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The Political Economy of The Hobbit Labour Dispute: Global Hollywood, National Interests and Film Policy

Natàlia Ferrer-Roca, University of Girona, Girona, Catalonia

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Abstract

The power of Hollywood is not only borderless but also extensive around the world. Therefore, how Hollywood operates in a local context is a matter of concern, even more if the use of its power has clear political, economic and socio-cultural consequences for the host country in terms of a modified film policy. This research explains how "Global Hollywood" operates in a local context to defend its economic interests and adds to the contemporary discussion of Hollywood influence on cultural policy. Drawing on findings derived from a review of academic literature and secondary material, policy analysis, archival research and in-depth semi-structured interviews with New Zealand filmmakers and union representatives, this article takes an institutional political economy perspective to analyse The Hobbit dispute. It illustrates the structures of power associated with global and local stakeholders and analyses the interplay of interests among public and private actors involved in the dispute. It demonstrates that interests can change and evolve over time. Each institutional actor involved—the unions, Warner Bros, Peter Jackson and the NZ government—was motivated by a degree of opportunism and self-interest.

In the current Hollywood-dominated global feature film industry, every country that aspires to reach international markets needs to keep their cultural policies in balance in order to support, on the one hand, local culturally specific films and, on the other, facilitate the country's increasing participation in this global market. Indeed, in a difficult economic climate, attracting large-budget, internationally oriented screen productions has become a priority for many governments around the world. These productions are considered to not only generate domestic investment and employment but also to stimulate the domestic film industry and strengthen its infrastructure, even though Hollywood's current tendency is to produce more 'simple, repetitive or unoriginal films' (McMahon, 2018: 1). As Jones and Smith (2005) argue:

> While the concern of many countries outside America to tell their own cultural stories on film has been long-running, the increasing prominence of creative industries in economic development policies has given new urgency and importance to the negotiation of the relationship between Hollywood and smaller local industries (926).

Given the international impact associated with *The Lord of the Rings* (2001-2003) [1] (LOTR) trilogy and more recently with *The Hobbit* (2012-2014) [2], New Zealand (NZ) provides an effective, revealing national case study through which to analyse the relationship between the global phenomenon of increasing competition between countries to host foreign-financed film productions and the interplay with the domestic film industry in those host countries (see Ferrer-Roca, 2017, 2018, 2020; Leotta, 2014, 2017; Martin and Edwards, 1997; Mirams, 1945). In other words, this research explains how "Global Hollywood" operates in a local context to defend its economic interests and adds to the contemporary discussion of Hollywood dominance (Crane, 2014, Vlassis, 2016) and the influence of Hollywood on cultural policy (McDonald, 2016, Hill, 2016). The term 'Global Hollywood' describes the "international reach of the major Hollywood studios, and the internationalisation of financing, production, distribution and exhibition of films made by the majors or by their subsidiaries and partners" (Goldsmith, Ward and O'Regan, 2012; see also Miller et al., 2004; Wasko, 2003).

The industrial labour dispute that played out in NZ over *The Hobbit* – informally known as "the Hobbit dispute" or "the Hobbit law" and officially called the Employment Relations (Film Production Work) Amendment Bill – has been a recurrent topic of analysis in academic literature. Tyson (2011) looked at it from an employment relations perspective; Haworth (2011) explained the political and economic dimensions of the dispute, Nuttall (2011) focused on the legal dimensions; McAndrew and Risak (2012) observed the film industry's finance structures; Michelle et al. (2015) addressed how local and global audiences understood the dispute, while McLaughlin and Bridgman (2017) theorised the interplay between interests and identities within an industrial relations framework. Even the Los Angeles-based entertainment lawyer Handel (2013) wrote a short book on the Hobbit Crisis. The current article is innovative in that it employs an institutional political economy of communication approach and considers all the documents and emails released under NZ's *Official Information Act* (OIA) (including personal emails between Brownlee and Jackson). Further, this is the only study to date that has been informed by face-to-face, in-depth semi-structured qualitative interviews with some of the main actors directly involved in the dispute.

