REVIEW OF THE NEW ZEALAND FILM COMMISSION

A REPORT TO THE HON CHRIS FINLAYSON, MP, MINISTER FOR ARTS, CULTURE & HERITAGE

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INTRODUCTION

When the New Zealand Film Commission was established in 1978 there was very little feature film production in New Zealand. Parliament gave the new agency broad, permissive functions, charging it 'to encourage and also to participate and assist in the making, promotion, distribution and exhibition of films'. The Commission was also charged with promoting 'cohesion within the New Zealand film industry', 'the proper maintenance of films in archives', and 'the study and appreciation of films and film making'. Further, it was 'to gather, collate, disseminate and publish information' about the industry and provide advice to the Minister. To carry out these functions Parliament granted the Commission very general powers to allocate money, purchase shares, manage businesses, act as an agent, acquire rights and make charges.

31 years later, we were asked to review the Commission, to assess whether it is working 'in the most effective way possible as New Zealand's film funding agency' (for the full Terms of Reference, please see Attachment 1). The original NZFC Act was forward thinking and has served the industry well for the best part of three decades. During this period, our film makers have established an international identity and made many fine NZ movies. Now that our film industry is well established, a review of the NZFC objectives is timely and we welcome the opportunity to be involved.

There is an obvious question: *'Do we need the New Zealand Film Commission?'*

The answer is unreserved: *Yes.*

If anybody is reading this report in the hope of finding an argument to dismantle the Film Commission, please read no further. Movies showcasing New Zealand culture and character would be virtually impossible to make if we were to lose this critical funding provided by the Government and the State Lottery. We believe it is in every New Zealander's interest to have a strong, successful film industry of which we can all be proud.

We are mindful of the difficulty of the tasks given to the Commission. To make one film is hard; to support a whole industry is harder still. For every positive funding decision, there are many submissions that are rejected, creating frustration and disappointment. In this review, we have attempted to think outside the box to some extent. Rather than be strictly focused on reviewing and assessing the Commission's performance over the past 30 years, we have looked to the future, and suggested ways that the Commission might operate more effectively.

HOW WE APPROACHED THE REVIEW

Interested parties were invited to make written submissions addressing the terms of reference. This resulted in 57 submissions being lodged with the Ministry of Culture & Heritage. Most of these were subsequently published on the Ministry's website.

It is very important to us that our review, and related recommendations, reflect the opinions of the Film Commission's client base – this country's film makers. We wanted to hear the voices of the people who work in the film industry, the screenwriters, producers, directors and many others who are directly affected by the actions and policies of the NZFC. Some industry people approached us directly; others we approached, including industry guild representatives, and film makers who had recent or frequent dealings with the Commission. While we could not interview everyone, we feel confident that we have met with a significant cross section of people who have an ongoing relationship with the Commission.

We also spoke with the staff, management and board of the Film Commission, who provided us with their Statement of Intent, published guidelines and annual reports. Staff also prepared reports and compiled data on particular aspects of the Commission's funding programs. We found this assistance invaluable. We would like to thank the Commission's chief executive, Graeme Mason, for his candid and open-minded engagement with this review.

In further research, we assembled information about equivalent agencies in other countries. We decided to focus on Screen Australia, the UK Film Council, the Danish Film Institute, France's Centre Nationale de la Cinematographie, the Israeli Film Fund, the Irish Film Board, Telefilm Canada and Film4 (UK). Film4 is the odd one out, as a free television channel in the UK, owned by Channel 4. We included Film4 because it operates with very limited funds but has been a key investor in many smaller budget films, which have enjoyed remarkable success worldwide. Film4 chief executive Tessa Ross generously shared her time and provided us with many valuable insights into the channel's feature film development process and dealings with film makers. We provide three tables of inter-agency comparisons in Attachment 2.

In terms of our own experience, one of us (Peter Jackson) has had extensive dealings with the Film Commission; the other (David Court) has not. Peter describes his experience as both good and bad. Early in his career the Commission provided crucial support that helped him to complete his early movies, resulting in his transition from making very low budget films to independently financed, larger budget films. He remains grateful for that early assistance under the auspices of then NZFC Chief Executive, Jim Booth. At a later time, Peter was caught in the middle of a dispute involving his post production facility and the NZFC-funded Kahukura Low Budget scheme.

Setting that issue aside, we have sought to be unbiased and forward-looking in our analysis. We have also sought to keep this report as simple as possible – tricky since opinions on what constitutes a healthy New Zealand film industry are wide and varied.

WHAT, OR WHO, IS THE NEW ZEALAND FILM INDUSTRY?

Although making a film can involve hundreds of people working in many different fields, a successful film industry is dependent upon the vision of a few talented individuals – namely the screenwriters, producers and directors.

The art of story telling for the big screen demands a rare talent. A lot of people think they can engage and entertain an audience for 90 minutes, but the reality is only a handful succeed. Arguably, there might be no more than 25 or 30 truly talented screen writers and directors working in a country the size of New Zealand; yet this small pool of writing and directing talent has the potential to create large-scale work opportunities and to generate significant economic benefits.

Creating and maintaining a successful film industry cannot be accomplished solely by training or education, as many skilled careers can. Film making falls into the same category as writing or music composing. You can teach virtually anyone how to compose a song, but it's unlikely to be a hit. You can't teach somebody to compose like Tim and Neil Finn – they were born with a special ability, as were Katherine Mansfield and Janet Frame. A creatively successful film industry is as much about talent scouting as it is about training, and once a talented individual is found, they must be nurtured and supported. Variations on this theme are found at the heart of any meaningful film industry and especially within the Hollywood studio system.

A CRITICAL RELATIONSHIP

Within the film industry framework, nothing is more important than the relationship between the financing body and the film maker. Whether a film maker is working in Hollywood or New Zealand, the same fundamental rules apply. This is because in both cases a large amount of money is entrusted to the artistic vision of one individual, who is charged with delivering a successful film. When the cameras start rolling, the financing body has no choice but to trust in the wisdom of its investment. At that point, everything depends on the skill of the director and the quality of the script.

Film making is a marriage of art and commerce. Success, whether it is measured in artistic, cultural or commercial terms, is for the most part elusive. There can be no guarantee of recoupment, let alone profits; there is no formula that can ensure a successful film; there is just the ability of the film maker, in which the funding agency must trust. It is therefore critical that this relationship is based upon mutual respect.

It was this basic relationship with the NZ Film Commission that was at the heart of the many film maker meetings we conducted and submissions we received.

INDUSTRY FEEDBACK

The great majority of the submissions, and the comments made to us at meetings, were offered in the spirit of constructive change. People welcomed the opportunity to put their views forward. There was a sense that the review was timely, with the appointment of a new chief executive and new board members including a new chair of the Commission. The crisis in financial markets and its flow-on effects to the film industry added a degree of urgency.

Below we present, in summary, some of the common themes that persistently arose in people’s comments to us. Although we made a record of these comments, we undertook not to attribute them, so that people could speak freely. We quote liberally from these comments because they illustrate how film makers perceive their relationship with the NZFC.

‘AN US AND THEM ATTITUDE’

This was the most common concern, referenced by the majority of people we spoke to. They described the Commission as essentially an adversary. As one producer reported:

‘They were taking such an adversarial role. You might expect that from a commercial partner but it wasn’t them, it was the Film Commission putting all the barriers in the way.’

‘There’s almost an us and them attitude. It’s death to creativity.’

‘There’s an us-and-them situation. They don’t see the realities or potential of the industry.’

People described an organization out of sync with the industry it serves. Several film makers said they were made to feel *‘as though we were in the way’*, or even *‘as though in some way we were trying to cheat the Commission’*. The toughness they encountered was beyond what they expected in their business dealings:

‘Hollywood can be very tough but they don’t treat you with the level of contempt that the Film Commission does.’

There is a feeling that increased creative interference results in less successful films. During the last few years, as many NZ films have lost their way at the box office:

‘Creative interference has expanded until now it resembles micro management.’

A number of people described the Commission as operating like a Hollywood studio but without the accountability of a studio – *'without anyone having their job on the line'*, as one producer put it.

The tone of these comments clearly indicates that a very real problem exists between the Commission and its client base. There is a not only a lack of trust; it would appear that both sides have lost respect for the other.

For the Film Commission, the pressing challenge is to build constructive partnerships with the film makers it supports. Within the partnership, film makers must feel secure enough to take the creative and business risks – and sometimes career risks – that successful film making very often entails. There is no shortcut to this. It can only come about through patient, sympathetic and intelligent engagement with the creative process.

The further challenge for the Commission is to keep up this kind of relationship in a context of constant uncertainty about outcomes and intense competition for resources. Last but not least, the Commission must do all this within the exacting framework of reporting and accountability to which a government agency is subject.

'THE STAFF SHOULD BE EMPOWERED AND ACCOUNTABLE'

About some topics there was near consensus. The idea that the Film Commission Board should step back from making 'greenlight' decisions (to approve a film going ahead), leaving this to management, came up repeatedly.

'The Board needs to be concerned with governance and with the long term, not creative decisions. We don't ask accountants to make medical decisions.'

'It's insane that the Board would be making funding decisions, with no real accountability. The staff should be empowered – and accountable.'

There was a concern that the Commission has sometimes evaded accountability for outcomes because it was unclear who was actually making decisions:

'In selection of projects, the Board takes a role but the staff has all the power. So there's power but no accountability. The Board should not be involved in making project decisions.'

'The politics between staff and Board are Byzantine. Decisions are often incomprehensible.'

There are two separate points being made here, both needing further discussion. The first is that many, perhaps most, people in the industry lack confidence in the Board's ability to make creative decisions about films. While no one questioned the dedication or integrity of Board members, film makers felt their projects were being judged by people who were not professionally equipped to evaluate a screenplay or production budget.

However – and this is the second point – if staff are going to be empowered to make these decisions, they must be accountable on some level, as well as highly skilled and better resourced.

We agree with both points and will discuss them in more depth later in this report.

'LOST FOCUS'

The question of focus came up frequently in discussions. Many people felt the Commission was trying to do too much.

'They have got themselves involved in a huge range of activities. I hope the review will focus the Commission on the things it should do. It could be a much smaller body.'

There was a sense that too many resources were being diverted away from the core functions and from the films that most merited the Commission's support:

'The Film Commission has felt it has to be all things to all people and it's stretched. It needs to focus more at the professional level, less at the wannabe level.'

'Part of the problem is the Film Commission is trying to carry the whole industry. It shouldn't reward mediocrity.'

The spread of activity was seen as the Commission's response to pressure from interest groups:

'There is a huge political imperative to spread the money wide and thin. Then, as the sums get bigger, the process loses focus.'

One of the problems we perceive is that no one seems to know what the NZFC is trying to achieve beyond it's moment-by-moment funding decisions. There doesn't seem to be a vision or long term game plan – and it's hard to unite the industry without a clear idea of the ultimate goal. We discuss this topic in depth, further in this report.

The Commission has obviously felt the industry's frustration building, and that has resulted in a defensive attitude which adversely affects basic relationships and communication.

‘FILM AND BUREAUCRACY DON’T GO TOGETHER’

‘It would be great if people felt they could approach the Film Commission and say, ‘I’m not fitting into a box’, without there being all these schemes. I don’t want to be in a box.’

This was a recurrent theme. One industry veteran put it this way:

‘The problem is, film and bureaucracy don’t go together. The bureaucracy, they want to put things in boxes, but every film is different, there are no boxes.’

The Commission is perceived as rule-bound and unresponsive:

‘I hate it when they say guidelines; they always become not.’

‘I find it annoying when they have a new scheme. What I’m doing never fits.’

Film makers said they wanted the Commission to respond specifically to what they presented, without trying to apply a predetermined framework. *‘We need a model at the Commission that’s very open, very flexible, rather than narrow and controlling.’*

It’s always going to be a difficult mix – film making and bureaucracy. Historically, the NZFC has followed many of the practices of an arts funding body, but the sheer scale of film production, and the level of capital required demand a different model.

Flexibility is one of the most important weapons in any film maker’s arsenal. There’s often a need to think on your feet, to be guided by gut instinct, not by checklists and rulebooks. A movie should come from a place of passion

– not be a product designed to tick the boxes. A funding body has to step up and meet the film maker head-on.

New Zealand’s film makers clearly feel stymied and frustrated by the guidelines and rules, which seem to have multiplied during the past 10 years. These guidelines, which have very little flexibility, are the result of a bureaucratic template, inappropriately applied. Producing a movie to fit into a predetermined theme or formula is a system that works well for the television industry, but it’s not appropriate for our feature film industry. Good cinema is the result of risk-taking, not playing it safe. Our film makers need to be encouraged to take more risks, not to avoid them. Edgy, imaginative, original projects must be preferred and supported. That’s where the memorable movies will come from.

‘DISTANT AND UNAPPROACHABLE’

Many people commented on the difficulty of finding and retaining new talent.

‘We have gone into a bit of a slide with talent. People slip through the net or get disillusioned.’

There was a sense that the Commission was not very connected to the industry:

‘The climate is crushing the talent. They don’t really see what we’re saying. They don’t understand our world.’

