human capital is defined as 'the capabilities embodied in individuals, both intellectual and physical', cultural capital is 'a commonly shared form of human capital embodied in individuals or groups' that can be handed down from generation to generation but is also able to be developed, changed and reworked (ibid). As Harley states, cultural capital takes economics into a domain beyond its borders. Equally, it risks

creating a discourse whereby the very fact of its existence seems to suggest that art requires legitimacy from the dominant discourse of economics.

Growth of the Combined Screen (Film and Television) Industry

The results of the SPADA Screen Production Survey 2000, released by the Screen Producers and Directors Association (*Survey of Screen Production in New Zealand 2000*, 2001), confirmed that the screen production industry is surging ahead, with job creation and foreign exchange increasing dramatically. They show that even if the effects of *Rings* and *Vertical Limit* (the two major productions) are discounted, the underlying trend is still strong.

The survey is the only formal measure of production activity in the film, television and commercials production industry and involves data collected from over 100 organisations and individuals. Data for 2000 included estimates for the first year of production of *The Lord of the Rings* and the Hollywood film *Vertical Limit* which was shot in Queenstown. The survey is funded by the NZ Film Commission (NZFC), Trade New Zealand and NZ On Air.

Key findings included:

- Company turnover now exceeds $1 billion, up from $805 million in 1999 - Production financing is close to $500,000, up from just over $300 million in 1999.
- Of that half billion dollars, $343 million is foreign funding, up from $151 million in 1999.
- Total foreign exchange generated is $455 million, up from $155 million in 1999.
- 37% of production budgets were spent in Auckland, 29% in Wellington, 18% in Queenstown and 4% in Canterbury.
- Over 14,000 jobs were undertaken this year, compared to 7,730 in 1999 (full time, part time and contractors).

'These are minimum and quite conservative figures', said SPADA's chief executive Jane Wrightson. 'One or two companies decline to participate for reasons of commercial sensitivity, and there is also some lower budget, sometimes self-funded work which we will not have uncovered'

(Wrightson, 2000).

The screen production industry has huge flow-on effects for other industries in New Zealand: we are major customers for the building and building supplies industry, accommodation, catering, travel and vehicle rental companies, equipment and technical hire firms, tourism operators as well as for legal, accounting, technology and professional service companies, as well as the jobs created for actors, writers, designers, crew and others involved in the creative process.

These figures also cover television and advertising production, and the SPADA perspective underlines how central is the relationship between television, advertising and film production from an industry point of view. From this perspective, issues such as government funding of television, and the question of introducing of local television quotas, are highlighted as of central strategic importance to the New Zealand film industry as a whole.

According to SPADA:

> The most disturbing trend is the continuing static nature of public funding available for television production. While the broadcasters are contributing a little more ($42 million, up from $39 million in 1999), public funding at $49 million is only comparable to last year and still $8 million less than in 1997', said (CEO) Jane Wrightson (Wrightson, 2000).

Growth over time

The SPADA Survey reveals the growth in the total New Zealand industry over time (*Survey of Screen Production in New Zealand 2000*, 2001).

Production companies such as Dunedin's Natural History Unit, Wellington's Cloud 9, The Gibson Group and Silver Screen, and South Pacific Pictures in Auckland have all had international success with a variety of nature programmes and kids drama series.

The industry as a whole has grown in the digital arena. Jackson's digital company Weta hired over 200 staff to work on *The Lord of the Rings* - there is a local core of expertise, and many staff are also brought in from overseas due to a lack of enough local workers for such a large project. A recent scoping study shows an increase in film and video production, businesses and full time staff numbers between 1994 and March 2000 (Goodchild & Nana, 2001).

Over this period the number of film and video productions in New Zealand rose from 540 in 1994 to 1,136 in 2000. This corresponds to an average annual 596 films and videos being produced a year. Over the same period 774 new businesses and 2000 full time equivalent jobs, to a total of 6000, were created. However, nearly 80% of this growth was due to film and video production, distribution and hire outlets.

Regionally, over the same period and categories, Auckland has been the fastest growing area. An average of 339 films and videos have been produced there, compared to 167 in Wellington, and 32 in Christchurch. The average number of film related businesses in Auckland have increased nearly 60%, compared to 25% in Wellington, and 5% in Christchurch. In jobs Auckland accounted for 47% of the 2103 job increase, Wellington 18% and the rest of the country 35%. Although the average growth of full time employment rose mainly in the South Island again most of this was due to the film and video production industry (Goodchild & Nana, 2001).

	94	95	96
Total production financing	$151m	$175m	$237m
Domestic	$107m	$106m	$122m
Foreign	$44m	$69m	$115m
Total company turnover	$570m	$633m	$728m
Total foreign exchange earnings	$43m	$86m	$119m

	97	98	99	00
Total production financing	$217m	$208m	$307m	$497m
Domestic	$126m	$117m	$156m	$153m
Foreign	$91m	$91m	$151m	$343m
Total company turnover	$769m	$657m	$805m	$1,112m
Total foreign exchange earnings	$99m	$92m	$155m	$455m

NZ Film Industry Growth 1994-2000

The 'screen industry': Film and television

Many, probably most, of New Zealand's filmmakers also make television programmes or series, and films are often shown on television as well as in cinemas. The issues that television producers and directors deal with therefore have a major influence on the local film industry. In particular, funding for local television programmes provides an important income stream for the local film industry, and SPADA has been arguing strongly for a local television quota which will increase the amount of work for local filmmakers and the number of local stories on our screens. (See issues of *spadaNEWS* for discussions of television policy issues such as the Television charter, television quotas, and New Zealand on Air funding criteria.) The development of digital television is also increasingly important, and a recent New Zealand conference considered the 'central questions [which] currently loom over New Zealand broadcasting - the shape of its digital future and the role of public broadcasting in the coming digital landscape' (New Frontiers, 2001).

The digital media industry

It is increasingly difficult to separate the digital media industry from what has in the past been described as the film and/or screen industry. Many of those active in new media and digital media companies have come from traditional media and film and television production companies. Industry New Zealand has recognised its potential importance as a high-growth industry sector, based, like the film and television industries ' this country's widely recognised creative talent' (O'Leary and Jamieson, 2001, p. 4), and has recently commissioned a scoping survey (O'Leary and Jamieson, 2001).

'Digital media' includes new media, interactive media, web media, web TV, interactive television, information architecture and design, PlayStation and Nintendo games, and cybermedia. All of these terms indicate some form of interactivity across a multitude of formats and distribution channels of digital data.

In Wellington, 'Creative Capital', based on digital media, has become a dynamic export oriented business cluster, active in international markets. Creative Capital has a strong horizontal integration, organised collaboratively in networks and joint ventures. Creative Capital is an interesting case study of a 'new economy' sector and of a successful

cluster process. In their scoping study of the New Zealand digital media industry, O'Leary and Jamieson (2001) have argued that the Wellington Creative Capital cluster could be used as a model for other New Zealand regions, showing how the creative industries can play an important leadership role in emerging knowledge-based industries, showing how best practice can combine New Zealand culture and business innovation.

New Zealand stories, exotic locations, cheap labour

In the words of SPADA head, Jane Wrightson, there has been 'unprecedented government interest' in the film industry in 2001 (Wrightson, 2001, p. 1). The role of government has evolved throughout the history of the local film industry. Government has been concerned both with fostering film as an industry and with nurturing the development of 'New Zealand' stories - 'so we can see ourselves in New Zealand on air', as the New Zealand On Air slogan goes. As Ruth Harley has put it:

> The trick is to work out how to convert [our] unique multi-textured set of voices into sellable stories around the range of goods and services New Zealand can produce for the international market; as well as into stories which promote our own intellectual curiosity, debate, confidence, mutual respect and creative energy (Harley, 2001, p. 9).

There has been a tension in New Zealand film industry 'product development' between the Hollywood market and local stories. Given the dominance of the American market in both funding and sales levels which market taste, American or Kiwi, should dominate? Should New Zealand stories be told in an authentic way and risk not capturing international attention and thus being financially non-viable. Or should Hollywood style blockbusters be created risking the loss of opportunity to explore the New Zealand identity through cinematography?

As shown by *The Lord of the Rings* and *Vertical Limit*, Hollywood can act as a critical source of funding. However, the funding is likely to be limited to films that have an international appeal rather than films that are New Zealand specific.

The issue of local story versus cheap location is also a central issue for the New Zealand film industry, with comparable arguments being explored within the television industry (Smythe, 2000). The dominance of the American market extends to how New Zealand positions itself as a player

within this market. With the costs of American films spiralling recent reports suggest 70% of US films become runaway productions that require cheaper locations to reduce ballooning budgets. New Zealand facilities and crews are cheaper, partly because of the low dollar. There is also some debate about whether local crews are well paid or whether they are exploited to some degree. For instance, local crews are non-unionised, and this is seen as an advantage over US crews. These are broader human capability and industrial relations issues to be investigated further (see Appendix 3). Is New Zealand more than an exotic location in the eyes of Hollywood, or a cheap empty space in which to make movies? If we market ourselves as a location how do we also support our own stories?

The dominance of the Hollywood industry has also contributed to the kind of 'brain drain' that threatens other local industries. The creator of *Shrek*, the animated feature that is storming the box office, lives and works as an independent computer graphics artist in Los Angeles. Andrew Adamson says while he admires what Peter Jackson is doing for the New Zealand film industry he believes that there are more options in LA. 'If I have a problem there are 20 people here I can ask for help, whereas in New Zealand, they'd be one or two' (A fairytale come true, 2001, p. 6). By contrast, Weta Digital has built up a world-leading special effects industry in Wellington.

Although the majority of film industry professionals, particularly directors and actors, have left New Zealand 'the diaspora' of Kiwis all around the globe has contributed to the 'can do Kiwi attitude' and has helped to build the industry when these people return (O'Leary & Frater, 2001, p. 3). The Peter Jackson example of bringing international film work to New Zealand - 'doing his bit for brand New Zealand' as *Unlimited* headlines put it (2001, Jan) - is not unique. Jane Campion - '*The Piano'* and Lee Tamahori - '*The Edge'* are directors and producers who have brought films back to New Zealand to be made. This question of commitment to New Zealand by retaining or bringing industries, firms and projects here has wider resonance for the CANZ projects and is a fruitful area for more case study research. O'Leary and Frater (2001) also argue that case study histories of successful local film industry projects or individuals should be used in future New Zealand film industry research.

5. FORMS OF ORGANISING

The film industry has recently attracted the attention of 'new economy' researchers who see it as emblematic of the 'new' project-based industries, organised as distributed - and often remote - networks of knowledge and creativity based teams and individuals (Arthur, Claman, & De Fillippi, 1995; De Fillippi & Arthur, 1998; Palmer, Dunford, Rura-Polley & Baker, 2001). Ironically, many of these qualities are typical of traditional culture-based industries, and this paradox is expressed in the title of a paper on careers in the film industry - *Back to the future in film* (Jones & De Fillippi, 1996).

Filmmaking is a cultural and social practice, as well as an economic activity. As Bevin Yeatman points out:

> Filmmaking… is a complex process which involves countless creative, commercial, technical and tactical decisions before any film is produced, and then, just as many more when it comes to exhibition and reception (Yeatman, 1998, p. 1).