The article is organised into three parts. First, the political economy of communication approach and related methodology are explained. Second, an overview of the dispute is provided. This includes its beginnings in 2005 with New Zealand Actors Equity (NZAE), the controversy surrounding NZ screen industry's *Pink Book* rules [3], and the relationship with the Screen Production and Development Association (SPADA). The article also explains how a national dispute became international by involving the International Federation of Actors (FIA) and Warner Bros, and how the NZ government used this controversy to pursue its own political agenda. Third, the significance of the dispute and its repercussions for the entire NZ feature film industry is examined. In this context, the exercise of power is analysed at different levels—formal and informal, state and non-state agencies, along with macro-level forces. As institutional theory argues, various interests are negotiated according to each specific circumstance. The Hobbit case demonstrates that the interests expressed by each institutional actor—the unions, Warner Bros, Peter Jackson and the NZ government—changed and evolved over time.

Methodology

From a wide range of resources, archival research and expert interviews were the two main research methods employed. The former included relevant legislation, such as the 1978 New Zealand Film

Commission Act, public policy documents, Annual Reports and newsletters, statistics produced by NZ government departments and regulatory agencies, as well as documents produced by non-governmental organisations, such as industry associations and trade unions. In-depth reports and policy analysis proved to be particularly useful in revealing the institutional agendas and "political interests or forces and determinants behind policy developments" (Karppinen and Moe, 2012: 185). It is important here to acknowledge that some policies follow and implement other governmental agendas. In doing so, they can reveal any tensions arising among the institutional agents involved. Moreover, archival research enables a thorough analysis of the hundreds of pages of documents and emails released under NZ's OIA, including controversial and revealing emails between Brownlee and Jackson. A thematic analysis was conducted manually as all documents were received by conventional post.

The other research method used was semi-structured interviews. Victoria University's Human Ethics Committee vetted the proposal and approved it on the basis of assured confidentiality. Informed consent was obtained through a signed consent form from each interviewee before conducting the interview. In total, 25 professionals were interviewed. They included NZ producers, members of NZ government institutions (Ministry for Culture and Heritage, New Zealand on Air, Te Māngai Pāho (TMP) and the New Zealand Film Commission (NZFC)), marketing and distribution professionals, entertainment lawyers, film festival organisers, exhibition experts, and representatives of trade unions and professional organisations in the cities of Auckland and Wellington. All interviewees agreed to be recorded. Although most agreed to participate, especially as they were contacted using a "snowball" strategy, one expert refused to talk about the NZFC, implying that such participation had the potential for negative consequences. This was expressed as: "Not really wanting to talk much about the NZFC to tell the truth", with the addition that "I have been burnt a few times and comments on the NZFC have a way of coming back to bite one". This reaction was instructive as to how small and close-knit NZ film industry networks can be and affirmed the necessity for discretion and respect. Thus, some information cannot be directly referenced because of the potential adverse consequences for those involved.

A political economy of communication approach

The political economy approach is a sub-field employed in both the economics and communication studies disciplines (Babe, 2010). While those scholars grounded in economics tend to focus on material issues (economy), those pertaining to communication studies gravitate more towards the symbolic (culture) (Babe, 2010). Nevertheless, Babe argues that the political economy approach, which aims "to analyse the nature, sources, uses, and consequences of power, whether economic, political, communicatory, or otherwise", melds the material and the symbolic in one theoretical approach uniting these two disciplines (Babe, 1995: 51).

Political economy is particularly interested in understanding "power" [4] as embedded in markets and institutions" (Mosco, 1999: 104). This denotes "the study of the economy as a system of power" and society as undergoing continual change in terms of who gains, who loses, and who decides, in the local and global media sphere (Babe, 1995: 71). A common area of study in political economy research is the interrelationships of political, economic and media power, "especially those relationships that involve the state" (Wasko, 2008: 16). It is important here to provide an integrated analysis of the polity (legal/governmental processes) and the economy (business/financial affairs) (Babe, 1995). The state is not seen as an independent and neutral entity,

but “as a forum within which major economic interests exercise considerable power and influence” (Boyd-Barrett, 1996: 191). Political economy also considers structures not as rigid formats, but “as dynamic formations which are constantly reproduced and altered through practical action” (Murdock and Golding, 2005: 63). The approach taken in this article is institutional political economy as it allows us to understand “the relationships of power, control of resources, and interplay of interests” (Thompson, 2011: 1). Particularly, it looks at the way power relations are articulated and negotiated among different actors in the media policy sphere. They include global and local capital, government and state agencies, and workers in the media sector.