Younger film makers in particular felt the problem:

‘We need to encourage the younger crowd coming though. They’re not talking to the Film Commission. They feel they can’t.’

The Commission was seen as distant and unapproachable:

'The Film Commission can be very intimidating – that's the perception. They're seen as gatekeepers. They don't have a lot of engagement with the younger film making community – the online stuff, what's actually happening.'

Of all the issues and concerns raised by film makers, this is perhaps the most worrisome. A film industry must have a robust system for talent-spotting and supporting new film makers. If the NZFC did little else, supporting emerging film makers would be a terrific use of its funds.

We will be covering this in more depth – but at the very least, the NZFC should make more effort to connect with emerging talent. Hollywood has perfected the art of doing business during the breakfast or lunch meeting, and the NZFC could do much worse than getting to know its client base in a similar atmosphere. It's a 'people' business.

At the moment, many young film makers feel the NZFC is like an exclusive club, which has no room for them. Not even a way in the door. Some don't know how to approach the Commission:

'They don't know how to get in. You've got these cool creative people but they just don't know how to do it. And you have to go with a producer.'

The edict that a producer has to be attached to most funding applications is a flawed idea that's damaging in several ways, and this will be discussed later in this report.

'A CULTURE OF NOT BELIEVING'

Several people reported that criticising the Commission was potentially damaging to the critic's prospects. As one producer put it:

'Most organisations have natural predators – the Film Commission doesn't. People are afraid to voice criticism.'

It's a government organization with no form of peer review, and it doesn't appear to take kindly to constructive feedback:

'There's no blind mechanism for giving feedback to the Commission, and you can't bite the hand that feeds you.'

This situation is exacerbated by the lack of staff turnover. Voicing criticism of staff who can hold positions for 10, or even 20 years can result in personal feuds which endanger the careers of talented film makers.

There was a sense too that the Commission didn't want to hear what people had to say:

'They're so used to being badgered, that there's a culture of not believing, of skepticism.'

Several film makers referenced a feeling that the NZFC was overly defensive and sometimes exhibited a lack of belief in the integrity of film makers with whom it dealt.

The resulting inability of its client base to convey criticism in an open or regular way had a doubly negative effect. Firstly, it denied the Commission access to potentially useful feedback. Film makers work in an industry that thrives on constructive criticism; the Commission needs to do the same. Secondly, it stores up industry antagonism. The well of pent-up anger and frustration we encountered in our discussions with film makers was testimony to that.

The mutual respect so badly needed was nowhere to be seen. Instead we witness a mutual distrust that cannot aid the production of good Kiwi movies.

A DIFFERENT MODEL

Thinking about what people told us about the Commission, we came to the conclusion that it was using the wrong organisational model. Where people wanted an organisation that responded flexibly and directly to their film making needs, they got programs and schemes to which they had to fit themselves, if they could. When they wanted to share in decisions, they were given directives. Instead of accountability, they found an organisation that was hard to pin down. Below we've prepared a table that compares some of the key characteristics of the Commission, as it is now, with the Commission as we envisage it in this report. We describe the Commission as it is now as an 'arts patronage' model; what we propose in its place is a 'talent partnership' model. As the table shows, the two models are very different.

Table 1: Comparison of organisational models

	'Arts patronage' model (current)	'Talent partnership' model (proposed)
Relationship to film makers	Aloof	Involved
Assistance offered	Scheme-based	Flexible
Accountability	Low	High
Management culture	Controlling	Co-operative

Essentially, our argument is that the Film Commission should not be viewed as a traditional arts funding body. What makes it different is the sheer scale of film production compared to other kinds of creative endeavour. The scale, and the level of capital required, even at the low end, mean that the Film Commission is necessarily deeply engaged with the commercial world. A further difference, connected to scale, is the way film production is organised. Although driven from the top by the director and producer, a film brings together tens and even hundreds of creative individuals in a once-only, co-operative venture – quite unlike the solo venture of the traditional artist, or the company-based model of the major performing arts.

These differences are consequential. In the arts patronage model, goals are not sharply defined and their attainment is therefore difficult to measure; in the talent partnership model we propose, the goals are few and sharp, reflecting the high stakes. Accountability is high in our model, low in the patronage model, for the same reasons. In the arts patronage model, the 'patron' is elevated above the 'artist', dispensing assistance, whereas in the talent partnership model, they are equals, working side by side. The culture of a patronage organisation is typically closed – it may be reluctant to share information and unresponsive to criticism. In contrast, for a partner organisation, processes are necessarily open, information is shared, criticism is feedback.

Of course we do not imagine the real world is ever as tidy as models; there's messiness and overlap. But there are fundamental differences between patronage and partnership, such that adopting one over the other has consequences that flow right through the organisation. We will draw these out through the rest of this report.

THE NZFC BOARD

One of the issues that came up again and again in our film maker interviews was the role of the Board. To most film makers, they see their project disappear behind closed doors, with its fate decided by committee – a group of people they have had no relationship with during the project's development.

A committee-made decision about a creative project is of no value, because you cannot correct by committee. In the same way, if you greenlight a film by committee, the responsibility for that decision is effectively masked.

It's unwise to greenlight a creative work if you are not fully engaged with the creative person or team – which requires you to believe in that person, or not. It's about whether you trust in their vision for the story, what support they require, the value of what it is they're doing and how much you should make it for. It's a decision that should be at the very least, informed by a relationship with the creative party.

Putting the funding decisions in the care of a Board was probably a good decision when the NZFC was set up 32 years ago, certainly an understandable one. It gave the government confidence that its money was being looked after by independent caretakers. But in today's more developed film industry, it's an unwieldy, clumsy system that we recommend changing.

THE ROLE OF THE STAFF, AND THE FUNCTION OF THE BOARD

The current development and production pipeline requires film makers to work with NZFC staff, but apart from limited amounts, the staff have no ability to fund major development or greenlight films. That power lies with the Board, who meet on a regular basis several times a year. There are various problems with this:

- While there are usually one or two film makers on the Board, the majority of Board members have no specialised film making, or more critically, script assessment abilities.

- The ability to read a script and effectively imagine the potential, or lack of potential, in the finished film is a very rare talent. It's not to be found within the skill set of most NZFC Board members, who are otherwise highly skilled professionals from various areas of business.

- The film makers have to form relationships to development staff, who themselves are powerless, and scrambling to play the politics at Board level.

- NZFC staff have told us of the enormous energy spent trying to deal with the Board, to achieve the desired outcomes.

- Making funding decisions at Board level results in a lack of accountability, which makes it impossible for the industry to grow and define itself.

- In the interviews we conducted with film makers, the majority wanted to see all funding decisions rest with staff.

- Having a Board that makes all key funding decisions, instead of the Chief Executive, is highly unusual.

Our recommendation is to put the funding decisions into the hands of the staff; this would require the development system within the NZFC to be re-structured. One idea is to consider operating with two Boards: an Executive Board, and a non-Executive Board.

THE EXECUTIVE BOARD

This would be made up of senior NZFC staff members, namely the Chief Executive who oversees all production, a Head of Development who overseas all development, a Finance Director to oversee finances in and out, and a Business Affairs Head to look after legal contracting and other business issues. Another possibility is Sales and Marketing.

This Executive Board would meet once a week to discuss all aspects of the NZFC's business. It would hear from the development team and consider all funding requests. It would fund script development and greenlight films.

A creative organisation can only be run by a creative Chief Executive. If somebody who's not creative is running it, it can't perform as a creative organisation, no matter how well it's managed.

THE NON-EXECUTIVE BOARD

This would be made up in manner similar to the current NZFC Board, and would review NZFC business, assist the staff with problems and solutions. It would deal with policy and report to government. It would lobby on behalf of the industry when dealing with changing government policy. It would monitor staff accountability for funding decisions, and deal with peer reviews.

The Board should provide checks and balances to the decision makers, help, guide, question – not be the decision-makers themselves. Another function of the Non-Executive Board should be to ensure that the staff is operating with just the right balance of skills, and that there are no holes that need filling.

THE PRIMACY OF TALENT

In its engagement with the industry, the Film Commission is currently oriented towards producers, rather than directors, writers or actors. The logic is that producers are the employers of the other participants and write the contracts that govern production. But there is a different logic, that puts the film making 'talent' rather than the producer at the centre of the business – the logic of scarcity.

Although there are very many capable people who contribute to the making of a film, there are very few who can drive a film into production, and then when it's in production, make it work. Those few are key. They may be writers, directors, or producers; they may work alone or as a team.

Whoever they are and however they choose to work, it's the talent that makes films happen and occasionally makes them great.

In the Hollywood industry, talent has long been the organising principle. The very structure of the industry reflects this, with the talent agencies directly rivaling the movie studios in their power and control of the business. In their fierce competition they scour the world for new talent, beating a path to every promising door. The intensity of the search confirms the importance of the target.

We recommend that the Film Commission be more talent-focused in its policies and practices. Of course that's easy to say but hard to implement. The implications are far reaching. Among them we would emphasise –

- The relentlessness of the search for new talent and the demands this places on the organisation, not only in terms of a systematic casting of the net but also in terms of the personal skills necessary to recognise talent when it is still raw and undeveloped;

- The necessity of a 'steep-sided' development path, wide at the base but rapidly narrowing to concentrate attention and resources on those people identified as talented and ready to progress;

- The importance of planning the progression of the film maker, looking beyond the next project to the ones that follow, and making decisions from that perspective;

- The need for tailored forms of assistance responsive to the needs of individuals, rather than highly structured schemes; and

- The importance of rewarding success when it is achieved.

Philosophically, being talent-focused means concentrating resources on the few. We realise this goes against the grain for those who view film as a democratic medium, made accessible by new technologies. While we welcome that accessibility, we argue that making films is like playing sport. There is an amateur level and a professional level. Making feature films (the business of the Film Commission) is the professional level and it demands the same pursuit of exceptional performance as professional sports.

SCRIPT DEVELOPMENT

One of the most important responsibilities the NZFC has, is to work with this country's screenwriters to develop good screenplays. Scripts are like architectural plans. For the building to stand up and function as intended, they must be built on a solid foundation and designed with skill, care and artistic flair. All film industries are ultimately judged on the success of the movies made. Much of that success is directly related to the quality of the screenplay. It cannot be overstated how critical this role is.

Writing successful scripts presents a complex mix of requirements:

- The script should be based on an original and interesting idea. If the idea isn't original, it should be a unique spin on something familiar.

- Screenplays are structure. The greatest 'idea' in the world is not enough to produce a satisfying film – it needs to be written in a carefully structured screenplay. This structure needs to be taught to new writers and film makers. The NZFC development staff must have a very robust understanding of screenplay structure themselves.

- The magic 'X-factor' that should go into every script is passion. The quality of a feature film is so much better if it has been generated from a place of passion. It should be a story that the writer and film makers are desperate to tell. The best films come from an obsessive place. It's possible to produce films without passion, and that's what large industries like Hollywood do all the time. You feel it when you see the movie. The television industry, with large episodic turnover requires a similar factory-like approach, especially in huge markets. But the Kiwi film industry is so small, every movie we make should come from the heart.

- A screenplay must have an audience. Whilst the subject matter might represent the personal passion of the film maker, there should be an audience that shares in that passion. We cannot afford to make movies that are self-indulgent to the point that nobody wants to see them. Yet, the audience doesn't have to be huge. The screenplay should never be artificially driven by the desire to reach a huge audience. This is a balance that has to be reached in the relationship between film maker and funder.

- We obviously aim for success with every film – but that doesn't have to be direct commercial success, especially for first time film makers. The definition of success for a first feature, should be *a film that finds its audience* – and help generate finance for the second feature film. In other words, the audience it was made for enjoyed it. Nothing more complex. If that occurs, it's highly likely that a wider audience will discover the film, leading to greater success. But in either event, it should allow the film maker to attract finance for their next film – and get their career underway, which is the ultimate goal of the NZFC development process.

We recommend that the NZFC relax its commercial imperative in the development process, especially for first features. While this may go against the grain, we feel that the increasing pressure on projects to be 'commercial' has been counter-productive. It's an approach that can lead to mundane, forgettable, boring movies – unfunny comedies, undramatic drama and material better suited to television than international cinema. Some critics would say that comes close to describing the country's movie output during the past few years.

The NZFC has to play to its strengths – recognising that it doesn't have the dollars to out-gun Hollywood films. Our productions will always feel small scale, but should shine creatively. Nurture interesting writers and film makers; help the training of screenplay structure, and give our film makers creative freedom, not constrained by commercial influences. In many ways, it's worth more than production dollars and it will lead to a better strike rate of interesting movies, which succeed on their own terms. This will provide a rock solid foundation to the wider film industry.

We spoke at length with many NZ-based film makers about their experiences and ideas about the script development process, as it's currently managed by the NZFC. It's a very hot topic, and we struggled to find anybody who is satisfied with it the way it is. Everyone wants to see change, and several leading film makers felt it needs to be broad and sweeping change.