As Yeatman points out, this activity has been very little studied from the organisational point of view, and is a rich field for further fieldwork research.

The 'product' is typically thought of as a feature film, Hollywood -style, but may include documentaries, short films, one-off television programmes and series. There is a whole range from independent to studio type movies - *Lord of the Rings* has been called both a 'Hollywood movie' and also an independent movie with Hollywood finance. There are also associated products such as miniatures and other merchandising and franchising operations. Distribution channels are extremely important, and distributors may be part of a project from the start, or may only be brought in later through the film and television festivals, once the film is complete. The number of channels or types of screen by which movies can be viewed is also proliferating, from free to air and cable TV, to the internet and DVD and to new forms of multiplex cinemas.

The film industry is unusual in that it functions differently from a traditional industry consisting of discrete and ongoing companies. Rather than the body of knowledge remaining within a static company, as occurs in a bank or manufacturer, the film industry is project-based. People (director, producer, crew, actors, agents, etc.) come together to work on a project, and when it is finished, return to their own business niche to

wait or search out the next project. Everyone involved in the process is a temporary employee, although they may be subcontracted to a guild or co-ordinating company: such as a production or casting agency. Employees are therefore a group of diversely skilled subcontractors who move between different projects. As such knowledge is accumulated over successive projects, individuals are then hired on the basis of their skill and work history, rather than knowledge being the property of one firm (De Fillippi & Arthur, 1998). In addition, not only do film employees work on film projects, they often work on television series, commercials, concerts and in theatres. Many are also amateurs who volunteer their experience on projects in their own time. However there are some continuing organisational identities. Production houses and small associated businesses such as casting agencies provide some continuity of employment for a small number of industry workers (see Appendix 5).

Physical assets are also temporary or project-based: office space, camera and lighting equipment and even film sets and locations are generally hired solely for the time-frame of the film (De Fillippi & Arthur, 1998). Locally-available physical assets can then be seen to some extent as resources that can be used by a cluster of film-makers: in Wellington, Peter Jackson's purchase of The Film Unit, and the influx of equipment bought into various production facilities via *The Lord of the Rings* project, has provided more reliable access and more high-quality and up-to-date equipment for local film-makers.

Unlike the traditional company, where the business will continue to function even if a number of employees leave, on a film even one employee leaving can potentially mean the end, or a significant time delay in the making of the film. The pace of work is also distinctive. Even production companies, which provide the most continuity of organisation, are based around 'binge' cycles where intense exhausting work on one project is often followed by a period of collapse and rest. For individuals there is a similar pattern exacerbated by the uncertainty of continuous work on projects, so that there are often long periods of unemployment.

Employees, both on the creative and financial sides, may come together locally and globally. For example many New Zealand films, such as *Sleeping Dogs* (1977) and *The Piano* (1993), used foreign 'known' actors in lead roles often as an audience draw card. Financial parties, often American, may come together globally even on the one project. Peter Jackson's *The Lord of the Rings,* for example, is a film based on a British

book, directed by a New Zealander in New Zealand with American funding.

However, the industry as a whole develops a collective memory of successful and unsuccessful projects. Films are continuously adapted to appeal to changing audience tastes, incorporating bigger and better special effects. Actors who have been in films that have done well at the box office or film festivals are likely to be cast in other films to try and help the new film's success.

Film Industry Groups

The film industry is made up of a number of groups (see Career Services Rapuara, 2000 for an overview of the industry, jobs and competencies).

Filmmakers

The key creative group, which drive the industry, are the filmmakers. However, before a film can be produced someone needs to come up with the idea on which it is based. This may be historical, factual, fantasy or a mixture of all of these. It may be based on a book. The next stage involves scriptwriters who write the verbal, and perhaps suggest the visual aspects of the film. Often in New Zealand the person who comes up with the script idea also writes the script and directs.

Producers, or production companies then decide, via a location manager, on the appropriate location/s. The producer, perhaps with the help of a casting director, decides on what sorts of 'characters' are needed. Actors, known in the industry as talent, are usually sourced through casting agencies that represent a wide range of people.

A director is then appointed by the producer, or sometimes the reverse occurs. The crew, who are often freelance, are then appointed by the latter. The base crew cover a range of technical people including camera, sound and lighting technicians. Others are wardrobe or costume co-ordinators and make up artists. There may also be stunt co-ordinators or other such roles, depending on the production.

In addition, there are support crew. On the set there will be one, or a number of runners or 'gophers' - people who act as messengers between the various groups and do odd jobs. Others are people who co-ordinate things such as transport and food. If there are child actors there may also be caregivers and teachers.

Industry Support Groups (see also Appendix 5).
Another group are industry support bodies. In New Zealand this is
SPADA (Screen Producers and Directors Association). It provides
training and mentoring; presents the industry's concerns to government,
funding agencies, broadcasters, industry and other groups and also
supports members (SPADA, 2001). There are a number of other support
groups or guilds for industry sectors. Film NZ is an information provider
and broker for international film groups (Film NZ, 2001).

Government Agencies (see also Appendix 4).
Government policy bodies include the Ministry for Culture and Heritage
and Creative New Zealand. The Prime Minister Helen Clark is the Minister
for Arts, Culture and Heritage. This portfolio has been re-branded to
reposition the film and multimedia industries as cultural industries.

Government funding groups are hugely important, and without them most
New Zealand films could not be made. National funding bodies include:
New Zealand on Air, which helps fund a range of locally made culturally
marginalised television and radio programmes; and The New Zealand Film
Commission (NZFC), which partially funds the making, promotion,
distribution and exhibition of films made in New Zealand, by New
Zealanders, about New Zealand.   The Film Production Fund supports
projects made by New Zealanders, with a New Zealand slant, that are of a
larger budget than those helped by NZFC. Creative New Zealand may
provide some minor funding on the basis of artistic merit.

A recent funding initiative is the Film Fund. The $22 million fund aims to
encourage successful New Zealand filmmakers to make a second New
Zealand inspired and produced film. The fund's purpose is to strengthen
New Zealand's national and international standing in the industry.

Audiences and promoters
Marketing companies and media are important because how they promote
films can determine how well they do at the box office. But it is
audiences who determine the financial success of a film. As a result they
have a hand in shaping the film industry as most films are made on the
basis they will appeal to an audience. Filmmakers and promoters often
differ over the commercial values of the film (sacrificing artistic
integrity for commercial appeal), and over what will make a film
successful. If promotion and marketing are linked to funding and artistic
control, films may be drastically edited or partly re-made to meet funders

and promoters ideas of what will make a film successful with audiences. Extensive audience 'previews' of director's cut are used in Hollywood controlled films to assess audience appeal. The film 'product' will likely be changed to meet perceived marketing demands. Only the most powerful directors have the right of 'final cut'. This difference is a key point of tension between the 'artistic' and 'business' aspects of organising a film project - what Australian director Richard Franklin calls 'pistols at dawn' (Franklin, 1999). The same issues are central points of tension in local funding rounds. The existence of a local audience which has been committed to seeing New Zealand stories on film - often organised through film societies and film festivals - has been essential to the development of the local film industry.

6. HISTORY OF FILMS IN NEW ZEALAND

The first motion picture was shown in Auckland in 1896, and the first cinemas soon followed. Government filmmaking began with the 1901 Royal visit, although it was not until the 1920s that the government produced films (tourist promotion) on a regular basis. The Depression bought a virtual halt to government filmmaking, but the need for wartime information and propaganda films led to a reorganisation that created the National Film Unit (NFU). This was part of the Prime Minister's Department and hoped also to increase the quality of filmmaking. During this time, 1945-46, every person in New Zealand went to the movies on average 22 times a year.

The NFU existed until 1990, when it was sold by the Labour Government to Television New Zealand (TVNZ). During that time, the monopoly NFU had produced war-related activities, 10-minute monthly 'magazine' programmes, and several 10-40 minute shorts combining action and nature - some won international awards. Government editorial control meant social issues and controversy were not reflected in the productions. However these government-funded organisations were critical to building up national industry capabilities.

The only independent production company, which made feature films between 1940-70, was Pacific Films set up by disgruntled NFU employees. John O'Shea was a significant player in New Zealand film and a founding member of the Film Commission Board in 1978. Over a 40-year career, O'Shea produced feature films, short films, over 200 documentaries and also mentored young filmmakers, including Jane Campion and Gaylene

Preston.

The introduction of television in 1960 was not the opportunity many independent producers hoped. Shortage of funds meant the majority of material was imported or produced by television studios themselves. Independent producers and the NFU had success from the early 1970s and talented producers emerged. However, the splitting of TVNZ into two channels in 1975 saw more importing and studio production (Churchman, 1997).

The first film wholly produced by and featuring women was *Some of My Best Friends are Women* (1975), directed by Irish woman Deirdre McCartin. This was followed by a six programme series and other documentaries, which paved the way for documentary makers such as Gaylene Preston and Merata Mita (who followed O'Shea and tried to portray a more diverse New Zealand through film). These programmes covered topics as diverse as violence to aging (Shepherd, 2000), and, alongside emerging films such as *Sleeping Dogs* (1977), created an environment that challenged convention and allowed for the vision of Vincent Ward, Peter Jackson, Geoff Murphy and Roger Donaldson.

The New Zealand Film Commission, modelled on the Australian example, was set up in October 1978 following pressure by embattled independent filmmakers who felt constricted by the NFU on one side and TVNZ on the other (Churchman, 1997). Their success was helped by the popular 1977 releases of *Sleeping Dogs, Solo* - a joint Australian/New Zealand anti-romance 'love story' - and *Off the Edge* - a mountain adventure documentary which was the first New Zealand film to receive an Academy Award nomination (Martin & Edwards, 1997).

The Commission aimed to support the life of the film industry and encourage New Zealand content. It considered the cultural as well as commercial value of productions, and was funded by lottery grants, taxpayers and earnings from sales (Churchman, 1997).

During its first ten years, more than 50 feature films were made in New Zealand. Over 75% of these received production finance, development funding, bridging loans or marketing assistance from the Commission. Since 1979, the Film Commission has co-ordinated New Zealand's filmmaking efforts, representing the country in such areas as MIP-TV (the world's largest television market,) and the Cannes Film Festival. New

Zealand films have been sold to more than 50 countries.

After presentation at the 1980 Cannes Film Festival *Goodbye Pork Pie* was sold to almost 20 countries. In two releases in New Zealand alone it made $1.5 million and established cinema as a vital part of New Zealand's popular culture. Other movies supported by the Commission in early years included *Skin Deep, Middle Age Spread, Smash Palace* and *Beyond Reasonable Doubt*. Despite Commission backing, these films were under-crewed with people working long hours for very little pay (Churchman, 1997).

By the 1980s women had entered almost every area of filmmaking. The first woman to direct a feature film was Yvonne Mackay who make Joy Cowley's novel The Silent One (1984), which won major prizes at international Children's and Youth film Festivals. The voice of female film began to empower women and address issues of women's lives - e.g. *Kitchen Sink* (1989), *The Piano* (1993), and *An Angel at My Table* (1990) (Shepherd, 2000). However women continue to be under-represented in powerful industry roles, especially directing.