Because the study of political economy helps us to understand, among other matters, the global expansion of media industries, this perspective has been extensively implemented to analyse film industries and transnational/global Hollywood. The work of Janet Wasko (2001, 2003, 2005 2008, 2011) and Mosco (1988) is of primary significance. Also relevant is the work of Elmer and Gasher (2005), who gathered a group of contributors to analyse the growing practice of producing American films and television programs on foreign shores. Few scholars, however, have engaged with issues of employment law in the film industry. An early example is the work of Scott (1984) on the labour market of animated film workers, and Pendakur (1990) on the political economy of the Canadian film industry. More recently, Curtin and Vanderhoef (2014) looked at labour-organizing efforts in the digital visual effects (VFX) industry. It is worth noting that few political economy theorists have engaged with issues of employment law and its effects on film workers.

The Hobbit dispute begins

Around 2005, the NZAE started collecting complaints from its members that some of them were “being verbally abused, denied shelter, and not being offered blankets or warm drinks after long shoots in the water” on NZ productions (Hunt and Easton, 2012, para. 2). These concerns involved not only top-tier films, but also bottom- and middle-tier productions. As the situation unfolded, NZAE Vice President Phil Darkins warned that those who spoke out would not get further work: ‘To go public is essentially falling on your sword and saying your career is over’ (Hunt and Easton, 2012, para. 4).

Even more importantly, their contracts did not comply with the NZ screen industry’s *Pink Book* rules, even though these were considered relatively “weak” by international standards because they did not contain “any provision for fees or any share in residuals” (Kelly, 2011a). As the national union representing these workers, the NZAE decided it was necessary to negotiate a new enforceable employment standard and a new minimum set of terms and conditions with SPADA [5] for performers working in screen productions. In other words, NZAE sought to exercise the “internationally recognised rights [of their members] to collectively bargain” (Kelly, 2012, para. 1).

According to NZAE, SPADA refused to negotiate a new binding agreement on minimum terms and the conditions of engagement (personal communication, 11 April 2013). In the view of SPADA, they were not able to enter into collective bargaining with performers because they were independent contractors. This would be illegal under the *Commerce Act* 1986 (SPADA, 2010). Furthermore, even if they could negotiate a new standard contract, it would be completely unenforceable among its producer members, because SPADA is merely a representative organisation without enforcement power (personal communication, 4 February 2013). Consequently, NZAE tried to negotiate directly with production companies on individual projects with production companies, such as the television series *Outrageous Fortune*, *The Cult* and *This Is*

Not My Life (Fightback, 2010; Kelly, 2011a), and bottom-tier feature films, such as *The Insatiable Moon* (personal communication, 8 March 2013), without success.

In 2006, NZAE became part of the Media Entertainment and Arts Alliance (MEAA) [6] in Australia. Since then, NZAE has operated as an autonomous part of MEAA. In 2008, the International Federation of Actors (FIA) [7], of which MEAA and NZAE were members, became aware of the NZ situation and decided to stand in solidarity with NZAE. A sub-group of FIA—mainly English-speaking unions—suggested to NZAE that they were prepared to stand in solidarity by instructing [all FIA members] not "to sign any contracts associated with a chosen production that [was] being made in New Zealand" (personal communication, 11 April 2013). The strategy was not to blacklist a production, but to not sign the contract until the producers entered into a collective bargaining agreement, and SPADA and NZAE commenced negotiations. The intention was to demonstrate to SPADA that NZAE "had friends in high places" (personal communication, 11 April 2013) with the ability to have a far-reaching impact, despite their position as a small NZ union.

The production chosen as the "test vehicle" for these objectives was *The Hobbit: An Unexpected Journey*, which was to start shooting in 2010. From NZAE's point of view, it was expected that American film studio Warner Bros would bargain with performers in NZ as they do around the world, the dispute would be resolved indoors and thus 'under the radar' (Kelly, 2011a). There was nothing in particular against *The Hobbit*, Warner Bros or Peter Jackson (Hunt and Easton, 2012).

Overview of the Hobbit dispute

The dispute started in August 2010, when FIA sent a letter to 3 Foot 7 Limited, the company producing *The Hobbit* (owned by Warner Bros), advising that:

> [T]he International Federation of Actors [has urged] each of its affiliates to adopt instructions to their members that no member of any FIA affiliate will agree to act in the theatrical feature film 'The Hobbit' until such time as the producer has entered into a collective bargaining agreement with the Media Entertainment & Arts Alliance for production in New Zealand providing for satisfactory terms and conditions for all performers employed on the production. (FIA 2010, para. 5)

After this letter, a complicated, perplexing – and at times even bizarre – series of events occurred. Some commentators, including Tyson (2011), Kelly (2011b), Haworth (2011), Jess (2011) and Walker and Tipples (2013), have offered comprehensive descriptions of what actually happened. Nevertheless, all of them were published before the Ombudsman's decision in February 2013, which determined that '18 additional Hobbit related documents must be released by the Government' (The Scoop Team, 2013, para. 1). The analysis which follows has been informed by these new documents made available through the OIA.