We have broken down the areas of concern that were common amongst many people. Briefly, they fall into seven categories:

1. The relationship between film maker and NZFC development staff
2. Where is the focus for development?
3. The need for a more streamlined development process
4. The need for a larger, more skilled NZFC development department.
5. The requirement for a producer to be attached
6. Role of the producer
7. The requirement for NZ distribution

1. THE RELATIONSHIP BETWEEN FILM MAKER AND NZFC DEVELOPMENT STAFF

While we were talking about script development in particular, people felt that all decisions took too long.

'The NZFC is your average NZ institution, it functions quite well, but the decision-making system is crippling – too many people involved.'

Film makers often work from a place of urgency and speed, and the lack of empathy from the NZFC was noted by many.

'It's the most important thing in the business to create momentum. They shouldn't resent that but they did – they tried to stop our momentum dead. It felt petty and vindictive but came out of a lack of understanding of how hard it is to generate momentum.'

Years of frustration has resulted in a lack of respect of the NZFC from many in the film making community. You can feel it coming through a great many of the interviews:

'There's a streak of vindictiveness in the culture. They are so mired in the don't-get-too-big-for-your-boots kiwi thing.'

'Staff also need to understand that some of the people they're dealing with are more experienced.'

'There's often unclear decision-making. They don't want to say no so they impose impossible conditions, then get caught out when the producer meets them. They have to be braver.'

'The Commission tends to use drafts as a way of avoiding decisions – if in doubt write another draft. It's a momentum killer.'

'Their process has been about protecting jobs and the organisation and over time that has become their preoccupation.'

The single most important asset in our film industry is the talented individual. Most successful films can usually be credited to one or two people who provided the creative spine of the project, and received the support of a great number of skilled cast and crew.

2. WHERE IS THE FOCUS FOR DEVELOPMENT?

We spoke to an ex-NZFC staff member. That person's comments go straight to the heart of a problem:

'There was something of a siege mentality amongst staff at the NZFC – ie, we mustn't make any controversial decisions as everyone will blame us, we mustn't look like we are pushing particular talent because we must be equal to all.'

This is symptomatic of the heavily bureaucratised way that the NZFC conducts itself as a keeper of public funds. Unfortunately, it's counter-productive to building a talent-based industry. Film making skill is so rare, and screenwriting talent even rarer, that anyone showing signs of potential ability must be targeted and supported. They should receive training, in the form of workshops, script courses and one-on-one tuition to either realise that potential, or move on.

The staff must be empowered to do this. People must be treated according to their talents.

'The Commission didn't go after people they thought might be talented as proactively as they could have, and so really talented people have at times gone without proper backing.'

We cannot afford to have anyone with the drive and ambition to make movies – and aptitude to match – slip through the cracks. These few individuals need to form the spine of our film industry. We don't have enough of them right now, and our film industry is weakened because of it. The NZFC has an important role to play in talent scouting.

3. THE NEED FOR A MORE STREAMLINED DEVELOPMENT PROCESS

‘Processes have become formal, bureaucratic, i’s dotted, t’s crossed.’

‘We’ve created a climate of dependency. There are 80 projects in development at any one time; people being drip-fed small amounts of money. It has to stop being a social welfare department’.

‘The development executive doesn’t really develop; there is far too much stuff in development. I can see how that arises. With every film that gets accepted to some little festival, there are expectations aroused; the film makers get the wrong impression.’

‘The development process is just not hard enough in terms of identifying who is going to get a film made. If we got tougher about this, the bar would be raised and there would be fewer films in there. The bar should be set really high at every stage. People should understand it’s not going to be sweet and easy.’

There is a strong opinion that the NZFC develops too many projects. Several film makers made the comment to us that they would like to see the bar raised, and fewer projects receive development funding. There’s a feeling that the NZFC develops too many mediocre projects – almost all of which will never get made.

It is perfectly normal to develop far more scripts than ever get made – in fact it’s a virtual necessity, since it often takes a screenplay to expose the true potential of any idea. In our opinion, it’s the potential of the writer that is most important, but there will still be a high attrition rate.

If the focus of development is built around a ‘talent first’ model, it will reduce the number of scripts in development. There are simply not that many writers, or film makers, truly deserving of support.

4. THE NEED FOR A LARGER, MORE SKILLED DEVELOPMENT STAFF

'If there is to be a narrowing of the funding pyramid, which we foresee and accept, then we want a faster process and greater accountability.'

'I would put more money into development, improve the craft, even if that meant one less film.'

Many film makers we spoke to gave examples of films they feel were 'over-developed'. Rather than proceed to production, the NZFC insisted on ongoing script development, taking the film further away from what the film makers originally intended. In all examples we were given, the films were disappointing failures.

'There is a good discussion to be had about the development process – how do you know when something is ready to go? How do you avoid over-developing, with the heart and soul sucked out of it?'

'There is not enough reward for success, or disengagement from those who aren't.'

Several leading film makers had given a lot of thought to improving the NZFC development process, and had interesting ideas.

Films are born from personal passion, and the NZFC has to recognise that passion – respect, preserve and encourage it.

'They should see what NZ film makers are drawn to, and respond to that. They need to make decisions out of an understanding of what the films are.'

If the NZFC applies too many edicts on the type of films it's looking for, it creates an industry bent on supplying ideas it thinks the NZFC is looking for

… rather than submitting a project the writer or film maker feels passionate about. It's the death of real creativity. Everything is second-guessed.

The size and shape of the NZFC script development department attracted several interesting comments:

'The Film Commission has so much in development it has made a rod for its own back. There needs to be a flatter structure – four or five good, strong executives, robust debate.'

'I like the model where there are say three people whose job it is to help get films made – competitively.'

'There should be three development managers, like the UKFC, with the power to see projects through to production. They should be on fixed terms and have incentives to get things moving – perhaps get EP credits?'

We support these suggestions. We feel that the NZFC should have a script development team of four or five executives, reporting to a senior Head of Development.

A development department could include someone looking after low budget production, someone who looks out for very young directors, meeting with new film makers with an interesting short, or fresh talent out of film school. There should be somebody giving notes on scripts in development, scripts going forward, scripts in production, somebody watching dailies of films in production. Outside of development is a Head of Production, who looks after budgets and physical production.

All writers and film makers with a project chosen for script development funding should be paired with one of these development executives. With five development executives, and a smaller slate of say 40 projects in active development, each executive would be shepherding 8-9 projects at any one time.

Achieving a 1-in-10 strike rate for development into production is tough but possible. So a development slate of 50–60 scripts (including those at financing rather than development stage) should result in 5–6 feature films.

'Staff are not advocates for producers or projects – and they have to be advocates.'

This is a key point: the staff member paired with a writer or film maker acts as an advocate, or supporter of that project. Their job is to see the project through to completion. They must work enthusiastically with the writer to help develop the screenplay and prepare the project for production consideration. They should be sympathetic to the interests of the film maker, the intention of the project and match the momentum created by the film making team. The current 'us and them' mentality needs to be replaced by positive encouragement and support.

There should be flexibility in how development is funded. For instance, some screenwriters may respond better to receiving a monthly salary, and contributing a series of ideas, rather than a one-off lump sum, tied to a project. The end result works out the same.

The idea of rewarding the NZFC executive with an executive producer credit on a produced film is a good one, and has plenty of precedents overseas. Accountability is important but should be well defined. If the development executives are on four year contracts, their success at shepherding films through to production, and the films' actual or probable success, should be clear enough. It should be a simple decision to renew their contract, or not. Like writing itself, script development is a rare skill, and some people will have more natural talent than others. Accountability is just a way of monitoring who has these skills, so as to create, ultimately, a terrific development team.

However, it is our recommendation not to put too much focus on financial returns. Removing the need to make profit will lead to more creatively interesting projects – which ironically, may well lead to greater financial returns. Furthermore, it's essential that individual development executives are skilled in screenplay structure, and it will be a challenge finding the right people. It's likely some will come from offshore, but story structure does not reflect national identity, and so long as they respect the creative intent of the Kiwi writer or film maker, there should be no problem.

The development team should report to the senior staff in regular meetings, allowing the Commission to see which projects are likely to reach production, and what the likely timing will be. They can tailor the development, and ultimate funding, to a long term game plan. Obviously, limited funding means there will be hard decisions to make, but if they find themselves having to decide what to greenlight from a rich selection of worthy choices – that's what's described as a 'good problem to have'. Film makers with projects that don't receive a greenlight should be allowed to shop their scripts elsewhere for other sources of finance.

These ideas need further thought and discussion, but we cannot agree more with this final comment:

'*The current process just exhausts people, on both sides. A change could transform the industry*.'

5. THE REQUIREMENT FOR A PRODUCER TO BE ATTACHED

'The basic thing is, that experienced writers can approach the NZFC directly, without a producer, for the first two drafts. We understand the business

model where producer is employer, but the writer is the only person doing any work at the early stages.'

The Commission allows writers without a producer to have access to very modest 'Writer Development' funding, but since the amount is relatively small, it's unlikely to appeal to full-time experienced writers.

We assume that the insistence on having a producer attached, early in the life of a script, is providing the Commission with some form of comfort – if a producer signs on, the project must have some merit. However, there are some major negatives with this approach and they should be discussed:

'One issue is the severe disempowerment of the writer – having to assign copyright in order to receive funding.'

A writer who authors a screenplay is the owner of an asset – and if the screenplay is very good, it can be a substantial asset. In Hollywood, scripts are often sold to studios and producers for seven-figure sums – such is the value of a great screenplay in this industry.

The Commission is essentially forcing writers (those who wish to earn a living as a writer, and therefore seek funding) to enter into a legal relationship with a producer at a time when they are most disadvantaged from a negotiating perspective. The relationship between a writer and producer is complex, and involves the producer entering into a legal agreement with the writer for the use of their script – either to buy or license it. Putting the writer into a position of having to negotiate their producer contract so early, before the actual value of their asset is known, or not get funded at all, is somewhat inappropriate.

The security of insisting on producer attachment to script development is something of an illusion. A writer who develops a great screenplay with NZFC funding will have no problem partnering with a producer – and that partnership will be fair and based on a known quantity: an existing script. If the script is not successful – and there will always be a significant attrition rate with script development – having no producer attachment will have saved money, because the script development hasn't carried producer fees.

What happens at the moment is the flip-side of that. A NZFC staff member told us of one situation where a producer applied for script development funding totaling $34,000. The writer, who was doing all the work at this stage, received $4,000, and the producer's 'overheads' swallowed $30,000. This does not reflect the behaviour of all producers, but neither is it an isolated incidence. Legitimate producers certainly need to be supported, along with the rest of the film making talent, and we will discuss this shortly.

Introducing a producer's voice at the early stage increases the danger of a screenplay getting overworked. Before pen hits paper, a writer has both a producer and the NZFC development team waiting to influence their work. The system of insisting on producer attachment hinges on the assumption that all producers have great script development skills and that is simply not true of everyone who calls themselves a producer. Some who are empowered by the NZFC are simply not up to the development job. We strongly recommend easing these rules, and allowing talented writers to develop and control their ideas with the support of the NZFC development executive – until the full potential of their screenplay can be realised.

In short, we recommend that the value of the writer's work receive greater protection. Writers must not be expected to attach a producer in a manner that disadvantages them commercially.

It is worth taking a look at how Film4 in London operates. Its chief executive, Tessa Ross, heads a five-person development team. They do not provide 100 per cent funding, but focus on developing projects and attaching talent at strategic moments, until they have a strong package that can attract production funding. Their annual budget is similar to that of the NZFC, and recent credits include *Slumdog Millionaire, In Bruges, Nowhere Boy, Hunger* and *Last King of Scotland.*

The model is not exactly comparable to the NZFC, but it does contain interesting glimpses into just how effective the NZFC development team could become if the rules were eased, and a little entrepreneurial flair were injected into the organization.

Slumdog Millionaire is a case in point. Tessa regards writers and directors as the proper focus of the industry (as opposed to the producer focus promoted by the NZFC during the past 10 years or so). She puts a lot of effort into finding projects for directors she has a relationship with. She likes to support writers, and is always looking for projects. She read the novel 'Q & A' by Vikas Swarup, and immediately optioned it. She knew that writer Simon Beaufoy was looking for a project and commissioned him to write a screenplay. She held off going to film makers, because as she says, 'I knew I needed to grow this baby in a tiny way'. She worked through three drafts with Beaufoy. At one point he said to Tessa that he needed to know if he could use the real '*Who Wants to be a Millionaire?*' game, since he didn't think an invented gameshow would work as well, so Tessa approached rights holder Celador, and partnered with them.

Tessa reached this point without a producer or director, but she had a great screenplay and was able to approach the first director of choice, Danny Boyle, who signed on immediately.

Film4 has £10 million of commissioning money each year. Tessa uses 10-15 per cent of that to develop scripts and the rest is used to invest in 10 films per year. All her development is aimed at projects Film4 would want to invest in.

It does illustrate one way that the NZFC could become a more effective member of the film industry – though becoming a Film4 is certainly too radical, and moves away from the NZFC's primary role – and that is to allow the Commission, and its chief executive, a little more entrepreneurial freedom.