International debate was sparked with the release of Alan Duff's controversial *Once Were Warriors* in 1994, which grossed more than $6 million at the box office. This was also the year of *Hercules* and *Xena* series - an American produced mainly New Zealand product. The teleseries featured digital effects by Peter Jackson's Wellington based Weta. Jackson followed this with the special effects 'thrillomedy' *The Frighteners* in 1996 (Martin & Edwards, 1997).

With *Rings*, and a series of internationally successful films like *Rain* and *Stickmen,* the New Zealand film industry is experiencing increasing commercial success. However some commentators also look at industry success in cultural terms, and argue that the recent emphasis on marketing New Zealand films has shifted attention away from the cultural value of local filmmaking. Dennis and Bieringa, in the second edition of their *Film in Aotearoa New Zealand* (Dennis and Bieringa, 1996), propose that the cultural value of New Zealand filmmaking has not been recognised in the current climate, which has seen the industry being 'driven by economic rather than creative imperatives' (Dennis and Bieringa, 1996, p. 8). Again there is a risk that attention to commercial success may kill the goose that lays the golden egg - the creative impulse in film.

Digital Technology History

Special effects are usually thought of in terms of fantastic characters in science fiction films. The first special effects were as early as 1902, but the introduction of the motion control camera in 1977 marks the real start of the special effects era. This camera could revolve repeatedly around stationary objects, remain in focus and hence simulate flight. It was first used in the 1977 production of *Star Wars* (McInnes, 1997, p. 20). Over time, movies featured the digital progression from computer-generated scenes to characters; to digitally created backgrounds and extras; to the interweaving of historical and fictional footage (McInnes, 1997, p. 20). *Toy Story* (1995), which boasted 3D cartoons, was the first completely computer animated movie. Because all the information is stored in the computer it can be quickly and cheaply reproduced or adapted for future use. 'This will hugely reduce the amount of labour and hence change the economics of animation' (Schlender, 1995, cited in McInnes, 1997, p. 20).

Digital technology is changing costs of production. Instead of hiring extras for crowd scenes they can be digitally manipulated. In *The Lord of the Rings* computer software is used to generate thousands of 'people' for mass war scenes. Virtual sets are also lowering costs. Once sets are filmed computers are used to add or takeaway parts of the set. The same base sets can also be used and modified for consecutive movies. The range of tasks a computer can achieve in the motion picture industry is large. They can provide: digital optics; 3D animation; on-air interactive graphics; film restoration and many tasks in post-production (Estes, 1994, cited in McInnes, 1997, p. 24). The changes in the production suite are the move from analog to digital, (a digital device counts discrete objects: an analog computer measures things,) from hardware-restricted interfaces to user formats responding directly to the needs of video artists, and…from tape to disk' (Bamborough, 1996, cited in McInnes, 1997, p. 27).

7. FUNDING ISSUES (see also [Appendix 4\).](#)

Central to developing capability in film production in New Zealand is the issue of funding which has evolved through a variety of approaches: from non-interventionist policies ranging from incentives through to policy directed at partnership of public and private investments. Although small film projects can be relatively inexpensive, and future digital technologies

may dramatically change the costs of film-making, currently film-making is one the of the most expensive forms of cultural production, and major films can cost millions of dollars to make, even if the costs of promotion, distribution and so on are set aside.

The story of film funding in New Zealand is also an account of broader political discourses of 'business' and 'culture', as industry commentators have pointed out (Waller, 1996). Gradually the film industry has come to be 'mark[ed] and market[ed] as a national commodity', to be 'identif[ied] and showcase[d] as a subject for study and appreciation' (ibid, p. 243).

In 2002 New Zealand has a government which favours centralised economic development planning, and the result has been increased funding and planning for the film industry. For instance, Industry New Zealand organised a strategic planning workshop for the industry in December 2001, and a series of initiatives mentioned in this report indicate a change of climate for the industry.

Tax policies

Debates about tax incentives have heated up recently in the wake of the success of the first LOTR film, with director Peter Jackson pointing out that the 1999 abolition of the tax loophole that allowed him to use tax incentives to make a deal with his overseas investors will 'ultimately cripple our ability to attract these types of film' (Campbell, 2002, p. 22, see also Doolan, 2002; Taxing questions, 2002).

The potential for a tax shelter was put in place by the New Zealand Film Commission at the beginning of the 1980s when there was an extreme lack of funding available. With a lack of funds from private investors and TVNZ, which viewed funding independent filmmakers as the Film Commission's responsibility, an alternative source of funds needed to be found. NZFC met with lawyers and investment bankers and found a loophole whereby investors couldn't lose if they invested in a film regardless of its success or failure. So began the 'tax shelter' period. This system worked well until foreign investors became involved and thought of ways to further abuse the system by making deferred payments. Financiers didn't care if the film was of high quality, or even if it was released because they made money regardless. However, benefits of the tax shelter included rapid growth in the industry's technical skills, thanks to large wages being paid for over-staffed crews. New Zealand films also began to feature more at international festivals. At Cannes

there were four New Zealand films in 1981, nine in 1984 and 12 in 1985. Beginning in 1982, the government, aware financiers were abusing the system, and perhaps to stamp out tax avoidance, put an end to the tax shelter. Inland Revenue stated films already in production in 1982 could continue under the current scheme. However, with IRD doing a government instigated review of most of the 'tax films' private investors dumped the scheme scared of what an investigation might reveal. The result was a drying up in the number of films produced and the consequent loss of New Zealand directors and actors to Australia and America. In 1986 only one New Zealand film went to Cannes (Churchman, 1997, p. 63).

It was a later loophole that *Rings* exploited, and it seems to be generally agreed that this particular loophole needed to be closed - the risk of failure to the taxpayer was too high, and it fostered tax avoidance rather than genuine investment in the local economy. However the debate is now open on what kinds of incentives, inline with those used overseas, will foster the local industry, relying on job creation and local spending (ibid, p. 24). There is also the issue of whether the film industry should be privileged over other industries. Again, questions of defining the 'New Zealand film industry' come up - would tax incentives favour local producers or just overseas investors? Feature films only, or shorts and series?

Government Funding

It wasn't until the mid 1970s and later that state sources of funding became available, such as the Queen Elizabeth II Arts Council, Television New Zealand, The New Zealand Development Finance Corporation and The New Zealand Film Commission. By this time production costs had jumped to hundreds of thousands of dollars (Martin & Edwards, 1997, p. 30). Since 1986 the New Zealand Film Commission has invested directly in the production of short films with running times of less than an hour. These are seen as a training ground for developing industry talent despite commercial appeal being limited to art house cinemas and home video release.

New Zealand on Air was established in 1989 to administer the annual public Broadcasting Fee of $110 paid by those who own or rent a television set. The money goes towards supporting non-commercial radio and production costs of local programmes for TVNZ and TV3 whether they are made by the stations themselves or by independent filmmakers.

Occasionally funds are provided for drama which is featured on Sunday evening's *Montana Sunday Theatre* or feature films. Films that have received funding include *The End of the Golden Weather, Once Were Warriors, Bread and Roses* and *The Last Tattoo* (Churchman, 1997).

Industry filmmakers still rely heavily on government funding. With the closure of the tax loophole private investors are not keen to invest in films which are unlikely to show a return on their money. Since then *Scarfies,* which was made on a very low budget, and *Once Were Warriors* have made money. *The Lord of the Rings* will make money because it will have a worldwide audience due to the popularity of the book. All the other films made up to this time have lost money.

Although there are few feature films made, due partially to the shortage of funding, there are a lot of 'alternative' short films made - about four or five a month. Often these are very low budget films. Actors and crew typically work on these for free to gain experience. These films are then shown at film festivals. Short films are an important entry point to professional involvement in the film industry, so funding practices for short film are important too (Yeatman, 1998).

Insufficient public funding was partially resolved in 2000 when the Government funded the Film Fund to the tune of $22 million. The fund aims to encourage successful New Zealand filmmakers to make a second New Zealand inspired and produced film. The fund's purpose is to strengthen New Zealand's national and international standing in the industry.

Private local funding

New Zealand films have received a small amount of private local funding over the years. Before the establishment of funding bodies, filmmakers or producers funded their own films through setting up private finance companies for the length of the film's development. Another private funding mechanism used early in New Zealand's filmmaking history was the collection of money from wealthy benefactors. An example is Rudall Hayward's *My Lady Of The Cave* (1922), which was funded by a 20-person syndicate who each contributed 50 pounds to create a budget of 1000 pounds.

Project Blue Sky (1994), a TradeNZ-backed film and TV industry lobby group instigated the use of pre-sale agreements to raise film finance.

This involved using 'base equity and debt financing to back projects with strong commercial prospects' (Film fund hands out shingle, 1997, p. 1). This meant films had a mixture of both public and private funding.

International funding

Joint New Zealand/international productions began to occur from 1977 with the financing of *Solo*, which was an Australian/New Zealand television film. Since then New Zealand has had about 40 New Zealand/foreign joint-funded projects. The most common international investors were Australia (about 30% of productions), USA, UK, Canada, Japan, France, Germany and Mexico (Martin & Edwards, 1997, p. 66).

In addition, between 1947 and 1994 18 totally funded foreign films were produced in New Zealand. New Zealand has attracted a huge amount of international funding since 1999. 'Total production financing in 1999 was up 62% on 1998-99 figures, to almost $0.5 billion' (Martin & Edwards, 1997, p. 197). However, this unusually high figure 'is largely due to the production of *The Lord of the Rings* and *Vertical Limit,* two large feature film projects financed out of America' (ibid). *Rings* will contribute production financing to the industry until perhaps 2003 when the last of the trilogy is due to screen.

Foreign exchange earnings almost tripled to $455m between the 98/99 financial year and 99/00 figures. Increasingly the majority of foreign exchange earned by the industry has been in the form of investment in productions, rather than sales of completed films or television projects. 'The United States and the United Kingdom continue to be the main sources of foreign exchange earnings. However, with the production of *The Lord of the Rings* and *Vertical Limit,* the United States is now by far the biggest investor' (*Survey of Screen Production in New Zealand 2000,* 2001, 'Highlights').

The new *Growing an Innovative New Zealand* programme includes a report from the Boston Consulting Group on Foreign Direct Investment (FDI) (Boston Consulting Group, 2002). SPADA has noted that 'building globally competitive clusters' is seen as the key to attracting the right FDI. Two types of strategies are recommended: 'strategic targeting' as in the new sector policies which include creative industries, and 'tactical targeting' building on high-potential, under-developed sectors. The example given in the report is 'location filming and post-production'. SPADA repeats its credo on foreign investment (Politics and sweet spots, 2002, p. 1): that

the domestic industry is the backbone and the engine for the film and television production - without us there's little to market. New Zealand producers must have the same incentives to offer potential [local] investors as may be viable for offshore companies, so that our own cultural production and IP is seen as the driver for growth.

Summary of Funding Issues

The main funding issue is the lack of funding. This has led to New Zealand directors, producers, crew and actors leaving for overseas and to a lower number of New Zealand film productions.