6. ROLE OF THE PRODUCER

While script development should be possible without a producer attached, it is common for independent producers to develop screenplays with a writer, prior to engaging with the NZFC. This concept of a producer running their own development slate is very common in large film industries such as Hollywood.

It's very difficult to be a full-time film producer in New Zealand, unless you have some other form of income – a 'day job'. Naturally, once a production gets off the ground, producer fees and overhead are part of the cashflow – but it's that no man's land between an idea and a cashflowed production that is difficult for the independent producer.

The NZFC has had a long-standing policy of providing financial assistance to independent producers. This assistance was once called 'PODs' (Producer Operated Development), but is now known as 'Producer Awards'. Supporting producers with a proven track record in project development is important for a film industry and we certainly recommend this scheme continues.

'What's helped me sustain it are the PODs in their several permutations. Money for overheads, preparing materials, sitting on the phone, staring into space. So I can walk into a market as a professional person. PODs are the best thing the Film Commission has done – the little ones especially.'

A great producer is a master of organization, budgeting and logistics. They may or may not be artistically creative. In the film industry, there are two types of producer:

- The creative producer, who hires writers, sets up deals and runs their own slate.

- The producer for hire.

Both kinds of producer (with shades in between) can be found in NZ, yet during the last few years the NZFC appears to have attempted to build the film industry around the creative producer model. Writers, and to some degree directors, have been marginalised. Our recommendation is to refocus the industry around the *story tellers* – whether they are writers, directors or producers.

7. THE REQUIREMENT FOR NZ DISTRIBUTION

Current NZFC policy requires any application for production funding or advanced development to have an NZ distributor signed up. This distributor is supposed to ensure the film receives an NZ theatrical screening.

This policy is unwise, and our recommendation is to review it, with the intent of easing the rule:

- Distributors have skills in selling films to the public, with good publicity campaigns, and eye catching posters and trailers. They do not necessarily know anything about script reading and extrapolating an imaginary film from a written document. Yet the NZFC has empowered a very small group of distributors with this responsibility: *'Is this screenplay going to result in a film you'd want to distribute?'* To answer that question requires a very rare understanding of script analysis.

- The NZFC doesn't want the embarrassment and financial fallout of funding a movie that fails to find a distributor. However, they should exhibit more trust in their own funding decisions. If they fund a film, they should support it all the way. They should have confidence in their creative judgment.

- By forcing film makers to sign on with a local distributor at an early stage, they take away the ability to negotiate more favourable terms in the wake of a well-made film. In that scenario, the film maker could end up with several local distributors fighting for the film, with both the film maker and NZFC benefiting financially.

- The idea that a distribution contract somehow protects a bad funding decision is flawed in itself. If the film cannot find a distributor when it's completed and available for screening, it was never a good idea, and a distribution agreement would have simply lead to a disastrous local release, as we have seen too many times. It's too easy for distributors to pay lip service to a poor film – to technically fulfill their obligations, but give the movie very little real support.

- It's a case of sacrificing the potential upside to protect a measly downside. It's just not worth it. We should give our film makers a chance to create a local bidding war and benefit from the result. We only have to look at Taika Waititi's *Boy,* or Roger Donaldson's *World Fastest Indian* to see what that upside can be worth.

THE 'ESCALATOR' SCHEME

As this report was being prepared, the Film Commission released details and guidelines of a new scheme called 'Escalator'. The timing was apt, since it touches on several topics we have discussed in these pages. It illustrates both positive and negative aspects of NZFC project development.

In a February 2010 press release NZFC chief executive Graeme Mason said: *'Escalator is all about creative film making ideas explicitly conceived with low budget production in mind, by teams that relish the challenge of working lean and fast.'*

HOW IT WORKS:

Applicants are invited to submit three different proposals for a low budget ($250,000) feature film. They are encouraged to be *'lean and fast'*, embrace the budget limitations and work cleverly within this constraint. *'Escalator is all about teams'*, say the guidelines – teams of two or more. Presumably the teams have already nominated their director, writer, producer and possibly a key crew member.

Applications closed at the end of March, from which 12 teams were to be selected to attend a three-day 'bootcamp' where they would be immersed in *'an intense workshop on every aspect of the low-budget mindset'*, assisted by industry professionals. Each team could send up to three participants, and would be helped to refine and focus their three story ideas. After the bootcamp, teams would have a further three months to prepare a script, production budget, schedule and statement of approach for one of their ideas.

In September, four films will be selected for production greenlight from the original 12 proposals. The four successful teams will have up to six months to get ready for production. They can choose senior industry mentors to attach to their projects for advice throughout this process.

THE POSITIVE:

Definitely a move in the right direction in many ways.

This speed of the process is terrific. Much frustration has resulted from the slow pace at which a project limps through development at the NZFC. This dynamic energy will be transferred into creative energy, from where much of the best inspiration comes from.

Applicants are reminded of the '*crowded playing field'* they are entering and the need to find ways to stand out, by considering such questions as: *Why am I making this film? Who is my audience? How will I reach them? Why will they care?*' These are good, critical questions – too many New Zealand films have failed to address these basic questions in the past.

Having strangers with an interest in making movies meeting up is a good idea. Forming those relationships, especially writers with directors, and directors with producers, is very worthwhile.

The Escalator scheme is conceived as giving first-time film makers a stepping stone towards a larger second film, so there is a focus beyond the immediate project to the career consequences for the successful applicants. It is also noteworthy that the NZFC is not insisting on distribution being in place prior to the films being made.

With the guidelines asking for *'bold, personal and distinctive'* films, we should end up with challenging cinema – and that would be a move in the right direction.

THE NEGATIVE:

What is the central purpose of this scheme? What is the driving idea?

- Is it to discover new film making talent?
- Is it to develop story ideas that could become good movies?
- Is it to take young film makers of varying skills (writing, directing, producing) and foster possible new partnerships and teams?

These are all worthwhile ideas, but the scheme feels like it's trying to 'have a bob each way', and for that reason falls short.

While this type of scheme has to be open to anyone who fancies having a shot at making films, the Commission needs to move past that point very quickly, and start identifying and targeting the natural talent. It has to be proactive in supporting those people born to tell cinematic stories. The democratic approach will only get you so far, if you are wanting to nurture rare talent.

But this scheme is initially blind to film making talent. Electronic and text-only applications reduce the initial search to something akin to a high school short story competition – yet many successful film makers bring their stories to life with visual flair. Film is a visual medium, and if an applicant is more comfortable submitting visual material, could that not be taken into account in the Escalator selection process – to support the written application, not replace it? Not every great director can write a compelling page of text – one wonders what a young Tim Burton's or Terry Gilliam's application would look like.

An NZFC in talent hunt mode would find half its job already done. It should already have an idea about who the exciting young film makers are – who's winning the film competitions, who submitted the most imaginative films to '48 Hours' (and they are not necessarily the winners), who's making imaginative song clips and TV commercials. They should have watched the DVDs sent in, and even had breakfast with the people who sent them in. After all, we're talking about a very small number of people.

Escalator has quite extensive *'guidelines'* regarding content, locations, characters, etc. One of the criticisms we heard constantly was how guidelines quickly became rules and edicts. Establishing guidelines which directly affect content so early in the process is not helpful. Any serious applicant is going to have some instinctive knowledge of the realities of super low budget film making. The Escalator structure provides expert advice at various stages and if a brilliant story idea is submitted that has too many locations or characters, then the film makers and their 'senior industry mentors' should solve that problem without compromising the great idea. That's one of the skills any film maker needs to master.

Too many bureaucratic edicts upfront runs the risk of terrific ideas never seeing the light of day due to the inexperience and nervousness of the applicant.

The Escalator structure also contains pitfalls, which point to the lack of flexibility within the NZFC, that constantly frustrates.

- *At the first stage, each team will be asked to submit three story ideas, each to be written as a one page synopsis.*

Why three story ideas? It's difficult enough to develop one story idea! A feature film, regardless of its budget, has got to be the product of passion. It has to be a story that a film maker, and their team, is committed to tell. Get rid of two, and just focus on the one they really want to make! We guarantee that 90 per cent of these teams will have one passion project and two others cobbled together just to fulfill the Escalator mandate.

- *From these applications, 12 teams will be chosen, and 3 members from each team will attend a 3 day 'boot camp'. Local and international industry professionals will work with these teams and help them refine and focus their 36 ideas.*

While there is so much about approach that is a step in the right direction, it's the old NZFC problem of over-regulated, overly complex procedure.

The idea that the 12 teams are chosen without a single face-to-face meeting is a mistake. At every level, the film industry operates on the personal story pitch. Executives and studios base much of their greenlight decision on face-to-face meetings with the film maker (or film makers). They want to see the passion in their eyes, they want to hear the story being pitched, they want to ask questions.

Opening it up to everybody also creates numbers problems – but at least invite the 25 best applications to come in and pitch their project. It's a skill these young film makers have to learn, and it's likely to be a skill the NZFC will need to foster within its ranks as well.

- *At the end of this three day 'boot camp, one of the three story ideas from each team will be selected* (the guidelines don't say by whom) *and the 12 teams now have a further 3 months to write their script, and prepare a budget and schedule.*

Who decides which of the three stories will be selected? It has to be the film makers – nothing else makes remote sense, in which case, they knew which project was their favourite going in. The three-day boot camp actually stands a chance of achieving some good, if the time's not swallowed up by unnecessary discussions about stories nobody wants to film.

- *At the end of this 3 month period, the 12 film making teams, along with their scripts and budgets, appear before an independent panel made up of 4 film makers and one NZFC rep. They choose the 4 best applications, and those lucky winners are given $250,000, and senior industry mentors to help them make 4 new Kiwi feature films.*

There are some very serious questions to ask here:

Twelve teams have submitted an application containing three storylines, they have attended a three-day 'boot camp', they have worked (no doubt very hard) for a further 12 weeks on writing a feature film, and budgeting and scheduling ... and now eight teams are getting booted out. That is a lot of work to be asking people to do unpaid.

We accept that aspiring film makers have to be able to write scripts unpaid – it's how we all started, but to produce a budget and schedule that is professional in the way this needs to be, requires a considerable amount of work.

And what if at the end of the writing process, only one script is actually worth shooting as a feature film? Or no scripts? The careers of young film makers are on the line here. Just as the NZFC has to talent-hunt and nurture young gifted storytellers, it has to protect them as well. A bad film could very well end a young film maker's career. It happens all the time.

The trick here – and the NZFC has to take a lot of responsibility – is to kick-start a new film maker's career with a movie that succeeds on some level, as we discussed earlier.

Alternatively, what if there are five or six great scripts? Are only four going to get made? We would hope that the NZFC has the flexibility to instantly greenlight another two of these super low budget films if they are terrific projects, with talented film makers.

- *The guidelines go on to state that NZFC will not be able to distribute the finished films, and that modest support will be made available to each team to help market their film.*

With a little modification, Escalator is a move in the right direction: new talented story tellers, making real movies for the cinema – provocative, challenging, memorable. It represents a wonderful marketing opportunity to showcase a group of 'new wave' film makers. But the Commission must rise to the challenge too, and demonstrate a willingness to match the flair and effectiveness its expects from the film makers.

SHORT FILMS

This country has made some very good short films – but their importance needs to be judged in the context of the feature film industry. If a short film doesn't contribute to the production of an NZ feature film, then it really forms part of the television or new media industries and should be funded and accommodated there.

Traditional thinking describes short films as an ideal training ground for feature films. It's interesting to review the facts that can be gleaned from the past 20 years' worth of short film making.

We took a look at NZFC financed short film production numbers between 1985 and 2009. Of the 284 short films made during this period, 39 of the directors went on to make feature films.

That number feels slightly disappointing. There is no hard and fast formula, but if short films are used strategically to provide training for the next generation of feature film makers, a reasonable target might be that 1-in-5 short film makers (or 20 per cent) go on to direct features.

The NZFC figures point to 1 in 7, or 14 per cent. It is interesting to note that from the years 1984 to 1997, 30 short film makers went on to direct features (from 173 shorts, ie 17 per cent), yet only 9 new directors emerged from 1998 to 2009 (from 111 shorts), or a very disappointing 8 per cent.

Looking beyond these numbers to the features that the film makers went on to make, we note that the majority failed to generate positive box office results, either in NZ or overseas – a result which throws into question the value of shorts as a talent spotting, or talent training, program.

Many of these short films have won prizes and awards at various festivals, and this generates nice publicity for the NZFC. Their PR value is certainly attractive, but do these short films really contribute to better feature films? It appears not. We recommend looking at new strategic ideas for how short film making can better achieve positive long term results for our feature film industry.

- In an ideal world, a film maker should have a feature film in development before embarking down the short film road. That would result in many positive outcomes: the short film could use a DP, editor or other key crew members, to establish a rapport before the feature film. The short film could target some style or technical aspects of the feature, which would benefit from a dry run.

- It also works in reverse: the NZFC can watch the progress of the short film, and judge the director's suitability to tackle a feature film.

- A film maker with a strong personal passion project could be funded into a short, rather than a feature, if the NZFC is concerned about the marketplace reception.