The New Zealand Film Commission has only been able to finance a few medium level productions in the past, reducing the career pathways of emerging producers within New Zealand who are lured overseas where larger budgets enable them to develop their potential by working on larger scale productions. However recently NZFC has been given expanded funding through the Production Fund Trust. It is aiming to attract the US $15 million dollar bracket productions into New Zealand, and so to ensure a certain level of participation by the local industry (O'Leary & Frater, 2001).

Peter Jackson argues the best way for New Zealand to run rings around the competition is for the government to stop viewing filmmaking as a division of the tourism industry. 'No one has ever said if we make a film in New Zealand we could earn $260 million of American money,' he said last year in announcing *The Lord of the Rings.* 'That's never been put up as an argument and now it can. Now people can say there's a financial reality we cannot ignore. If we could get a film industry to a healthy stage in which two or three movies of this size could be made each year, which is achievable, I imagine we'd have a film industry that would rival some of the top exporting industries in the country' (Wakefield, 1999, p.32). Conversely, other commentators are sceptical about the actual or potential gains to the New Zealand economy when losses though tax breaks are balanced against private profits (Campbell, 2001).

8. DEVELOPMENT OF HUMAN CAPABILITY

As mentioned above in discussions of the film industry as a 'new economy' industry, a number of academics have argued that it is paradigmatic of the new employment relationship, and careers within it typify the 'intelligent career'. Conversely, Blair, Grey and Randle (2001) argue that

fieldwork shows a basic continuity in film industry employment relationships and career patterns. This raises broader questions about relationships between work in film and other 'new economy' industries, and as Blair, Grey and Randle show, there is little film industry data on working lives available, either contemporary or historical.

Education, professional development and training

How does capability develop within the film industry at an individual level? What are the avenues for development within the industry that build human capability? There are three main levels for developing human capability within the film industry:

These are:

1. education and training through courses at a variety of institutions,
2. building capability through individual employment experience and finally
3. 'staged' industry professional development pathways creating a more continuous career pathway.

Until a few years ago people learnt about the film industry on the job. People would work their way up from being a 'runner' or 'gopher' who did the mundane jobs to a producer and perhaps director. This meant the top production people understood how the entire process worked. This produced people who knew what they were doing but had difficulty explaining or justifying it technically which resulted in difficulties in gaining employment overseas. Recently Career Services Rapuara (2000) have translated a wide range of jobs in film and television into unit standards, which can be related to specific skill levels.

New Zealand has about 25 filmmaking courses of various levels and intensities at polytechnics, universities, technical and specialist institutions. Predominantly in Auckland, Wellington and Christchurch, these offer courses of between five days and three years, mostly in film and television. However, there are courses in film and TV makeup; electronic media/multimedia (Hutt Valley Polytechnic & Hawkes Bay Eastern Institute of Technology); and animation and modelling (Christchurch School of Art and Design). Course fees are an average of approximately $5600, reaching an upper limit of about $12,500 (Moving image training courses for Y2K, 1999, p. 10).

The best-known training institutions are:

1. Wellington's latest addition, the CDA and industry-supported The Film School, which started in September 2000,
2. Auckland's South Seas Film & TV School (66%),
3. Christchurch-based New Zealand Film & TV School (55%),
4. followed by Auckland's Unitec and AUT,
5. and Waikato Polytech (all 24%). (Poll highlights indie attitude, 1997).

Film companies look for people who are enthusiastic and have preferably attended a prestigious film school, have a tertiary degree and high English marks or, even better, experience in the industry (You want a job? Go on. Impress me, 1999). However, the new focus on hiring film school graduates may result in people beginning a job in the industry technically proficient but without the valued practical experience (Moving-image training courses for Y2K, 1999, p. 10). With the shortage of work available in the industry students may be paying thousands of dollars to be, at the end of their training, without a job. If they do get jobs it is likely to be in television, rather than the film industry. However, the available pool of work is unlikely to grow further to accommodate job seekers.

There is a shortage of people with operational and management skills, particularly among those in mid-career. Mid-career film-makers need to have opportunities to upskill and/or retrain into different areas of film production and management. Clare O'Leary and Paul Frater suggest that Industry New Zealand could work with the film industry to implement a sustainable professional skills development programme (O'Leary, & Frater, 2001, p. 16). Another big challenge is the fast-growing digital industry. Due to continually changing technology, staff need to re-train constantly. Most industry employers are concerned about the capabilities of graduates from New Zealand's short, intensive courses. The expense of training may prohibit typically small digital companies from affording training (O'Leary & Jamieson, 2001).

A training structure supported and perhaps jointly funded by the industry, needs to be set up. SGI, which is part of Wellington's MediaLab, has developed an international training and development model which may be able, with the help of other education bodies, to be set up in

Wellington. This could integrate industry needs, professional development and post-graduate specialist training environments.

Short courses in animation, special effects design, music and editing would help sustain New Zealand's post-production editing houses (O'Leary & Jamieson, 2001). Other areas where professional development is needed includes 'emerging post-production technology processes, DID production, website design and production and project management. This kind of education is needed, as it has been difficult to attract highly skilled creative and technological specialists to New Zealand' (O'Leary & Frater, 2001, p. 18).

Actors are in a similar situation to other filmmakers. The majority of actors train at Toi Whakaari - The New Zealand Drama School in Wellington - for three years to attain a Bachelor of Performing Arts (Moving-image training courses for Y2K, 1999, p. 10). They then work their way up from appearing in amateur productions and television commercials to hoping they get a break in film. If they do, it is usually in a small budget film festival film or a television drama such as *Shortland Street*. There is also, because New Zealand is such a small country with only a few film projects running at any one time, the risk of over-exposure for actors. This can result in them missing out on work.

Learning on the job and in other industries

Despite lack of formal training, many New Zealand companies have 'gained worldwide recognition for their unique design and solutions to IT and interactive briefs. These include WebMedia, Clicksuite, Saatchi & Saatchi, Weta Ltd, Natural History Unit, ARL, and many others' (O'Leary, & Jamieson, 2001, p. 7). Given the recognition of the role of 'kiwi ingenuity' as the ground for the skills of local film-makers - an ingenuity based on the lack of formal training and education - it seems important to consider whether formalisation of training might limit ingenuity. Informal mentoring has been acknowledged as critically important to local film-makers in the past and still today, and SPADA currently runs a formal mentoring scheme for producers and directors (SPADA mentoring, 2002).

Crew have in the past typically joined the industry by working as 'runners' for film productions and gradually, by showing an interest in a certain area, moved into, for instance lighting or camera work. This trend may change with the implementation of film schools, although there will have to be a certain degree of on-the-job training. There are also many jobs in

film production where training comes from participation in another industry - such as fashion or design.

Another aspect of training occurs in the filming of international projects. 'Both *LOTR* and *Vertical Limit* have served to up-skill many cast and crew to an international Hollywood level of best practice participation and involvement' (O'Leary & Frater, 2001, p.3). Although foreign crews have to use mostly New Zealanders due to union regulations, the country would be more appealing as an industry base if it can offer well-trained crews.

Associated industries - especially advertising and television - have been extremely important in training all kinds of New Zealand film industry workers, and they continue to provide bread and butter work for people also working in the film industry. Most film production houses move between advertising, film and television projects. Important directors have moved from making advertising videos to directing important features (Lee Tamahori (*Once Were Warriors*), Christine Jeffs (*Rain*), and Hamish Rothwell (*Stickmen*)).

The importance of nurturing and retaining New Zealand 'talent' has recurred as a theme in discussing the success and failure of the local industry. The government's 'New Zealand Talent Initiative' (2001) sets out to add further genuine work opportunity to the 'lifestyle' attractions of New Zealand that people in the local film industry have already demonstrated are of primary importance to them in deciding where to base themselves. However much of the 'Talent initiative' strategy is based around scientific and technical skills, as have been previous government programmes such as the Foresight project (Pink, 1998; Wallace and Packer, 1999; Wallace, 1999). The danger is that the local cultural and artistic environment, which has created the 'talent' that fuels the film industry, is being neglected in favour of narrowly-defined technical expertise. If government is seriously interested in the 'creative industries', it would be useful to know more about how the 'creative' aspects of local culture have developed so successfully in the case of our local film industry. This development seems inseparable from broader artistic and creative development.

Employment

The New Zealand film industry is incredibly fickle. New Zealand actors and crews, unless they are involved in a television soap or drama, such as *Shortland Street*, do not have long-term, regular employment. The bread

and butter of the industry are television commercials, which provide regular paid employment. Even world-recognised directors, such as Lee Tamahori, make commercials.

Over the past five years there has been an unusually large amount of work in New Zealand due to *The Lord of the Rings* and productions made by Auckland's American production company Pacific Renaissance. In 2000 Disney's *Superfire* and the Ted Turner Network's *Atomic Twister* were also filmed in Auckland.

During this time there was a shortage of crews due to the large amount of filming, including *The Lord of the Rings*. *The Lord of the Rings* was a one-off project. Although it provided work it did not, as most films don't, provide highly paid employment - paying at or below industry rates. All the lead actors are foreigners. Pacific Renaissance, which has now left New Zealand, was filming TV series *Xena Warrior Princess*, *Hercules & Xena, Young Hercules, Cleopatra*, and *Jack of All Trades* over the same period.

New Zealand actors and crews often work for very little money, or for free, simply to gain the experience when there is no other work available. This results in a number of film festival type films being produced each year for low budgets. Most New Zealanders would not know these films existed, let alone see them. These gateways into the industry reflect what O'Leary and Frater (2001) refer to as 'the voluntary and considerable' efforts that many go to in order to gain experience out of passion and commitment to the industry (O'Leary & Frater, 2001, p. 3). O'Leary And Frater (2001) have formalised the process of continual professional development within the industry under a broad 'stages' model.

Professional development in New Zealand: Staging

O'Leary & Frater use the idea of 'staging' as a framework to think about professional development in the New Zealand film industry. Filmmaking attracts a certain kind of people - 'entrepreneurs with passion and insight into the future of technology and new ways of story telling' (O'Leary & Frater, 2001, p. 5) - people who are prepared to sacrifice if necessary for their 'art'.

Technology such as digital cameras is increasingly allowing filmmaking to be the realm of the 'ordinary' person, rather than of a chosen few with access to extensive and expensive equipment and crews. First films often

have a low budget, or no budget with people working for love and the experience, often in their own time, rather than for a financial reward. Creative New Zealand offers a fund for such filmmakers. The NZFC offers finance for short films, and short film festivals facilitate screening.

Television provides a first training ground in which filmmakers can gain experience and work their way up the ladder from 'runner' to assistant to director. It is through working on television series, dramas or documentaries that new filmmakers make a name for themselves, which can lead onto more work for a particular production company or television station. New Zealand on Air provides funding for local programming.

NZFC funding also helps filmmakers move on to subsequent productions by part financing to allow bigger budgets and more sophisticated production processes. The move to filming a significant feature length film may take many years and in some cases a mentoring process. 'The shift from an 'auteur' director making their own film to a major feature production is an area of difficulty in New Zealand…Often a film will not proceed unless an experienced producer and/or production manager is attached to the project' (O'Leary & Frater, 2001 p. 10).

Once this shift to director in their own right has been made, most New Zealand directors head for Hollywood and the lure of well-funded, diverse projects. Directors who have made this move include Jane Campion, Lee Tamahori, Roger Donaldson, Andrew Niccol, Greg Murphy, Merata Mita, Alison MacLean and many others (O'Leary & Frater, 2001 p. 3). Most of these trod a well-worn path from short films, to tele-features - or straight to feature films and then to successful foreign financed blockbusters.

Marginalised groups

Anecdotal evidence suggests that the very informality of the film industry tends to foster employment relationships based on social networks, and such networks notoriously favour the perpetuation of 'in' and 'out' groups and 'old boy' networks as the basis for employment. Partly as a result, groups such as Maori and women have traditionally been marginalised, and the young and trendy tend to thrive. The semi-professional nature of much film industry work also means that an arts-based amateur ethos thrives, which increases the likelihood of exploitation.

Discussions about Maori participation in the film industry circle around issues such as the need for indigenous stories; concerns about representation of Maori in international and local non-Maori films; and the importance of access to professional and economic development through the film industry (Barclay, 1990; Blyth, 1994; Mita, 1996; Poata, 1994). According to O'Leary and Frater (2001), a discussion document regarding Maori participation in the film industry has been circulated by the New Zealand Film Commission to gather ideas and suggestions for facilitating larger participation by Maori, in particular in the creative decision-making roles of content, i.e., scriptwriting, producing and directing.

Key female players were largely absent from the film industry until the 1980s, which saw a number of assaults on the 'New Zealand tradition' in literature and the visual arts by critics committed to feminism, biculturalism, and deconstruction (Reid, 1986, p. 16). As director Gaylene Preston points out, the influx of feminist theories was also an important determinant on filmmaking attitudes (Yeatman, 1988). Deborah Shepherd also considers this phenomena when she surveys the development of women's film from the seventies. She characterises male filmmaking as '"boys' own" adventure stories brimming with action and anarchy where the women were sidelined as the "sex interest", or the butt of male jokes' (2000, p. 87), and reinforces Preston's reaction to male filmmakers of the seventies and eighties.

Although here are now a number of prominent New Zealand women directors, like Preston herself, Jane Campion, Christine Jeffs, Merata Mita, Niki Caro and Gillian Ashurst, they are still in a minority. It would be interesting to thoroughly survey the industry to find out where women are placed within it. Observation suggests that women are dominant in various policy and advocacy positions in the industry, and are also concentrated in less prestigious areas such as props, wardrobe and catering.

In a longitudinal study of screenwriters, Bielby and Bielby (1996) suggest that distinctive features of culture industries mean that women culture workers face formidable barriers to career advancement. One obvious feature of the New Zealand film industry is its informal nature, in which managerial ideas about 'human resource management' practices, including equal opportunities processes, are foreign. This informality may

encourage a 'homosocial model' of recruitment, where those already powerful in industry recruit others like themselves. In her book *Men and women of the corporation*, Kanter (1977) argued that when sponsorship is a crucial mechanism in an opportunity structure for career advancement (as it is in the film industry and other cultural industries,) sponsorship tends to be 'homosocial'; that is, people tend to establish sponsorship ties with people like themselves in terms of social background (e.g. young, white, male, etc.). It would be interesting to explore how this applies in the local film industry, and its consequences for professional development and access to resources.

There are a number of fascinating issues worthy of further research in terms of working lives and employment relationships in the local film industry. In Appendix 3 we have included a list of '*human resource management questions in the film industry'* as a possible agenda for future research. It is also currently proposed to carry out a life-history project as an extension of this case study, which will look at working lives in the local film industry from the point of view of individual life stories.

9. WELLINGTON FILM INDUSTRY

Films have been made in Wellington since the birth of the national film industry in 1920 (Martin & Edwards, 2001). The 2000 Survey of Film and Television Production in Wellington confirmed that film and television production is a healthy and thriving industry, but could do with further improvement. 'It is evident that a solid infrastructure of facilities, skills, resources and logistic support exists' (MacDuff & van Daatselaar, 2000, p. 15). Wellington is considered the best place in New Zealand to make films because it has the most facilities and a range of industry businesses. However, industry participants tend to make their own facilities. Filming is often done in garages or back streets to keep costs down.

The majority of businesses in the film industry have less than 20 staff and have been in business for more than five years. Most are based solely in Wellington, a few have businesses in Auckland and/or outside New Zealand. Wellington is the major source of business income (MacDuff & van Daatselaar, 2000).

Wellington City Council was positively promoting itself as film and television friendly before conscious clustering was adopted as a policy by the Capital Development Agency (CDA). The CDA created Film Wellington

to assist screen production in the region - to facilitate the approval process for filming and cut through the red tape. It is a kind of local counterpart of the work of Film New Zealand on the national level. They encourage international productions to base themselves in Wellington, as well as helping to expand the local production infrastructure and capability base. (see Film Wellington, 2002).

The Wellington City Council has also contributed financially, supporting SPADA, the Wellington Film School, and individuals within the industry. It has also taken the lead and invited local authorities and central government to come together to discuss marketing New Zealand as a film destination and how councils can best support each other (Piper, 2000, p. 12). At the same time, the WCC coined the term 'Wellywood' to promote Wellington's place in film and, through media management and newsletters. This has successfully ensured that the community is film-friendly, with an understanding of the financial and employment spin-offs of having a film cluster in its midst.

The following year a creative/multi-media cluster, made up of about 40 companies in areas such as graphics, spatial animation and high-speed data manipulation, was set up. The cluster encourages businesses to work together on international export projects, even though they are often competitors in the local market. Members attend international meetings to identify opportunities and build relationships (Janes, 2001b).

A recent development has been Wellington's Media Lab South Pacific (MediaLab South Pacific, 2002). Co-ordinated by Wellington City Council, the lab aims to take advantage of convergence between IT, communications and media sectors to provide an environment for the sharing of skills and ideas. Stakeholder companies include Weta, Saatchi & Saatchi, Synergy, Ericsson, Silicon Graphics International, PlayStation Games, fibre optic cable and interactive TV companies. The high-tech research facility will be staffed by students and academics from Victoria and Massey universities and staff seconded from member companies. It will play host to private sector research and development projects (Janes, 2001a).

People are becoming aware that Wellington's no longer just about Saatchi & Saatchi and Peter Jackson,' says Charles Morley-Hall, GM of special effects and 3D animation film company Sector 14. He says the entire Wellington film industry, from television commercials to documentaries to

drama, is 'amazingly buoyant'. 'It's hugely positive at the moment. It's amazing the buzz that's going on.' (Creative Wellington, 2000, p. 30).

However the SPADA figures quoted previously show a shift of video production to Auckland. The local film cluster has been less active than other clusters. Further research on what is occurring in the local film cluster is needed, especially in the wake of *The Lord of the Rings*.

10. FILM CLUSTERS

Clustering in Wellington - and in New Zealand - has not been confined solely to the film industry, nor is the Wellington film cluster the only film grouping to benefit from the process. Two other significant clusters are the Waitakere film cluster and the National film cluster (O'Leary, & Frater, 2001). The Waitakere film cluster was created in the early 1990s as a partner of Project Blue Sky (see Appendix 5). It consisted of specialist firms located on Auckland's West Coast beaches which serviced the now defunct *Xena* and *Hercules* TV productions. This cluster is currently under review. The National film cluster was formed in 2000 to co-ordinate linkages at a national level between groups such as local economic development offices, city council film offices and key industry players such as Film New Zealand and SPADA. This cluster is in the early stages of formation.

The Wellington Film Cluster

Wellington City has a city council-designated 'Film cluster', but the more organically-defined Wellington film cluster could be said to include a number of organisation and projects outside this official designation, including a number of companies in the 'Creative capital cluster'. The business clusters were originated by the Capital Development Agency, drawing explicitly on the ideas of Michael Porter (see Cluster Theory section below). CDA was also strongly influenced by the clustering model created in Tuscon, Arizona, and maintains links with Tuscon cluster leaders (Breault, 2000). Council or contracted staff are assigned to clusters as facilitators, and each cluster also has co-chairs who act as champions and co-ordinators for the clusters. In the most successful clusters, the industry co-chairs increasingly take charge of cluster business.

When Wellington's clusters were first created in 1996, some were based on existing clusters (such as film) and others were started from scratch

when people in a particular area were put in touch with each other by CDA (such as the earthquake cluster). Currently there are nine clusters in Wellington, and the process is generally considered to have been very successful, although clusters vary in degrees of success (Cluster Project Overview, 2002).   Reports suggest a buoyant business sector, which created infrastructure around the established, but accelerating, clusters. This highlights the capacity of clusters to become what Akoorie (cited in Yeabsley, 2001 p. 67), calls 'a self sustaining system of economic expansion'.

While the concept of clustering, like the associated concept of government-sponsored economic development, has gone in and out of style since 1996 (TradeNZ supported the idea and later dropped it), more recently there has been strong government report for clustering, and Industry New Zealand has recently launched a Business Cluster Pilot Programme (Industry New Zealand, 2002). This 'self sustaining system' can be accelerated through highlighting and addressing issues that emerge as barriers to growth for businesses. This process was established within the Wellington film cluster at an early stage of development and highlighted some key areas for attention which were subsequently addressed by the council. Issues that emerged included overcoming bureaucracy, skills shortages and poor training, resulting in responses that included the City Council employing a full time film co-ordinator and underwriting the establishment of a Wellington film and television school.

The core capabilities of the Wellington film cluster have included expertise in film and television production, often based on previous jobs with Television New Zealand in Wellington; a commitment to the Wellington region and a determination to make work here for themselves (even after the local TVNZ studios closed); and a reputation partly base on the Capital Development Agency's success in 'talking up' Wellington as 'Wellywood'.

However whilst this process has delivered tangible economic benefits regionally, O'Leary and Frater (2001) suggest that capability can be extended through developing a focus on export growth strategies as the best practice model suggests. What is the best practice cluster model and how do clusters enhance capability?

Cluster Theory

Cluster guru Michael Porter has been especially influential in New Zealand, making various visits here (Porter, 1998b) and headlining 'The Porter Project', *Upgrading New Zealand's competitive advantage* (Crocombe et al., 1991). Porter defines clusters as a 'geographic concentration of interconnected companies, special suppliers, service providers, firms in related industries and associated institutions in a particular field that compete, but also co-operate' (Porter, 1998a, p. 78). These clusters can develop over time as the area becomes known as a centre of excellence which draws both specialist suppliers and competitors who recognize advantages in proximity, which in turn stimulates innovation, competition and supply (Akoorie, cited in Yeabsley, 2001, p. 67).

Porter argues that one of the keys to understanding competitive advantage is that what happens outside companies is just as significant as what happens inside them - that competitive advantage in many fields is created by the impact of location - being close to competitors and suppliers (Porter, 1998a). Economic geographers have emphasised the interaction of globalisation and location in studies of the main centres of clustering in Europe - that global competition creates pressures on firms to innovate continuously to keep in the game - a process that requires being close to centres of innovation (Cooke, 1996, cited in Daniels & Lever, 1996).