- Short films are often shot on 35mm with largish $100,000 budgets. That is a throwback to the pre-digital days; short films should take advantage of digital equipment to lower production costs.

- The useful information gained from a short, including production experience for the film maker, and most importantly, their confidence with a narrative, will be as apparent in a $20,000 film, as a $100,000 film.

- Short films are useful to help transition creative talents with little screen experience. If the film maker has made commercials, or TV drama before, they serve less purpose.

- Short films are not a good stepping stone to features when scripts are considered. A good short film script is a very different document to a good feature screenplay. They are of limited use when judging ability with a structured screenplay.

- At around $100,000 each, the budget of a 35mm short could be channeled towards a feature film (4 or 5 less shorts per year = one super low budget feature), or should the film maker shoot the first 20 minutes of a feature script, to present to the NZFC or other funders, for full feature consideration?

- The current NZFC structure has the short film program managed by industry mentors. Established producers develop short film ideas with film makers and select three each for funding. It's an idea with certain merits, but does not allow for the general strategic planning that should be driving short film funding decisions at the NZFC.

- The NZFC should be using short films to achieve one clear result: we make five shorts, in the hope of finding the next five feature directors. While the chances of ending up with five feature directors are obviously slim, if one short excites everyone enough to kick start a feature career, it's a great result.

- Alison Maclean's *Kitchen Sink,* Gregor Nicholas's *Avondale Dogs*, Grant Lahood's *The Singing Trophy and Lemming Aid*, Christine Jeffs' *Stroke*, Niki Caro's *Sure to Rise*, Scott Reynold's *A Game With No Rules,* Ellory Elkayem's *Larger Than Life* and Taika Waititi's *Two Cars, One Night* are all examples of short films that played a significant role in getting their directors into feature films. All these films, apart from the last example, were made under NZFC control, before they devolved short film funding decisions to the current system – which has various groups of independent film makers deciding which shorts are funded.

In summary, short films should be used to lay the foundations of a feature industry. There should be clear strategic reasons for choosing the film makers who are to be funded to make short films, and the genre and subject of those shorts should be part of a game plan. Currently, it's left to chance. We recommend that the NZFC recover control of its short film program.

Some common themes are starting to emerge from this report. Managing a film industry requires flexibility, rather than rigid rules. There is a need for greater strategic thinking than appears to be happening at the moment: a long term game plan. Having a clear strategic plan opens the door to flexibility – it's rather like having a clear understanding of the rules in order to break them.

THE LONG TERM GAME PLAN

The NZFC process is built around the individual consideration of each project submitted for funding, but there should be a common strategic reason for every decision made … a vision of the ultimate goal of the NZFC, with every dollar it spends.

A clear game plan should inform all funding decisions.

We would like to offer some ideas for the NZFC and the film industry to consider.

The long term game plan should have a simple final goal:

The creation of a successful New Zealand film industry, producing a wide range of films, driven creatively by resident Kiwi film makers.

The films themselves will have a diverse range of budgets, genres and audiences.

We suggest a film industry model that has three distinct levels:

1/ Identify the emerging story telling talent, develop screenplays and fund their first feature film.

2/ Assist the successful film makers to develop their next NZ movie – and encourage them to stay based in this country.

3/ A growing number of successful Kiwi film makers base themselves in NZ, attracting big budget finance from offshore.

In this 3-level model of a successful NZ film industry, the NZFC has a very clear part to play at the beginning, but its role and responsibilities steadily reduce as film makers achieve success and attract their own funding.

This model is not rocket-science, and a version of it happens today – naturally. If the NZFC adopts it as a game plan, and applies a more focused and deliberate strategy, it would inform many of the decisions and policies that are otherwise made with a more scattershot approach.

In the Hollywood structure, it's very difficult to find early support, in both senses of the word:

- Supporting a novice film maker early in their career.

- Supporting a more experienced film maker, early in a project's development.

The NZFC has a critical role to play in both areas, as we shall discuss.

With a smart game plan, the NZFC can give our resident film makers an advantage over those working in larger film industries.

THE 3-LEVEL MODEL IN MORE DETAIL

1/ FIND THE TALENT AND DEVELOP THEIR FIRST FEATURE FILM

This is the main focus of the NZFC, where most of their funding is spent, and most of their energy goes. But the game plan needs to be sharpened.

It needs to be both flexible and focused.

- The NZFC has to become a talent scout. It has to become much more active – hunting, identifying and supporting new and rising story telling talent within New Zealand. These are usually writers and directors (producers typically rise through the ranks over time).

- The NZFC is looking for story tellers who use film as their medium. People are born with this talent, like our best novelists, musicians or sportspeople. Following the likes of John Walker and Kiri Te Kanawa, they need to be tutored and nurtured, and the NZFC must play a part in this.

- The NZFC appears to have grown away from this role. Over the years, it has placed script development more in the hands of producers. As a result, younger writers and directors are actually alienated from the organisation, which they see as unwelcoming and an 'old boys club'.

How ever it's done, the NZFC must actively ensure that emerging story-tellers are taught screenplay structure. It cannot be left to chance. There are many ways to achieve this, mostly based on building a good personal relationship between the NZFC and the story teller.

- The NZFC could have a stronger role in nationwide film contests like the '48 hours' competition. Talk with the competition organisers, who have much knowledge about who the passionate and skilled new film makers are.

- Watch many of these films. The most inventive are not always the winners.

- It's important to meet these potential new film makers face-to-face – learn who they are, and what their interests are. Ask them about their dreams, their ambitions. What stories would they love to tell one day? Where do they see their future? Connect on the personal level.

- When a new film maker is judged worthy of support, find out how best to help that person. Different individuals will have different needs. There should be no 'guidelines' or 'rules'. Be inventive with how to help each person.

- Do they have a script? Read it quickly – keep momentum. It's likely the script will have problems, but for the important thing is the great idea, no matter how poorly structured. The crafting of a good story idea can to be taught, but great ideas spring from the imagination. Good scripts are not written – they are re-written.

Our feature films are often let down by the quality of their scripts – it's the industry's weakest link. There is no shortage of great NZ stories but the craft needed to shape a screenplay must be taught. Regular local script workshops would be helpful, bringing in the best international talent to work with local writers.

Here we need to get past the cultural cringe of imagining *'we don't want to tell American stories'*. A good story tutor teaches principles that have driven storytelling since the ancient Greeks. Great screenwriting workshops teach craft that is not specific to any country or culture. If there have been bad experiences with overseas script consultants, it's a problem with the individual, not the principle.

When supporting new talent, the NZFC must be talent-focused, not project-focused.

The challenge is a simple one: there are hundreds, if not thousands of films made internationally each year, and everyone is looking for the exciting new storytellers. Those are the people who will walk straight into funding for their next film. The NZFC should be working to get our film makers noticed amidst the cacophony of competing claims.

Emerging feature film makers with unique qualities are likely to display a driving passion, almost obsession; be a natural story teller able to craft a script; have a visual style that is born out of creative freedom. The NZFC must listen to and believe in this person, provide support and advice – but always allowing the film maker the final choices.

In order to give the NZFC and film maker room to craft the best possible first feature film, various established rules and guidelines will need to be relaxed:

- A talented writer should be able to receive funding without a director or producer attached at the start.

- Likewise, a writer/director may choose not to have a producer attached until the script is deemed to be strong.

- If the screenplay is great, and the budget within parameters, the NZFC should be able to provide 100 per cent funding – if that makes sense.

- The requirement that a NZ distributor be secured before a project is funded should be relaxed, as discussed earlier.

- There should be no restrictions on genre. However, the passion of the film maker must be genuine, and the film must have an audience. The NZFC must rely on gut-reaction in many of these areas.

It is not uncommon for a first time feature film to be a wild comedy, or a thriller & horror-type genre film. This allows the new film maker to showcase inventive camera work, and skills with editing and sound design, in a cost effective manner. Making a drama or romance as a first feature film often requires stronger script skills and a confidence with actors that may only come with experience.

We have referenced staff accountability during the development process. The success of script development relies almost as much on the skill of the executive, as it does on the writer. These are critical positions to fill. Following this proposed game plan, success is defined by how much positive attention was received by the new story teller or film maker. A film could do poor business at the box-office, but the film maker generates enough excitement to receive an offer of funding for their next film – that is not uncommon. Alternately, a film that performs well at the box-office may be credited to an actor or marketing campaign, and the film maker receives very little interest.

What's important here is getting a career underway – that's worth more than dollars in this game plan.

The second step of the 3-level model:

2/ ASSIST THE SUCCESSFUL FILM MAKERS TO DEVELOP THEIR NEXT NZ MOVIE - AND ENCOURAGE THEM TO STAY BASED IN NEW ZEALAND

A talented film maker is always going to face pressure to leave New Zealand, and continue their career overseas. What's more it's natural for a second or third feature film to require a larger budget, and although it may still be small by international standards, it very quickly rises beyond the NZFC's ability to fund.

Our proposed 3-level model relies on the film maker staying based in NZ, but not necessarily receiving NZFC production funding. Our industry badly needs these mid-level projects to support and grow the film infrastructure – studios, post-production, equipment rentals, as well as providing employment for growing numbers of world-class skilled crew.

It's worth exploring the various ways the NZFC could help anchor these mid-level productions:

- It could provide script development funding. This type of early seed money, helping an established film maker, can have contractual strings attached that tilt the production decision in favour of NZ. For example, the development money could be required to be repaid to the NZFC on the first day of photography, if the film is shot offshore? But it's shot in NZ, repayment is deferred until the film goes into profit?

- In an ideal world, a film maker would receive a level of script development funding that allowed them to write full time, and thus realise the full potential of the script before going to the marketplace with it. Nothing is more valuable in the film industry than a great script – and that value could be strong enough to allow the film maker to insist on an NZ-based production.

- Delaying taking a script to market until it's polished also increases the chances of having more than one interested party – which again could translate into an NZ base of operations.

- One sure fire signal that a NZ film maker has created a impression internationally is being signed up by a leading talent agency, especially one based in LA. The agency will work hard to get its client a film (agents usually receive 10 per cent of a director's fee). To the extent that the interests of the film maker, the agent and the NZFC align, they may find ways to collaborate.

- One form of collaboration between the NZFC and the film maker (and possibly their agent) would be in providing early development funding separate to the screenplay, for example, funding that allowed for conceptual designs (including large illustrations showing key visual sequences), storyboards, location recces (especially NZ locations), preliminary casting, and a professionally presented schedule and budget. Studios react very positively to visual material, and funding a package to accompany the script would make a powerful impression.

- Similarly, the NZFC could fund the production of a ‘trailer’. It’s unusual, but not unheard of, for a film to raise money because the film makers have shot a 3 minute trailer, showcasing the style and tone of the movie. This would have to be approached in a cost-conscious way, that is, have money for production value, but no large fees for the ‘above the line’ talent.

- A more basic way that the NZFC funding can get a project off the ground is to offer its funds on a ‘first in, last out’ basis. Such concessional investment is consistent with a developmental role.

This middle level of our film industry model presents the trickiest challenge: how to keep emerging film makers in NZ, when they have achieved international attention, and can no longer be fully funded by the NZFC.

The third level comes naturally, and contains the greatest reward, with the least input – as it should. It’s the level that justifies the early risks.

3/ A GROWING NUMBER OF SUCCESSFUL KIWI FILM MAKERS BASE THEMSELVES IN NZ, ATTRACTING BIG BUDGET FINANCE FROM OFFSHORE

In our proposed NZFC game plan, this is the level that sees the greatest financial return on the original investment. The government funding, lottery funding and various other sources of funds that make up the NZFC’s annual budget see potentially huge returns at this stage.

That return comes in many forms:

- Foreign exchange from large budget films funded internationally and produced locally
- Large employment opportunities
- Related income tax

• Up-skilling of NZ film crews
• Growth of local film infrastructure and related businesses
• Tourism opportunities
• Promotion of New Zealand

This concept is based on first-hand experience at WingNut Films with *The Lord of the Rings*. While *LOTR* is often viewed as a unique situation, we believe there is enough talent in NZ to see several more film makers create something similar for themselves.

To be specific, we are talking about film production companies, built around an individual film maker, who are able to attract independent, international funding for their projects. Budgets will vary, but they will most likely be large by NZ standards.

It's an attainable goal, but it needs to be deliberately targeted, with support committed at several strategic points, as we have laid out in this game plan. It's the natural end result of a talent–based development system. At the moment it's left to chance, and when a film maker has to choose whether to stay in NZ, or leave to pursue work, there is little to keep them here.

The early help the NZFC gave to Peter has been a strong factor in making him determined to try and stay working here. It creates a loyalty that's impossible to legislate – and points again to the importance of a trusting relationship between film maker and NZFC.

This 3-level concept is built strictly on NZ resident film makers, who choose to live and work here, developing projects they feel passionate about. We are not considering foreign productions that import their above-the-line talent, shoot and leave.