Clustering also allows the generation of tacit knowledge in the process of working together. Being close enough to learn in an atmosphere of innovation means firms can reap the benefits of collaboration of ideas and industry knowledge without needing to create and sustain more formal linkages that could become costly or restrictive. This appears especially important for small firms - the majority in the film industry - for whom creating any more formal linkages such as hard networks or joint ventures would burden them with administration and structural costs and lessen their flexibility in a continually adapting marketplace. Being close also strengthens the collective mix of smaller firms who benefit from linkages between firm and firm support agencies that can include suppliers, educators and government agencies. Being close to other support agencies creates efficient feedback which can become mutually beneficial.

As seen, industry facilitators can drive the cluster process by highlighting commonalities between firms that are barriers to growth. These commonalities can serve to draw firms closer together and help generate

trust between the players, which continues to build a virtuous cycle of innovation, competition and collaboration that seeks to harness the strengths of each firm whilst reducing respective weaknesses. The best case scenarios culminate in collaborative (often export) bids which raises the level of collective capability and further diffuses best practice from each new successful project, a strategy that O'Leary and Frater (2001) suggest is achievable and necessary for the longer term development of the film industry competitive advantage.

From a cultural perspective, collaboration within a community of artists is a very traditional idea. More recent cultural strategies for developing creative communities have centred around the concept of the 'Creative city' (Landry & Wood, 2002). This approach to urban planning 'puts a cultural perspective centre-stage', and 'examines how people can think, plan and act creatively in the city. It explores how we can make our cities more liveable and vital by harnessing people's imagination and talent' (ibid). This kind of approach fosters not just a specific industry cluster, but in a broader sense fosters a spin-off from creative industries to bring creativity to a range of industrial and social concerns.

The case of Peter Jackson

The Peter Jackson story is very high profile at present, and a large amount of secondary data is available. His story could be useful as a case study of competitive capability, and also as a site for discourse analysis which looks at how 'arts' and 'business' have played out in his success. In their *FilmBiz* report, O'Leary and Frater (2001) suggested that 'it is a story that needs to be told in detail so others may follow and reinvent it for themselves. The story of Peter Jackson and his colleagues is a reflection of what an individual can generate, whilst becoming an inspiration to young New Zealanders that art and the creative industries offer exciting employment opportunities, creative satisfaction and substantial financial returns to the personnel involved but also to the economy' (*O'Leary & Frater, 2001, p. 7*).

There are important issues embedded in this case, including professional development (as highlighted above), international funding, tax incentives, and the sustainability of a local film industry versus a few big projects. Because his career is well-documented, it is also the basis of a 'staging' analysis of successful professional development. A scoping study carried out by the Institute of Economic Research, analysing the likely lasting economic effects of the *Rings* trilogy for New Zealand, has just been

released by the New Zealand Film Commission (Tizard, 2002).

The report highlights seven main categories of lasting effects which could be expected to result from the production of the trilogy:

- Raising the international profile of NZ talent and the infrastructure for production and post-production;
- Upskilling the screen production industry at technical and management levels;
- Establishing a foundation of creative entrepreneurship centred on the film industry;
- Significantly changing attitudes towards larger projects;
- Broadening the film-related infrastructure;
- Enhancing Brand New Zealand through increased international tourism awareness;
- Building a potential for spin-off industries in physical and digital effects, merchandising and miniatures.

In the preface Jackson writes:

> I am committed to international filmmaking driven creatively from New Zealand and I look forward to many other New Zealand filmmakers making their films here using the best talent New Zealand and the international filmmaking community have to offer for the benefit of New Zealand as a whole both economically and culturally (ibid).

Jackson has been successful partly because of his unique ability to combine traditional and digital film technology. He has had control of the entire project from writing and casting through to digital technology, production and direction. He also has had use of his own facilities such as Wingnut, Weta and The Film Unit (see Appendix 5). In addition he has had a ready source of actors wanting to take part in the production. This has meant he has been able to keep costs down, as New Zealand talent will generally work for low wages for the chance to be in such a production.

11. COMPETITIVE ADVANTAGE

In this section we suggest briefly some of the factors which have been important to the success and failures of the local film industry. A recent Industry New Zealand Screen Production workshop (December 2001) 'focussed on business and industry growth and whether we could identify road blocks and goals for the industry as a whole as it experiences

unprecedented Government and public attention' (Industry New Zealand: Screen Production Workshop, 2001, p.4). A tentative target 'to double baseline industry growth over the next five years' was set, and the five areas of attention identified were (ibid):

- increasing knowledge of makers and establishing relationships with key decision makers in them;
- upskilling and mentoring;
- the need for companies to chose a niche in which they can specialise and excel;
- the need to keep focusing on good ideas for films;
- better access to development and equity funding.

As the SPADA commentator pointed out, the results were not 'rocket science', but that carrying an industry conversation was important. The comments below contribute to this conversation, summarising the key issues covered in the report, and also suggesting possible directions for future academic research which could complement the current industry surveys and strategic planning processes.

'Studio New Zealand'

The value of 'Studio New Zealand' is based around diverse and exotic scenery, skilled crews, the low dollar, and - what NZFC hopes to create - a film-friendly environment.

However, there are limits to how much the film industry can exploit these competitive advantages. A major draw back for the industry is the lack of tax incentives and amount of red tape involved when gaining permission to shoot in public spaces, both issues being taken up by SPADA and Film New Zealand. Other negatives are New Zealand's isolation and lack of international-standard facilities.

It is important to distinguish between:

- spin-offs from international productions being filmed here in terms of money in the local economy, branding for the tourist industry and in terms of international trade etc.; and
- long-term resource development in terms of funding local facilities and upskilling local film industry people.

Number 8 Wire

The film industry's 'number eight wire mentality' and multi-skilled

employees also add to New Zealand's competitive advantage (see Campbell-Hunt et al, 2001). These skills and attitudes have developed partly due to the lack of funding and work available. Directors, producers and crew will make their own sets, film on back streets, in garages - beg, borrow and steal. Actors and crew will also sometimes work for free or very little pay for the experience. This 'can do' attitude attracts overseas film companies to New Zealand. 'The reputation New Zealand… crew members have for innovative and rapid problem solving on shoots has drawn increasing numbers of international filmmakers to New Zealand in the past decade' (Martin & Edwards, 2001, p. 198). For instance, Mark Ordesky, executive producer of LOTR (for New Line Cinema) claims that: 'What's great about New Zealand is that it's such a remote country that everybody is very self-reliant - when New Zealanders come up against a problem, their initial instinct is not to cry out for help but to solve it themselves' (A conversation with Mark Ordesky, 2002). New Zealand has a multi- skilled film-making workforce, partly because crews here are largely non-unionised and so without clear job demarcation.

New Zealand creative communities

There is a depth of artistic and cultural talent in New Zealand which has fed into projects like *Rings* from fields such as writing, music, fashion design and acting. This wider community exists outside the designated 'film industry' talent. Competitive advantage must be based not only on talent itself, but on the distinctive qualities of a given creative community. This culturally- embedded distinctiveness is important to a small country like New Zealand. It would be useful to look not just at the economic factors that feed into and from the New Zealand film industry, but also the cultural factors. Without creative talent there is no film industry.

For both technical and creative capability, further work on education, training and development is needed. O'Leary and Frater (2001) suggest that this is necessary not just at entry level but also later in professional careers. It could include businesses as well as specific professional film training.

A committed film community

The desire of local filmmakers to stay based in their own film community - whether seen locally or nationally - is a critical resource. Alongside this is a sense on the part of many filmmakers and of local audiences that making New Zealand stories is a project of great cultural value. In addition, the

industry is seen as in itself a nationalist project which speaks for and to the talents of New Zealand as a whole. As director Vincent Ward put it: 'I am prepared to fight for a [New Zealand] film industry because I think it's something special…. It's like a flagship for a country. It's telling people we exist' (1986, cited in Waller, 1996). This form of nationalism goes against the grain of the post-colonial assumption that if you're any good you will go overseas. These issues are central to the 'brain drain' debates and to the recent government 'talent initiative'.

At the same time the New Zealand film industry is global, with people at all levels moving in and out of New Zealand. A question to consider is the extent to which a committed community or cluster can live with - or even thrive on - a certain amount of movement in and out of it? It is also clear that many in the industry believe that in certain areas involving critical mass of resources and/or people to develop - such as making digital film features, in the case of Andrew Adamson - the work cannot be done here. However the Rings project has stretched previous assumptions about what can be handled here technically. More effective use could also be made of the New Zealand diaspora to support both marketing and professional development outside New Zealand.

Funding

The New Zealand film industry has almost come of age. It now needs to be recognised and resourced to reflect its maturation, and its much-expanded contribution to New Zealand's economy' (O'Leary & Frater, 2001, p. 4). Recognition and resourcing are significant themes that run through this case. It is clear that government funding has been necessary to resource key developments in the New Zealand film industry. In the past it is only the commitment of some government resources to making local films - especially through television funding - that has made current success possible.

Increasing skills in marketing and working with overseas financers are also important, as is professional development that includes the ability to manage film from a business perspective. Clearly government policies on issues such as taxation in the film industry need to be developed to maximise industry development. Related to funding are issues of scoping - as in the current *Rings* impact exercise, clear analysis is required to sort out both the economic and the cultural outcomes that will provide a worthwhile payoff, especially for government direct funding. Policies in related areas - such as the question of a local television quota - will also

have an impact on the development of the local industry.

On the project level, funding must be adequately calibrated to the stages of professional development so that the 'middle level' movie is adequately funded, as well as the major feature and the short entry-level film.

International Marketing

International marketing is vital to attract offshore funding and promote Wellington based productions. The New Zealand film industry has gradually developed the capacity to market movies overseas, through film and television festivals and trade shows. Film NZ has been given a more clearly defined marketing role for the international film industry, working along with TradeNZ and Industry New Zealand.

The May 2001 'Pinfold Report' (Pinfold, 2001) recommended that Film NZ be boosted to provide a more efficient service. Film NZ's funders, Industry New Zealand, Trade NZ and the National Film Unit, commissioned international film marketing consultant Dorothee Pinfold to write the report. The report confirmed the excellent work done to date by Film NZ, despite its under-resourcing, particularly when compared to other film offices around the world. It recommended that by June 2002 Film NZ be made into a separate entity - with a new location; a long term board; a long term funding strategy, including government funding; and up to three full time equivalent staff (O'Leary & Frater, 2001, p.20). An industry-based joint venture company (between South Pacific Pictures and Beyond Distribution), 'Beyond New Zealand', has recently been set up to act as a gateway to the international market for New Zealand producers of one-off programmes (New international distributor, 2002).

Strategic planning

The small New Zealand film industry has struggled over the years to provide the resources and frameworks to get together and to plan ahead. The recent political/social change to an environment where industry planning and development by government is seen as a legitimate activity may well be a critical turning point, but this is yet to be demonstrated. In cultural industries like film, cultural planning as well as economic planning is necessary to support without stifling the local industry. This means more consultation, research and thinking about the relationships between culture and innovation, with more emphasis on the arts and humanities as the drivers of cultural industries. Because of the retreat from centralised development policy in the last two decades, one risk is that

there is a deficit in policy and analysis skills that are adequate to the work that is required.

12. ISSUES FOR FURTHER RESEARCH

An academic project on the New Zealand film industry can complement the current industry surveys and planning exercises in two main ways:

- through carrying out in-depth qualitative and/or case-based research that will go more deeply into questions of capability than surveys allow (O'Leary & Frater, 2001; O'Leary & Jamieson, 2001)
- by bringing in ideas and data from the international literature
- by bringing in theoretical and analytical perspectives that may create new ways to think about the development of the industry - perhaps using these with data collected in industry and government surveys and databases.

There are a number of possible levels or units of analysis for industry research:

- the individual career or working life
- a process such as film development
- a project such as a single film, programme or commercial
- an industry group such as producers, writers, directors, art directors, etc.
- industry issues, e.g. industrial and human resource issues; marketing issues
- more stable 'companies' such as production houses or studios clusters
- relationships between government policies and economic and cultural outcomes.

The CANZ project has been based principally on a retrospective look at the development of capability. However the issues in 'new' economy industries such as the film industry are changing so rapidly that they also require consideration of current and future evolution.

Some emerging research questions, which can be considered retrospectively as well as in terms of current and future issues include:

1. CULTURAL INDUSTRIES - BROADER ISSUES: What are the relationships to other cultural industries? Relationships to government policies on cultural industries? Relationships to conceptions of 'knowledge economy' and 'knowledge society'?

2. GLOBALISATION: What are the possibilities for local screen industries and local culture in the face of increasing globalisation and industry convergence?

3. HUMAN RESOURCES ISSUES: What are the human resources issues in the New Zealand film industry? How can human capability be enhanced?

4. CLUSTERING: How successful has formal and informal 'clustering' been in managing local and global flows?

5. GOVERNMENT POLICY FRAMEWORK: How effective are/have been the policies? How do factors like funding and planning made a difference?

6. INDUSTRY CONVERGENCE: In the contexts of which other industries should a given aspect of the film industry be studied? Will there continue to be a film industry separate from other media?

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APPENDIX 1.

CANZ (Competitive Advantage New Zealand).
PROJECT OUTLINE

The *NZfilm* project is a subset of The Evolution Of Competitive Capability and Productivity in New Zealand Firms, a research programme funded by the Public Good Science Fund at Victoria University of Wellington and run by Competitive Advantage New Zealand (CANZ).
CANZ is an integrated programme of research devoted to understanding how New Zealand enterprises can develop competitive advantage that is world-class.

[Online]. http://www.vuw.ac.nz/fca/research/canz/

(Note: this outline has been edited and italics added to show how the *NZfilm* project relates to the broader project.)

Section A - Programme outcome statement

Outcome: The more effective development of competitive capabilities and productivity gain in New Zealand firms.

The end users with an interest in this outcome are business enterprises, and government agencies with policy advice responsibilities in the areas of competition policy, national and regional economic growth, and competitiveness. Representatives from these two constituencies will participate in the study's Advisory Panel, and both groups will be targeted in the study's programme of seminars, business magazine articles, conference presentations, and research reports. An appropriate indicator of the study's contribution to this outcome is the use, over a period of 2-5 years, by firms of its firm-level productivity measurement system; and by firms and policy agencies of its archetypes and exemplars of competitive evolution, and its theories of the internal and external processes that foster that evolution.

The programme contributes to the objective of growing Innovative and Efficient Enterprises, within the SPO: Business and Economic Life. Its focus on organisations as the vehicle and breeding ground for competitive capabilities is already a close match to the Outcome's emphasis on New Zealand-specific business evolution, enterprises, innovation, networking

and globalisation.

The programme's work agenda for 2000-02 is planned to pursue issues that emerged during the first 2 years of work (1998-2000), which closely reflect new emphases in the Government's Target Outcomes. Approximately 70% of the programme's resource will continue to be devoted to 'Innovative manufacturing and service enterprises'; but 30% will take a focus on 'Wealth from new knowledge-based enterprises'. Conclusions from our first 2 years have shown that exemplar New Zealand firms developed competitive capabilities of global value based on distinctive attributes which were built up over long periods of time through their home-market experience. It is important now to investigate the extent to which evolutionary paths followed since the reforms of the mid-1980s, and the emergence of the internet, have been faster, more networked, more globalised, or in other ways different from those studied to date.

The programme will pursue new enquiries into the evolutionary experience of individual enterprises and (sometimes regional), networks of firms that are (a). IT-based, (b). science-based, and (c). culture-based.

APPENDIX 2.

TWENTY QUESTIONS: STRATEGY AND CULTURE IN THE NEW ZEALAND FILM INDUSTRY.

1. What are the scoping issues? What are industry and local/global boundaries?
2. What are the components of the industry ?
3. Who are key stakeholders?
4. What is the size and value of the New Zealand film industry today? 3 years ago? 5 years ago? 20 years ago?
5. What does the film industry look like globally?
6. What is and has been the relationship of the local to the global industry?
7. When and how did the industry begin in New Zealand? In Wellington?
8. How has it been funded?
9. What are the different languages/perspectives of different industry groups?
10. What does the literature say about the distinctive nature of creative/cultural identities and their relationship to commercial issues?
11. What industry strategies have there been, 'inside' and 'outside' the industry?
12. What organisational forms does the industry group take?
13. How do these evolve? What are the antecedents?
14. How is 'capability' discussed in the New Zealand film industry, at individual and national levels? Is the idea of 'competitive advantage' relevant to all players? What are other ways that success is defined within the industry - e.g. from a creative point of view?
15. What are the capabilities of the film industry seen to be and how have they developed nationally and locally?
16. What have been and are the key debates within the industry about capability?
17. How does the industry generate competitive advantage?
18. How do the issues confronted in the film industry relate to broader debates about national culture and culture industries?
19. How do they relate to debates in other emerging knowledge work sectors?
20. What has been and is the role of government in building capability?

APPENDIX 3.

HUMAN RESOURCE MANAGEMENT QUESTIONS IN THE FILM INDUSTRY

1. What does the concept of 'career' mean in the New Zealand film industry?
2. Is the term 'human resources management' meaningful in the film industry? Whose responsibility would 'HRM' issues be in a given project or organisation?
3. Who are the equivalent to 'HRM' experts in the film industry?. i.e., people who are concerned on various levels with capability issues, whether industry-wide or for a specific project?
   - Casting agents?
   - Agents for actors etc.?
   - Educators?
   - Funders/investors?
   - Recruiters?
   - Some employers?
   - Senior filmmakers?
   - Producers?
4. For each film project: who selects and/or defines the competencies needed?
5. Industrial relations issues:
   - What are institutional influences on the employment relationships in the film industry?
   - What is the role of unions and guilds, e.g. Actors Equity? Writers Guild?
   - How do these factors vary across types of productions?
   - Could a comparison usefully be made between the scientific/technical (e.g. software development) and cultural (e.g. film) variations of 'new' or less formal, networked types of organisations?

APPENDIX 4.

FUNDING AND PROMOTION BODIES

The New Zealand film industry requires substantial 'up front' capital investment for the production, post production and eventual sale of the film product. This is made more challenging by the small size and scale of the New Zealand economy.

New Zealand Film Commission

The New Zealand Film Commission provides partial funding for New Zealand movies with commercial and cultural value and then helps market them. Since its 'birth' in 1978 when the New Zealand Film Commission Act was passed in Parliament, over 100 features have been made in New Zealand; more than 60 of these with NZFC finance. The Commission aims to invest in at least four feature films and up to nine short films every year.

It provides loans and equity financing to New Zealand producers and directors; supports Maori filmmaking; sells and markets New Zealand films; administers the certification of New Zealand films for tax purposes and the approval of official co-productions; participates in industry initiatives, ranging from policy development for training, to preservation of New Zealand film culture in archives, and is an investor in films and industry infrastructure activities.

In the 2000/01 financial year 71% of funding to NZFC was from the Lottery Grants Board; 19% from investment and sales; and 10% from the government. Of expenditure 79% went towards development and production; 12% to administration; and 9% to marketing and sales.

NZFC Financing

NZFC commits up to 8% of its annual budget to feature film development financing, and up to 60% to feature film production financing. Development decisions are made by either the senior staff group (up to $15,000 per project), or the Development Committee (up to $75,000 cumulative per projects). The Film Commission Board makes decisions involving financing beyond $75,000 for either advanced project development or for production financing.

NZFC's financing structure corresponds to four development stages in

film projects, with increasing levels of funding available at each stage.

- Stage 1 - early stages and script development
- Stage 2 - development
- Stage 3 - advanced production
- Stage 4 - production financing

A case study is available on the NZFC website, showing how the successful Wellington-based movie *Stickmen* moved through each of these stages (NZFC, 2002).

[Online]. http://www.nzfilm.co.nz/ifinancestructure.jsp

New Zealand on Air

NZ On Air provides around $50 million a year to assist in the production of television programmes, whether they are made by the stations themselves or by independent filmmakers.
NZOA has a strong 'public good' focus, aiming to 'foster the different expressions of New Zealand's cultural identity and serve the needs of viewers as citizens, not simply as consumers'. NZ On Air is a Crown Entity, and its job is to promote and foster the development of New Zealand's culture on the airwaves by funding locally-made television programmes, public radio networks and access radio, and to promote New Zealand music by funding music videos and radio shows. It aims to fund programmes and broadcasts, not otherwise provided in a commercial market.

July 2000 represented the end of an era for NZ On Air when the Broadcasting Fee, the sole source of NZ On Air funding for the previous ten years, was abolished. NZ On Air continued, however, with the same responsibilities and the same net level of funding, now being provided directly by the Government.

[Online]. http://www.nzonair.govt.nz/

SPADA

SPADA - Screen Production and Development Association of New Zealand - was formed in the 1980s, and has grown to become a full time industry support office. It works on a number of fronts to support members and the wider industry. These include: providing training and mentoring; representing the collective interests to government, funding agencies, broadcasters, industry and other groups; provides industry information, guidance, advice and support to members.

[Online]. http://www.spada.co.nz/

Project Blue Sky

Now defunct, Project Blue Sky, which was set up in 1994, aimed to beef up the virtually non-existent private investment in the New Zealand film industry through bank funding. Projects would be pre-sold for a reasonable proportion of the film's budget, which would be a minimum guaranteed level of income to investment. This would limit the extent of losses. Project Blue Sky also fought Australia's exclusion of New Zealand films and programmes under a local content quota. This move breached the CER agreement (Fountain, 1995, p. 26).

Film New Zealand

Film NZ is New Zealand's film locations office, providing information, introductions and support to filmmakers both internationally and locally. Set up through SPADA in 1994 with the help of Trade New Zealand, Film NZ has been independent of SPADA since July 2001. Funding comes from the government through Investment New Zealand and the New Zealand Film Commission, from the Film Unit (owned by *The Lord of the Rings* director Peter Jackson), and the private sector (Nikiel, 2001).

The Pinfold Report (Pinfold, 2001) has suggested that the Government boost funding to Film New Zealand. It argues that funding needs to be about 10 times its current $200,000-a-year budget to continue the success initiated by *The Lord of the Rings* and *Vertical Limit*. The review also called for an urgent overhaul of Film New Zealand, recommending it be established as an independent entity, separate from industry groups such as the Screen Producers and Directors Association. Other recommendations included increasing staffing from one to between two and three, particularly for offshore marketing of New Zealand as a film location (Manson, 2001, p.3).