If we had six or eight strong Kiwi storytellers based here, attracting US dollar budgets, there will be a natural mix of films with Kiwi content and films without. WingNut Films secured its infrastructure by telling stories set in Middle-earth, and now it has at least three films in development with strong NZ content.

IN SUMMARY

- The NZFC should work to a long term game plan, and every dollar it spends should be aimed at achieving some aspect of that plan.

- At the moment, the NZFC tends to be project driven – it focuses on the project that has been presented to it. But it should look beyond that, with equal attention given to the creative talent, and how best to support them, to achieve long term objectives.

- The NZFC should invest in talent, and measure its success in more than box-office dollars.

- With the staff making all funding decisions, and the Board looking after policy, the film maker will experience consistency in development and funding. The process will be centred on the film maker.

- No two film makers are alike, and the NZFC must have greater freedom to 'back horses', based on individual talent, without being constrained by precedent.

- The NZFC should look at ways to provide strategic support (rather than funding) to talented storytellers as they attempt to establish international reputations with their second and third films.

- We will have a truly successful film industry when we have a healthy, consistent rate of production across all 3 levels of the plan.

THE FINANCING OF FILMS IN NZ AND THE ROLE OF THE NZFC

The ambitious scenario we paint in this report of an industry operating across three orders of magnitude, from the micro (films made for 10s of thousands) to the macro (movies made for 10s of millions), cannot be delivered on the current policy and funding settings. To bring it off will require a matching ambition on the part of the NZFC and the Government. In this section we describe an approach fitted to that task.

• The importance of incentives

It is a fundamental principle of economics that people respond to incentives, and film makers are no different. As obvious as this seems, it is nevertheless the case that films are often structured in ways that give film makers little or no incentive, or even the wrong incentives. For example, film makers generally have no meaningful share in the box office revenues of the films they make. There are too far down in the chain of payments. They are thus disconnected from the audience feedback of full (or empty) cinemas. We believe this situation is unhelpful to the industry's development. Giving film makers the right incentives, and aligning their interests with other participants', should be a priority for the Commission. The Screen Production Incentive Fund (SPIF), introduced in July 2008, was a positive step in this direction. It gives producers an ownership stake in their films, which has the effect of aligning their interests with the interests of other owners, including the Film Commission. Building on this approach, we propose the creation of a Box Office Incentive Scheme that would augment returns from the New Zealand box office, amplifying the feedback to film makers from cinema audiences. The proposal is described later in this section.

• Bringing distributors to the table

Film financing traditionally is driven by distribution commitments made by film distributors. Their involvement helps connect the film making process to the distribution process and ultimately to audiences. But in a country as small as New Zealand, and as distant from the major markets, such financing is hard to find – and has grown harder to find in the wake of the global financial crisis. Below we propose a Mezzanine Distribution Fund designed to match distributors' financial commitments to New Zealand films. As well as encouraging distributors to back local films, we believe the Fund could play a critical part in helping first-time film makers make the difficult leap to their second and third films.

- **Attracting foreign investment**

Commercial film making is a business carried on at a global level. Most of the capital it needs comes from specialised funds or major distributors, the US studios in particular. Competition for funds is intense, with many jurisdictions around the world now offering rebates and tax concessions designed to reduce net costs of production. New Zealand has the Screen Production Incentive Fund, described above, the Large Budget Screen Production (LBSP) Grant and the Post, Digital and Visual Effects (PDV) Grant. The SPIF scheme supports producers and investors in domestic productions with significant New Zealand content, while the LBSP and PDV schemes provide incentives to producers who bring major international productions to New Zealand. We believe it is essential that New Zealand remain a viable location for major productions. A loss of competitiveness could see even major New Zealand films pushed offshore, in pursuit of lower costs. While that might make sense for individual films, for the industry as a whole the result would be a dissipation of talent, skills and infrastructure, all hard-won. Below we discuss the SPIF scheme and the projected 2011 review of the Large Budget and PDV schemes.

- **Engaging the financial sector**

The film industry has been hampered in its development by its lack of engagement with the financial sector. Few producers have sufficient capital to properly fund their operations or develop their businesses. Most limp from project to project. When it comes time to finance those projects, they rely almost exclusively on a single, overstretched financier – the Film Commission. With little understanding of the language or expectations of the financial sector, they hardly know where to start. The financial sector for its part knows next to nothing about the film industry.

For film makers demoralised perhaps by the unforgiving economics of the business, it's easy to view the industry's lack of connection with the financial sector as somehow permanent – something that can't be fixed. But this underestimates not just the appeal of the business but the ingenuity of the financial sector. Both are considerable. Later in this section we discuss how the Film Commission can help the industry engage with the financial sector.

A BOX OFFICE INCENTIVE SCHEME

New Zealanders watching New Zealand films is the end goal of everything the Film Commission does; every other goal is subsidiary. It is one of the two guiding outcomes specified in the Commission's Statement Of Intent. Undoubtedly it is an important goal for film makers too. Yet there is no financial reward for local box office success. Even a hit film generating $2 million or $3 million at the NZ box office is unlikely to return any profits to the film maker. There are too many costs and film makers are too far down the chain of payments.

This disconnection between box office and film maker is something the Film Commission should address. It could, for example, follow the French model and allocate some part of its project funding purely on the basis of past box office performance. Thus a film that performed well at the local box office would automatically generate an NZFC contribution to the film maker's next project. Taking this idea one step further, we propose the creation of a Box Office Incentive Scheme. The Scheme would reward local box office performance through grant payments at the rate of, say, $1 per $10 of gross box office. Thus a film that did $2 million at the box office would attract an incentive grant of $200,000. As a guide, we note that New Zealand films collectively generated average annual NZ box office of about

$4.2 million during the past decade; similar performance, with the new scheme in operation, would generate total incentive payments of about $420,000.

Payment would be made to the production company and ideally would be unconditional, that is, it would be up to the production company to determine how it was used. It is reasonable to expect that such payments would quickly be reflected in contractual arrangements and thus might be applied as a reward to investors, or to fund production company overhead, or new project development. At a future time, it may be appropriate to apply the same approach to new media, such as video-on-demand, as these new media become important pathways for films to connect with local audiences.

A MEZZANINE DISTRIBUTION FUND

Film distributors are the middlemen of the film industry, mediating the connection between film makers and audiences. Getting them involved in the marketing and release of New Zealand films is crucial. But New Zealand is a small and distant market and it's sometimes hard to get distributors' attention. To meet this difficulty, we propose the creation of a Mezzanine Distribution Fund.

The Fund would match the advances made by local or overseas distributors to New Zealand films and used in the financing of the films. As we envisage it, the match would be $1 for $1 and would be by way of loan funds drawn down in parallel with the distributor's advance, to meet the costs of production. There would be minimum and maximum loan amounts, determined by the Film Commission from time to time. While the Fund and the distributor would share the risks of the film equally, and recoup their advances side by side, the Fund would give the distributor priority in the recoupment of its distribution fees.

To be specific, there would be a standard recoupment schedule where, in first position, from the gross film rentals, the distributor would recoup all marketing and release expenses approved by the Fund; in second position, the distributor would receive 50 per cent of its normal distribution fee; in third position, the Fund and the distributor would recoup their advances, *pro rata and pari passu* (that is, at the same rate and the same time); in fourth position, the distributor would receive the balance of its distribution fee; and then in fifth position the Fund would receive the interest due on its advance. Proceeds from all media would be applied to meet this schedule until the Fund was fully recouped including all interest due.

The idea of the Fund is to embolden distributors in their engagement with New Zealand films. But the benefits would extend beyond distributors. The films and the film makers themselves would benefit from the closer connection to audiences that distributors enable. The active involvement of a distributor in the making of a film brings a discipline to the process that is about understanding who the audience is for the film, what will work (or not work) for that audience, and how to find and communicate with the audience to persuade them to come to the film. Involving a distributor at an early stage also helps to deepen its engagement with the film, allows longer lead times to develop the marketing campaign, and gives time for the producer to respond to the distributor’s feedback about the film.

Importantly, the Fund would help film makers who have made one or two successful small films to make the difficult transition to making larger, commercially supported films.

2011 REVIEW OF THE LBSP AND PDV INCENTIVES

The LBSP and PDV schemes offer incentives equal to 15 per cent of qualifying production expenditures for major productions brought to New Zealand, or for NZ productions that do not satisfy New Zealand content requirements owing to the number of foreign elements, such as, for example, *District 9*.

The two schemes are due to be reviewed later in 2011 – a review which will follow on the heels of the current Australian Government review of the Australian Screen Production Incentive scheme. The Australian industry reportedly is lobbying hard for substantial increases in the value of its location and PDV incentives.

In the context of the projected review of the LBSP and PDV incentives we would emphasise:

- The incentives offered by New Zealand need to be competitive with incentives offered in other countries but we do not have to lead the competition in a 'race to the bottom';

- There is no need to compete with every country offering incentives, only those which present genuine alternatives to producers who would otherwise come to (or stay in) New Zealand;

- There is a need to be responsive to long term currency movements (as distinct from short term fluctuations) as a factor shaping competitiveness; and

- There is great value in stability, predictability and simplicity in the operation of incentive schemes.

Without incentives, our vision of an industry capable of producing six to eight major commercial films annually is very unlikely to come about. The studios may still make these films, but not in New Zealand.

THE SCREEN PRODUCTION INCENTIVE FUND (SPIF)

The SPIF is a relatively new fund offering grants equal to 40 per cent of qualifying New Zealand production expenditure in eligible New Zealand films. The Fund is modelled on the Producer Offset scheme legislated in

Australia in 2007. The SPIF expenditure threshold is $4 million – smaller films don't qualify – and the maximum grant to any one project is $6 million. The government has forward committed $68.5 million to the Fund over five years.

The SPIF is an important policy innovation. For one thing, eligibility is based on objective criteria; there is no subjective assessment of the creative elements, as there is for other Film Commission funding. Secondly, it's a grant rather than an investment, and it's made to the production company rather than directly into the production. The effect is to give producers an ownership stake in the films they produce, since the grant, once invested in a film, gives rise to an equity interest held by the producer. Of course the value of the stake depends on the preparedness of other equity investors to recognise the producer's interest – which is to say, it's a matter for negotiation. Importantly, the Commission has agreed to recognise producers' SPIF interests, though with limitations.

We think giving producers an ownership stake in the films they produce makes good sense. It aligns the interests of producers with the interests of other owners, including the Commission itself. It gives them an incentive to make the best films they can and to use the resources they're given in the most effective way. While we don't doubt that film makers always want to make the best film they can, the SPIF reinforces that impulse and rewards its successful achievement. We strongly support its continuation.

RELEASE OF CONFIDENTIAL TREASURY REPORT

As this report was being finalised, a confidential Treasury report was obtained and partly published by a local newspaper. It presented a negative perspective on government support for the NZ film industry, mainly criticising the Large Budget Screen Production Grants scheme.

The Treasury report made the comment that the *'recipients of LBSPG funds to date have been large international media companies, such as 20th Century Fox and Disney'.* This comment, intentionally or not, produced a negative spin. Thus reports in NZ news media highlighted the Avatar rebate going to 'Rupert Murdoch'. The reality is that in today's film industry, the only funders of large budget movies are the Hollywood studios – and all the studios are owned by large corporations:

- 20th Century Fox is owned by News Corp
- Universal is owned by General Electric
- Sony and Columbia are owned by Sony, Japan
- Paramount is owned by Viacom
- Warner Bros and New Line Cinema are owned by Time Warner

So if New Zealand wants to be in the business of making movies with US$100m budgets, they will be funded by a large corporation, which will be seeking budget relief from the LBSPG scheme.

The other reality is that all these companies are publicly traded, and have shareholders to whom they report. The studios attempt to save money at all times – every dollar in a production budget is picked over and questioned. Without the incentives, WingNut Films would not have been able to make *The Lord of the Rings*, *King Kong* or *The Hobbit.*

Removing these incentives would undermine the studios' appetite for bringing expensive productions to NZ – and there are plenty of other countries, as well as states and provinces, that would be only too willing to take those films and those dollars. We may think our landscape is unique, but a publicly traded multinational conglomerate won't hesitate to substitute the mountains of Canada, the black forests of Germany or the lush green of Ireland if the numbers point that way.

The Treasury report refers to a 2005 LBSPG evaluation, which concluded that *'very large budget films that come to New Zealand usually did so for quality and creative reasons rather than economic reasons'.* This is simply untrue. Without the LBSPG, Universal would have insisted *King Kong* be moved to Canada in the blink of an eye. There's nothing this country offers that justifies the budget hit Universal would have taken by basing the film in a country with no production incentives.

Reports like the one from Treasury, and the resultant media coverage, create the impression that these NZ production incentives are unusually generous. To put this in perspective: the NZ Large Budget Screen Production Grants scheme offers a 15 per cent rebate on all production dollars spent in NZ.

By comparison:

Canada:

Alberta: 29 per cent of all eligible production expenditures

British Columbia: 18 per cent tax credit. 25 per cent of qualified BC labor. Plus an additional 15 per cent vfx tax credit.

Ontario: 25 per cent for all local spend. That can be bundled with an additional 16 per cent on Canadian labor. They also have a 20 per cent tax credit on vfx.