[Online]. http://www.filmnz.org.nz/

The Film Fund

The New Zealand Government has contributed $22 million (inclusive of Goods and Services Tax) toward the establishment of a new feature film production fund. An independent charitable trust has been set up to administer this fund. The fund will be self-renewing through returns from films (Clark corners culture vote, 1999). The Film Production Fund was initiated by the now defunct Project Blue Sky six years ago, and developed by the industry. The board, whose trustees include representatives of NZFC, NZOA and MGM's European production and independent distribution base, held its first meeting in August 2000 (New $50 million film fund looms large, 2000).

The aim of the Film Fund is to: support the development and growth of a sustainable New Zealand film industry; assist the development of the talent base of experienced, successful New Zealand filmmakers by enabling them to obtain international exposure and experience; support the production of films of a larger scale than those which can generally be afforded by the New Zealand Film Commission; and enable experienced New Zealand filmmakers to make more complex and textured films which speak with a New Zealand voice. Around 40% of the budget must come from offshore sources with total budgets around $NZ 5 million. However, these guidelines are written in general terms and do allow for some flexibility. 'The government has emphasised this fund is to have commercial objectives,' NZ Film Commission chairman Alan Sorrell says (Film fund shapes up, 2000, p.1).

[Online]http://www.filmnz.com/filmnz/Content/Production/Development/ FilmFinance/Finance.html#FundRole

Trade New Zealand (TradeNZ)[2]

Trade New Zealand's long-term strategic objective is to assist more New Zealand businesses to achieve more international success relative to national resources. TradeNZ has been involved along with the New Zealand Film Commission and Industry New Zealand in developing overseas markets for New Zealand films, as well as encouraging overseas investment in local productions and selling New Zealand as a location for overseas productions.

The TradeNZ Industry profile - Film is online at: [Online].
http://www.tradenz.govt.nz/CWS/page_Article/0,1300,4468,00.html

Industry NZ[3]

Industry New Zealand (INZ) is a crown entity, working closely with the Ministry of Economic Development. It assists businesses, industries, entrepreneurs and regions to increase the number of high-quality and sustainable jobs in New Zealand. INZ acts as a broker and, where appropriate, provides financial support. It leads and co-ordinates government agencies to benefit both the sector itself and our country as a whole. It is developing a portfolio of sectoral change projects aimed at boosting growth and sustainable employment, and the Creative Industries sector is one of the high priority sectors.

Recent involvement in the film industry has included funding research into the sector and organising a strategic planning workshop for the sector in December 2001. INZ has also recently taken an interest in developing business clusters, launching a pilot cluster development programme. It will build a varied portfolio of 15 clusters to test how best government can assist cluster development in New Zealand.

[Online]. http://www.industrynz.govt.nz/

Other Industry Groups
- New Zealand Film and Video Technicians Guild (A forum for

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[2] July 2003: Industry New Zealand and Trade New Zealand became New Zealand Trade and Enterprise in July 2003. INZ and TradeNZ hyperlinks switch through to the new NZTE website, but documents from INZ may not be available online.

[3] July 2003: Industry New Zealand and Trade New Zealand became New Zealand Trade and Enterprise in July 2003. INZ and TradeNZ hyperlinks switch through to the new NZTE website, but documents from INZ may not be available online.

film and video technicians and allied crafts people. The Guild is concerned with industry standards and welfare and safety issues).

[Online]. http://www.nzfvtg.org.nz/

- Nga Aho Whakaari (Representing Maori practitioners in Film, TV & Video).
- WIFT (Women in Film and TV).
  [Online]. http://www.wgtn.wift.org.nz/
- New Zealand Actors and Agents Guild.
- Actors Equity (represents performers in all professional and contract issues).
- The New Zealand Writers Guild.
  [Online]. http://www.nzwritersguild.org.nz

APPENDIX 5.

KEY PLAYERS IN THE NEW ZEALAND FILM INDUSTRY[4]
(With an emphasis on the Wellington region)

*See also the list of members on the SPADA website for more local
production houses. [Online].* http://www.spada.co.nz/home/home.html

The Gibson Group

The Gibson Group is a privately owned Wellington film and television
production company established by Dave Gibson and Yvonne Mackay in
1977. The Gibson Group specialises in the production of high-end
television drama for both primetime and children's audiences. Arts
magazine, comedy and factual and documentary programming also
contribute to an output of between eighty and one hundred hours of
programming each year.

The Gibson Group has recently developed a range of new media initiatives
which now represent a significant growth area for the company. The
company has recently established online media group works with both
internal and external clients to develop online communication strategies
and implement web-based communication tools to complement new or
existing media channels. With a core staff of nineteen employees, The
Gibson Group also works with a variety of freelance producers and other
personnel, often on a long-term contract basis. The company operates full
digital video and audio post-production facilities and possesses expertise
in visual effects, computer animation, 2D and 3D modelling and
compositing. First Sun, an associated company of The Gibson Group, is
dedicated exclusively to feature film production.

'It's in the area of co-production and creatively-driven international
drama with strategic partners that the company's steady growth lies,'
Gibson says. The Gibson Group is also working with the Capital
Development Agency's Creative cluster to market its multimedia museum
expertise worldwide (*NZ Business,* February 1999, p. 32).

[Online]. http://www.gibson.co.nz/

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[4] We are particularly indebted to O'Leary and Frater (2001) for material included in his
section.

Cloud 9

Lower Hutt-based production company Cloud 9 exports children's and family television programmes to 120 countries. It employs a core staff of about 200 people. It incorporates 26 satellite companies including a distribution company, Cumulus. Cloud 9 has cracked the difficult Japanese market too. Japan imports less than 4% of total production, 60% of which comes from Hollywood (Edlin, 2000).

Cloud 9 includes a studio complex which comprises its own substantial soundstages, wardrobe, hair and make-up departments, on-site restaurant, props department, sophisticated post-production equipment and technology, administrative offices and more. Cloud 9 Studios is the production hub of the Cloud 9 group, where the company's catalogue of programming is filmed. Cloud 9 also has its own backlot. Other parts of the group based at Cloud 9 Studios include Internet services, permanently staffed fan clubs for their cult TV shows, a delivery division that delivers materials around the world to end-users of Cloud 9 product, and corporate video arm *Little White Cloud*.

Cloud 9 has invested over $100 million into the local Wellington economy via its productions, which have independently contracted over 4,500 people. The complex has won the overall 2000 Dominion Gold Award for business enterprise and excellence. In addition, Cloud 9 was the winner of the 2000 Dominion Cyber Gold Award and the 1999 Creative Gold Award (both for creative innovation and expertise).

[Online]. http://www.entercloud9.com/

Silverscreen

Silverscreen is a Wellington company based around the production of TVC's (television commercials). The company, which started some 27 years ago, now has three offices - in Sydney, Auckland and Wellington, the latter being the foundation office, and is working with agencies and clients throughout the Pacific Rim and Asia. It is one of Australasia's largest and long-standing film production companies. Silverscreen has 25 full time staff including twelve directors and nine producers. The company continues to produce consistently outstanding work.

In 2000, Silverscreen won more Australasian Advertising Craft awards than any other production company and was named B&T Production Company of the Year. Silverscreen is able to offer a full production service including post-production facilities, visual effects and animation, through its Effects and Post division, Oktobor (see below).

[Online]. http://www.silverscreen.co.nz/

Oktobor

Oktobor is a creative talent-based visual effects, animation, and post-production studio with presence in Auckland and Wellington. From 3D character animation to iTV and web production to feature film vfx, Oktobor provides expertise and experience to film production companies, advertising agencies, broadcasters and film/TV studios worldwide. Oktobor provides special-effects post-production for *The Lord of the Rings*.

[Online]. http://www.oktobor.co.nz/

Wingnut Films

Wingnut Films is Peter Jackson's (very low profile,) Miramar-based production company which has produced *The Lord of the Rings*. The company bought the Film Unit several years ago.

WETAFX Ltd. [digital+workshop]

WETA Workshop and WETA Digital are Wellington-based companies which have achieved fame as partners in the production of *The Lord of the Rings*. They have been closely associated with Peter Jackson's Wingnut Films. Weta won two 2002 Oscars for makeup and visual effects for *The Lord Of Rings: The Fellowship Of The Ring*, making it the hottest special-effects unit in the film world. According to Tania Rodger, one of the partners, 'we've always said what makes us a unique business is that unlike other effects companies overseas we don't just specialise in one thing . . . we do miniatures, creatures, prosthetics' (Triple treat for Weta partnership, 2002). For an interview with Richard Taylor about Weta's involvement with *Rings,* see [Online].
http://www.filmnz.com/middleearth/frameset/castcrew.html.

[Online]. http://www.wetafx.co.nz/

WETA Workshop

Weta workshop describes itself as 'a combination of Kiwi ingenuity, skilled technicians, and talented artists', and has been providing high-level physical effects to the film and television industry for 15 years. Weta Workshop provides the design, fabrication and on-set operation of Miniatures, Armour, Weapons, Props, Prosthetics, Creatures, Costumes, Special Makeup and Suit effects to LOTR.

[Online]. http://www.wetafx.co.nz/workshop/index2.html

WETA Digital

Working from New Zealand, WETA Digital delivers unique expertise in digital effects for film and television worldwide, using the latest hardware and software, as well as a suite of proprietary tools. Weta was started in 1993 by a group of filmmakers including Richard Taylor (WETA workshops), Tania Rodger and Peter Jackson to provide special effects for Jackson's movie *Heavenly Creatures*. It has also worked on Jackson's *The Frighteners*, *Braindead, Forgotten Silver* and *The Ugly*, Auckland-based TV shows *Xena* and *Hercules* and currently *The Lord of the Rings*. For *Rings* it hired about 160 people from overseas due to a lack of talent in the New Zealand industry.

[Online]. http://www.wetafx.co.nz/digital/

The Film Unit

The Wellington-based Film Unit is Australasia's most comprehensive film post production facility, equipped and positioned to service every aspect of processing and post production for film. It used to be the government-owned National Film Unit, and now has been bought by Peter Jackson, who reinforced his commitment to local production by acquiring it as 'a one-stop post-production facility.' Jackson's endearing comment after his purchase: 'If (the Film Unit) had closed I would have had to go on a plane to Sydney a lot, which would have been pretty boring' (Movie Express, 2002).

[Online]. http://www.filmunit.com/

Palana

Palana was founded by Television New Zealand executive Phil Wallbank. The Company was first established in 1999 specifically to produce feature films and television series at Avalon Studios in Wellington, New Zealand. Its principal and sole shareholder is Phil Wallbank, an Australian, resident in New Zealand. Phil was previously CEO of the TVNZ owned Avalon Studios and prior to that, Head of Production. Palana's strategic alliances are with NZ, UK and US based companies.

It teamed up with Britain's Dark Knight Productions to film the $20 million adventure series *Dark Knight* in 1999. The film is based on the classic novel *Ivanhoe.* More television dramas will follow. It has recently signed a deal worth $30 million to produce a mainstream movie, using an Oscar- winning actor and screenwriter. Palana employs more than 100 people.

[Online]. http://www.ivanhoe-darkknight.com/palana.html

APPENDIX 6.

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