Quebec: 25 per cent all spend production tax credit + 20 per cent tax credit bonus on labor expended for all greenscreen and vfx shots + 16 per cent federal tax incentive for Canadian labor. That's a total of 43 per cent possible!

France: 20 per cent incentive

Germany: Partnering with a German production company and shooting in a studio like Babelsburg, which can make government sponsored investments to lure work to the studios, can generate up to 40 per cent of a production budget.

Hungary: 20 per cent incentive

Ireland: up to 28 per cent tax break on Irish spend

USA: 40 states offer incentives. Some examples:
Louisiana: 25 per cent motion picture investor tax credit; 10 per cent Louisiana employment tax credit; 15 per cent sound recording tax credit; 15 per cent digital media tax credit; 40 per cent infrastructure tax credit.
New Mexico: 25 per cent tax rebate + no sales tax.
Michigan: 40 per cent
New York: 30 per cent state tax credit; sales tax exemptions; 5 per cent tax credit on investment in construction and upgrades to qualified film production facilities.
Georgia: 30 per cent (20 per cent for production and post prod expenses + 10 per cent for inclusion of the Georgia promotional logo).
Connecticut: 30 per cent + hotel tax is waived for anything over 30 days.
Illinois: 30 per cent across the board.

These countries offer incentives because they know the benefit in labour opportunities for their local workers and the spend that a large film production can generate in hotels, restaurants, local shops, car services, etc.

Australia: 15 per cent Location offset. 15 per cent PDV offset.

Interestingly, an Australian Government paper entitled '*2010 Review of the Australian Independent Screen Production Sector'*, points to rather different conclusions than those reached by NZ Treasury: '*Large budget offshore productions locating to Australia provide important employment and skills development opportunities for the local film and television industry. The size of such productions encourages creative workers to upgrade their equipment, and ensures a strong skill transfer from large budget productions to independent film.'*

Australia has recently modified its incentives, dropping the 70 per cent Australian expenditure threshold for the Location Offset (thus matching

New Zealand, which dropped the 70 per cent threshold in 2007), and reducing the threshold for the PDV Offset from $5 million to $500,000.

The Australian Minister of Arts and Heritage, Peter Garrett, says: 'These changes will provide a fresh boost for the Australian film industry'. Assistant Treasurer Nick Sherry says that the changes are part of the Australian government's commitment to building a strong and thriving local film industry. 'These changes will increase the likelihood of productions choosing to film in Australia, providing increased employment opportunities for Australian casts and crew'.

It's too early to say how these changes will affect NZ film making, but we do often compete for the same offshore productions. The Government should pay close attention to this.

ENGAGING WITH THE FINANCIAL SECTOR

It has been said about the movie business that 'nobody knows anything'. Certainly it is an industry that produces surprises. But a film is not an unknowable 'black box'. There are parts of the cashflows of a film that are relatively secure and predictable – the presales negotiated before the film is made, the minimum guarantees pledged by distributors, and the 'low' end of the sales estimates provided by sales agents. Lenders familiar with the industry finance these prospective cashflows quite readily.

The further, less predictable cashflows of the film are the province of equity investors. Their appeal depends on the expected ratio of reward to risk, the timing of returns, and the internal considerations of the investor. The latter can include factors that go beyond the purely financial. Some investors may relax their financial expectations, or accept risks they would ordinarily shun, because an investment pays off in other ways – the glamour of association with the film industry, the chance to be part of something creative. We note that the Hollywood industry has been particularly effective in delivering these kinds of benefits, thus reducing its cost of capital to rates well below what would be justified by the risk profile of the movie asset class.

There is a role here for the Film Commission. It already deals with commercial lenders and investors as co-parties to the films it helps finance. The role we envisage goes beyond this but begins simply enough with the sharing of information, since information is the lifeblood of markets and trading. It involves helping develop new financial structures and instruments, and the documentation describing them. And it involves promoting – and explaining – the film industry to the institutions and intermediaries that make up the financial sector.

We do not foresee a time when the industry will not depend, to some extent, on the Film Commission and the programs it administers. Nor do we imagine that the kind of engagement we describe here can come about quickly. It will require a long-term effort, perhaps 10 years. We see that effort as integral to the vision offered here.

EXPECTED RETURNS

From inception, the Film Commission has been the single largest investor in New Zealand films. In its first 30 years it invested $217 million in film production – $190 million in feature films, $21 million in short films and $6 million in low budget, experimental films. Data for the period 1993-2006 shows the Commission typically invested at least 50 per cent of the production costs of a film (39 films out of 58); in eight cases it met 100 per cent of production costs – all relatively low budget films. (There were also films where the Commission was a minority investor only, investing less than 20 per cent of production costs. There were eight films in this category in the period, all relatively high budget.)

The Film Commission is an equity investor, absorbing much of the underlying risk of the films it helps finance. It typically recoups in a subordinate position, behind commercial investors such as distributors and sales agents, that license particular rights in films or put up guarantees against future sales. These commercial investors retire their guarantees and recover their costs before any money is paid to equity investors like the Commission. In this respect, the Commission's financing policy is similar to other funding agencies'.

Unsurprisingly, the Commission has incurred substantial losses in its investment program. These reflect not just the risks of its investments but also the small size of the New Zealand market (the primary market for most New Zealand films). The pattern of returns is the same for films the world over: a small number of hit films wildly outperform the rest. This characteristic 'right-skewed' distribution yields high returns to investors in the hit films but poor returns in the average case. For an investor like the Commission, the position is made even more difficult by its commitment to policy goals that do not fully align with commercial objectives. While we were unable to access data for the full 31 years of the Commission's life, data for the 1993-2006 period shows the Commission recouped just under 20 per cent of its investment in the 58 films it supported in that time – in dollar terms, $12.9 million recouped against $66.2 million invested. (By way of comparison, the Film Finance Corporation, Australia invested AUD$1,345 million in 1,165 film and television projects between 1988 and 2008, recouping $274 million, or 20.3 per cent.)

In conclusion, we make the observation that the financial returns achieved by the Commission are an incomplete measure of its success or failure. Much of the value of its work lies elsewhere. It is in the confident, outward-looking New Zealand culture that the film industry has helped create. It is in the way people in other countries regard New Zealand, and their willingness to visit and do business. Arguably, the industry itself is a 'return' to the Commission's long investment since without it, there would be no industry. To give some scale to this: Statistics New Zealand assessed the contribution of feature films to the gross revenue of the screen production sector at $487 million in 2007/08 – or more than 20 times the Film Commission's budget in that year.

OTHER NZFC OPERATIONS AND FUNCTIONS

Below we present our assessment of the Film Commission's other operations and our recommendations for change.

FROM ADVERSARY TO PARTNER

The Commission is a demanding negotiator in its investment program. People who have dealt with it describe it as 'tough', 'difficult' and 'inflexible' in its position-taking. That may not be cause for concern when it's negotiating with international distributors and buyers, who can be expected to give as good as they get. But it is cause for concern when the counterparties are the Commission's own clients – the film makers it's meant to support. This appears to be the situation. As one producer put it, dealing with the Commission is 'like trying to climb a mountain with your fingertips, with someone rapping on your head with a spoon'. What comes across is an organisation that has constructed its relationship with film makers as one of 'us and them', as fundamentally oppositional.

That is not compatible with the model we propose, of a talent-focused partnership. To move towards the partnership model will require quite deep changes in the culture of the organisation. Examples of the changes we have in mind are: developing within the organisation a deeper understanding of the film making process; having more clarity in decision-making; sharing information more candidly; and having an appreciation of the personal circumstances of film makers, especially the financial stresses they may encounter in the film making process. Lack of awareness of those stresses was among the most common criticisms of the Commission by film makers to whom we spoke.

Beyond questions of attitude, there are practical ways in which the Commission could manifest its commitment to a partnering model. Here are three we advocate.

LESS STICK, MORE CARROT

The Commission has already moved to extend the equity-sharing model of the SPIF (described above) to non-SPIF films it supports, giving producers a 40 per cent 'corridor' in the recoupment schedule, alongside the Commission. We welcome this move but urge the Commission to go further. Rather than a corridor, we propose a full equity partnership, where the Commission and the producer share 50:50 in the equity that arises from the Commission's investment in a film. (In SPIF films where the Commission co-invested, the partnership equity would be capped, so that the total equity available to the producer from the SPIF and the Commission was no more than 50 per cent.) Further, we propose that the Commission's equity share revert to the producer five years after delivery of the film. We make these proposals having regard to the relatively low contribution that investment returns make to the Commission's budget. We speculate that giving film makers the incentive of an equity stake may lead to higher average returns from the Commission's investments. These higher returns should at least partly offset the negative impact of increased equity sharing. Over time this approach should increase the capital of New Zealand producers, reducing their dependence on the Commission.

SHARING DECISION-MAKING

The decision to back a particular film maker or film making team must obviously rest with the Commission. But once that decision is made, it creates a relationship within which decision-making can, and should be, shared. As an example, consider a decision to back a particular team to develop a film with a view to production. Suppose the Commission committed $100,000 to develop the project. That decision belongs to the Commission alone. But decisions about how to allocate the $100,000 should be shared decisions, made by the team and the Commission acting together. Below a certain level, in this example say $30,000, they could be made by the film making team alone. We believe this kind of shared decision-making is appropriate to a partnership model. The Commission has worked in this way in the past with its Devolved Development Funds and Producer Overhead Funds. What we are proposing builds on this earlier approach.

MORE FLEXIBILITY, FEWER GUIDELINES

Much of what the Commission does is scheme-based and guideline-shaped. It's at once directive (deciding what schemes to offer) and reactive (waiting to see who comes in the door). Once again, this approach is not consistent with the partnership model we are advocating. Fewer schemes, simpler guidelines, more flexibility – these should be the goals.

MARKETING AND SALES

The Commission is unusual among its peers in having not just a marketing department but a sales agency too. All the film agencies in our survey (see table 2, Attachment 2) are involved in marketing their industries to the world, primarily by attending the major film festivals and marketplaces. But only the New Zealand Film Commission is directly engaged in sales. (There are other film agencies that undertake sales, outside our survey group. They include agencies in China, Mexico, Russia, Spain and Ukraine.)

In our discussions with film makers we heard no significant criticism of the Commission's marketing role, other than its cost. The Commission is widely viewed as an effective representative for the industry, helping build the NZ film brand. A 2007 review by consultant Sue Murray supported this view. The sales agency, in contrast, is controversial. Until recently, film producers were obliged to engage its services as a condition of investment by the Commission. This requirement has now been relaxed so that producers may engage other sales agents. The industry welcomed this move but there remains a question whether the Commission should be involved in sales at all. A new factor bearing on the question is the sales expertise of chief executive, Graeme Mason, whose career path has included sales roles at several major companies.

The case for the sales agency emphasises its relative stability and the ready access producers have to it as a New Zealand-based agency. These are relevant considerations in a volatile business transacted mainly on the other side of the world. Another consideration is the agency's preparedness to take on films that might not otherwise attract a sales agent. The case against the agency rests on its costs (which reportedly have exceeded its revenues in some years) and an argument that more specialised agencies might achieve better sales results. This is probably the most serious criticism of the agency. It has also been argued that the agency's New Zealand location and time zone are not a benefit but a limitation, reducing its effectiveness as a sales agent.

The question of costs is hard to untangle. In its latest Statement of Intent the Commission reported 2008/09 expenditure of $956,000 on international sales and marketing. There is no breakdown of costs between marketing and sales – the two roles are very closely intermingled. Realistically, if costs were apportioned between the two roles, the sales agency probably lost money, with income from sales commission of just $230,000. (Film income was $850,000 but this is income that derives from the Commission's investments, which other sales agents could probably have matched and possibly bettered.) But whatever the cost, with the agency now optional for New Zealand producers, its viability must decline, as other sales agents pick off the more commercial films, leaving it with the harder-to-sell titles.

In this circumstance, of borderline and declining viability, we think the Commission should pull back from sales and instead position itself as a producers' representative, along the lines proposed in Paul Davis's submission to this review. Paul suggests the sales function be 'moved up a level in the distribution chain' so that the Commission 'becomes responsible for licensing films to sales agents, not licensing rights to individual territories as it is now'. This would involve working with film makers 'to identify appropriate sales agencies and making approaches on behalf of, or together with, film makers, and then working closely with the agency through the sales cycle to ensure the film is properly represented and reports and payments are forthcoming'.

We would add that where this role overlapped with the financing of a film – as it usually does – it would be appropriate for the Commission to take (or share) an executive producer fee and credit on the film.

This approach should secure most, if not all, of the benefits of the sales agency role, without all of its expense. It would also arm producers in their dealings with international sales agents, giving them the benefit of the Commission's expert advice and supervision.

THE POWER OF INFORMATION

Statistics New Zealand counted 2,223 active businesses in the screen industry in 2008. More than 1,900 of these businesses had revenues of less than $500,000; over 1,000 had less than $100,000. The heart of the industry is thus the micro-business – one person working alone, perhaps two, trying to pull off projects that require the assembly of people and capital in outsize quantities – like ants dragging a caterpillar.

To do this they need information. They need to know about markets (what buyers are looking for, how much they're paying, whether they're paying); talent (who's available, who's hot, who's not); money (who's got it, what they want for it); technology (what works, how it works, what it costs); the list goes on. Because they're small, they don't have much capacity to gather or analyse the information they need. Compared to their counterparties – the agents, suppliers, distributors and financiers with whom they do business – they are information-poor. That poverty leads to lost time, wasted effort, poor decisions and eventually, in some cases, to business failure.

The organisation best placed to alleviate producers' information poverty is, of course, the Film Commission. After 32 years in operation, nearly $200 million of investments in more than 130 films, whose commercial histories are held in its files – the Commission is information rich. With every new film it supports, every market it attends, it adds to that wealth. Some of this information is shared, through post-market briefings and occasional seminars. But most of it is inaccessible, buried in the physical files, unindexed, and hedged around by confidentiality rules. The Commission therefore sits on its information wealth, a hoarder not a sharer.

Below we describe a model that might help solve the problem. The model is essentially an online subscription service or 'wiki' open to New Zealand film makers. The service would build and maintain a database of New Zealand films describing their financing, production and distribution. There would be a modest subscription fee, which would go towards building and maintenance of the database. As a condition of subscribing, film makers would agree to share information about their own films, including information held by the Film Commission. It would be an opt-in system, with no obligation to join. There would be a reciprocal undertaking between the service and its subscribers to respect the sensitivity of information; a protocol would govern this. Access to the database would be password protected. Subscribers would be welcome to add their own commentary and analysis. Over time the wiki would accumulate the information depth of a major company but put this in the hands of small, independent film makers.

This service or something like it is what it will take to fix the problem of information poverty. The role of the Commission could be to manage the service, building on its own information holdings. But this is not essential; it could be managed by another organisation. What matters is that the

Commission support the idea and work to share its information with the industry. Doing so would signal its intention to be a true partner, trusting its information with New Zealand film makers.

The film industry has paid a high price for its confidentiality. Whether there has been any great benefit is questionable. (Some of the most senior people we spoke to didn't think so.) We believe it is timely to consider a different approach. Technology has made possible an efficient sharing model – the wiki – that may be worth the effort of change.

TRAINING AND PROFESSIONAL DEVELOPMENT

The Commission's enabling legislation provides that it should promote the 'study and appreciation of films and film making'. This made good sense at the time the Commission was established. The film industry barely existed and training opportunities were very limited. That is no longer the case. There are three undergraduate media degrees and two art schools offering film majors; there are also video production courses at provincial polytechnics and a half dozen private training enterprises. A study in 2003 found there were 67 courses offering training of some relevance to the film industry. However, there remain questions about the industry readiness of graduates from some of these programs, and there are gaps in the area of continuing professional development for film practitioners. What role, then, should the Film Commission play?

While training is obviously crucial to the industry's growth and development, we believe the Commission is neither the best nor the logical home for this function. For the Commission it will always be a subsidiary function, and arguably a distraction from its core function, of building a talent partnership with New Zealand film makers. The Commission is too small an agency to carry out diverse, expert functions, without spreading itself too thin. It needs to bring all its attention and skill and resources to bear on its core function – do that one thing, and do it well.

With these thoughts in mind, we would urge the Commission to explore alternative, possible homes for its training function, possibly within an existing organisation or perhaps a new entity formed for the purpose. It would seem logical to involve the industry guilds in this exploration, and in the administration of any new training entity. There may also be merit in joining forces with other organisations in the screen content sector, particularly those involved in television production, with similar training needs. There is almost certainly scope for a shared training approach.

We envisage that the Commission's current funding commitment to professional development ($560,000 in 2008/09) would be maintained until the new arrangements were in place, and thereafter be paid as an annual grant to the new entity. There may be scope to reduce this commitment over time, as new funding arrangements are developed.

As part of any new training arrangements, we support the idea of a training levy on film production in New Zealand. Levies have been used for this purpose in many other industries and countries. The levy should apply to all film productions above a minimum production expenditure of say, $500,000, and be calculated as a fixed percentage, say 0.15 per cent (a rate that would have yielded a levy contribution in the order of $500,000 in the 2007/08 year). The levy would be paid into a fund administered by the entity described above. Contributions from the Film Commission (and any other founding organisations) could be paid into the same fund.

The Commission should also encourage producers to take on trainee attachments, a highly effective form of training and a direct way for producers to give back to the industry.

THE ARCHIVE FUNCTION

The Commission is charged in its enabling legislation to promote 'the proper maintenance of films in archives'. For many years now that obligation has been acquitted by providing funds to the New Zealand Film Archive – $210,000 in 2009/10. The Film Archive was founded in 1981 and operates as a charitable trust, with a collection of more than 120,000 titles. It summarises its three basic roles as 'collect', 'protect' and 'connect', which it has done to the best of its ability with very limited resources. But the Archive is now facing challenges it is unable to meet. Perhaps most seriously, there is a preservation backlog affecting films from the 1970s onwards. Failure to act soon to begin clearing this backlog could result in permanent damage to, or loss of important titles.

The situation has been recognised, with a review of the Archive's services, governance and funding arrangements just completed and delivered to the organisations that fund it, including the Film Commission. We see no need to duplicate the findings of this review but confirm here our support for its proposals. In particular, we support the argument that the Archive should be reconstituted as a stand-alone institution with a 'single funding stream and mandate'. Fundamentally, the Archive should be viewed as an institution formed for the very long run, and protected as far as possible from short-run stresses and administrative contingencies. Much of its value lies in the future, for unborn generations who cannot be its advocates but very likely would be, if such advocacy were possible.

As with the training function, the Commission should continue to fund the Archive until it is reconstituted (if that recommendation is adopted). At that point, with its funding obligations taken over by government, the Commission would cease funding the Archive. We note that the Archive's funding must increase if it is to carry out the urgent preservation work described above. We strongly support this increase.

ATTACHMENT 1

TERMS OF REFERENCE FOR THE GOVERNMENT REVIEW OF THE NEW ZEALAND FILM COMMISSION

Purpose

To examine and identify what is needed to enable the New Zealand Film Commission (NZFC) to work in the most effective way possible as New Zealand's film funding agency in a rapidly changing environment and taking account of wider policy and economic imperatives, including fiscal sustainability.

This will include, but is not be limited to, the following topics:

- What are the challenges facing the NZFC in a rapidly changing domestic and international film industry context? This will include looking at technological changes, and the development, financing, production, marketing and distribution challenges that the New Zealand industry faces in an international setting.

- How can the NZFC most effectively act in a facilitative role to enable the industry to develop and produce high quality film projects that meet New Zealand cultural content objectives and reach a domestic and international audience?

- What impact has the introduction of the Large Budget Screen Production Grant Scheme and the Screen Production Incentive Fund had on the public funding environment and the role of the NZFC? What is the role of the NZFC in helping New Zealand production companies take advantage of these new incentives?

- What is the NZFC's role in providing assistance to ensure that New Zealand films reach an international market? Are there tensions between the NZFC's own interests and the interests of film makers and third party investors in marketing and selling New Zealand films domestically and internationally? Are there changes to the NZFC's role that are called for given the challenges facing the New Zealand film industry and the NZFC in the international environment?

- What are the NZFC's objectives and strategy for professional development, training and industry support? Examine these in the light of the international and domestic environment and best practice.

- Examine the NZFC's current approach to providing information and research and whether any changes should be made in this area to meet the needs of film makers and audiences.

- Examine the relationship between the NZFC, private investors, film makers and the international industry with a particular focus on roles in raising finance, developing, producing and marketing New Zealand films. Are there areas where greater collaboration would be desirable and if so how might this be achieved?

- Are the NZFC's structural, governance and management arrangements effective and similar to those of relevant national film bodies in other countries? How can the NZFC improve organisational/operational capability and value for money.

- How can the NZFC be responsive to the needs of New Zealand film makers to ensure that active industry professionals are involved in setting its strategic direction?

- Are the NZFC's strategic aims and objectives relevant to the current international and domestic environment and do they take account of the need to manage future funding demands?

ATTACHMENT 2

1. FILM SUPPORT AGENCIES - OVERVIEW

AGENCY	National population	Annual agency budget	Per capita spend	No. of employees	Features funded to production in 2008 via direct support	Local features 2008 (including co-productions	Box office share - local films
NZFC	4.3m	NZD21.5m	$5	17	6~	15	2%
Screen Australia	21.9m	NZD127m (AUD103m)	$5.80	172.5 (at Nov 2008)	22	34	4%
UK Film Council	61.1m	NZD171m (GBP72m)	$2.80	94	12^	111*	31% (includes UK/US films)
Danish Film Institute	5.5m	NZD31m (DKK113m)	$5.60	100+ (est)	26	26	33%
Centre National de la Cinematographie (CNC)	64.3m	NZD986m (EUR476m)	$15.30	***	***	240**	45%
Israel Film Fund	7.4m	NZD26m (NIS67m)	$3.50	6 listed	***	15	10%
Irish Film Board	4.1m	NZD41m (EUR20m)	$9.00	17	25	25	4%
Telefilm Canada	33.6m	NZD171m (CAD128m)	$5.10	200	29	81	3% (Eng 1%, Fr 14%)
Film 4	-	NZD24m (GBP10m)	-	11	6 (est)	-	-

* The UKFC counts Hollywood-financed ‘inward productions’ as local. There were 71 ‘culturally local’ UK films in 2008 (incl. official copros).
**Figure includes 196 ‘French initiative’ films (local films and majority-French coproductions)
***Information unavailable at time of writing
^ 47 films received UK public support in 2008 (excl tax breaks), as follows - BBC: 13 films, national/ regional screen agencies (eg. Scottish Screen, EM Media, Screen West Midlands): 33 films; UKFC production funds: 12 films
~Figure does not include 7 low-budget digital features also supported by NZFC
NB: currency conversions calculated using www.xe.com, Sept 7 2009

2. AREAS OF INDUSTRY SUPPORT

AGENCY	Film prodn/ developmt	Marketing	Distribution (direct)	Sales agency role	Short film	TV	New media	Career developmt	Film culture/ public education	Research
NZFC	•	•	•	•	•			•	•	
Screen Australia	•	•			•	•	•	•		•
UK Film Council	•	•	•		•	•	•	•	•	•
Danish Film Institute	•	•	•		•	•	•	•	•	•
CNC (France)	•	•	•		•	•	•	•	•	•
Israel Film Fund	•	•	•					•		
Irish Film Board	•	•	•		•	•				
Telefilm Canada	•	•			•	•	•	•		
Film 4	•	•			•					

3. NATURE OF SUPPORT AND GOVERNANCE

AGENCY	Form of production support	CEO profile	Board members have media industry experience?	Board makes production funding decisions?
NZFC	Equity investment. Administers 40% tax offset for qualifying films.	Graeme Mason: Exec at PolyGram, Universal Pictures and Channel 4	3 of 7	Yes: Applications considered by Board, after 'advice from staff and independent assessors'.
Screen Australia	Equity investment. Administers 40% tax offset for qualifying films.	Ruth Harley: CEO NZFC/ Commissioning Editor TVNZ/ CEO NZ On Air	7 of 8	Yes: assessed by SA execs and industry specialists, but contingent on board approval.
UK Film Council	Equity investment.	John Woodward: UKFC CEO since 1999. Previously Director of the BFI/ CEO, PACT	16 of 16	No: Premiere Fund liaises w Bus Affairs & Prodn Finance depts. New Cinema Fund: decisions made by Head of Fund, advised by Production Execs.
Danish Film Institute	Subsidies and advances for mainstream and 'innovative' films.	Henrik Bo Nielsen: CEO of a 'small but respected left-wing daily newspaper'.	***	No: Production & Develoment Dept administers artistic & commercial schemes
Centre National de la Cinematographie (CNC)	Subsidies and advances, delivered via automatic and selective programmes.	Veronique Cayla: Managing Dir, Cannes Film Festival/ various cultural administration posts	***	***
Israel Film Fund	Investment, with a recoupment and profit share policy	Katriel Schory: Producer of over 200 films, documentaries & TV dramas.	***	Yes: Board approvals based on executive & professional recommendations
Irish Film Board	Limited-recourse loans recoverable from revenues, & entitling IFB to share of net profits.	Simon Perry: former chief executive of British Screen Finance	7 of 7	No: Decisions made by an executive Project Group (incl professional consultants), but require Board's formal endorsement.
Telefilm Canada	Equity investment.	Wayne Clarkson: Exec Dir, Cdn Film Centre / Chairman & CEO, Ontario Film Developmt Corp/ Dir, Toronto Film Fest	4 of 6	No: Board and the Exec Dir co-develop core objectives; Exec Dir is 'accountable for the achievement of these objectives'.
Film 4	Investment.	Tessa Ross: Head of Drama at Channel 4 & at BBC's Independent Commissioning Group/ Head of Dev at British Screen	11 of 14 (Channel 4)	No.

***Information unavailable at time of writing