The above conflict was resolved with surprising speed once the Government engaged fully with the dispute. On 26 October 2010, Warner Bros' representatives met with PM John Key, Economic Development Minister Gerry Brownlee, Transport Minister Steven Joyce and Arts Minister Chris Finlayson in Wellington (Tyson, 2011). After the first meeting, Mr. Key reported that the uncertainty around NZ's industrial relations law, the high value of the NZ dollar, and the financial incentives being offered by other countries, were driving the studio to consider shifting production of *The Hobbit* films overseas (Handel, 2010; Tyson, 2011). A day later (27 October), Mr. Key announced that *The Hobbit* would be made in NZ (Key 2010). The NZ Parliament debated the *Employment Relations* [Film Production Work] *Amendment Bill* on 28 October and passed it into

law after its third and final reading on 29 October 2010 (Tyson, 2011). The law was changed [or clarified] under Parliamentary urgency within 24 hours and without public submissions (ibid.). This Bill made all film industry and associated workers—be they crew, performers, bodyguards or cleaners—independent contractors (and freelance employees) as distinct from regular employees (Davison, 2013; Hunt and Easton, 2012).

Apart from clarifying (or changing) the NZ *Employment Relations Act* 2010, the government not only eliminated the veto power of NZAE in relation to "non-objection" letters when overseas actors come to work in NZ, but also widened "the qualifying criteria for the Large Budget Screen Production Fund to improve New Zealand's competitiveness as a film destination for large budget films" (Key, 2010, para. 6). The criteria included an "additional rebate for *The Hobbit* films of up to US$7.5 million per picture"' (para. 6). That figure was equivalent to NZ$20.4 million, on top of the existing 15 percent tax rebate (NBR, 2010). Furthermore, the Government also entered into a strategic partnership with Warner Bros "to promote New Zealand as both a film production and tourism destination". Consequently, the government gave NZ$13.6 million (US$10 million) to Warner Bros for marketing costs (Key, 2010, para. 8). This arrangement could be viewed as a "sizable gamble". Although the risk was minimal—there was "no guarantee that [overseas] moviegoers [would] embrace the 'Hobbit' films with the same fervour as the 'Rings' trilogy" (Cieply and Barnes, 2012: 2).

The significance of the Hobbit dispute

Let us now analyse the significance of the Hobbit dispute and the repercussions that it had for the NZ feature film industry. These began with NZAE trying to negotiate a new binding agreement with SPADA and finished with an adjustment to the *Employment Relations Act* 2010, the elimination of the Department of Immigration's formerly required non-objection letters from NZAE, and a substantial increase in the taxpayer-funded economic incentives for top-tier films. Each party involved in the dispute had its own position.

SPADA considered that regardless of whether or not the boycott had been lifted, the damage to the NZ film industry had already been done. "Prior to the industrial action being taken", SPADA commented, "*The Hobbit* was to be filmed in New Zealand. By creating a climate of uncertainty and unrest, and prolonging it by not lifting the 'boycott', the door that was previously shut was opened for other countries to lobby strenuously for the production to move" (SPADA, 2010, 2). New Zealand producer Richard Fletcher explained that, for American studios, 'the boycott was deeply problematic…but the biggest issue, which the boycott created, was uncertainty around the legislation', and the possibility that future union action may stop the production half-way through film production (personal communication, 20 March 2013). Many NZ producers, like Fletcher, believed that the true motivation behind MEAA's actions was not to protect the rights of fellow workers, but to place NZ at the same level as Australia, and by so doing, remove any competitive advantage for NZ over Australia as a film-making location. This perception of the MEAA's motivation as "competitive advantage" was evidently shared by Jackson, who considered that Simon Whipp—MEAA's official responsible for relations with NZAE—was following his own political agenda.

At a political level, the NZ government was concerned that "if Warner Bros deems New Zealand is not a good place to make movies, then there is a real risk other major film production companies will also believe that to be the case" (Cardy and Johnston, 2010, para. 10). As Goldsmith

et al. (2010: 152) points out, "film friendliness is what all places need to demonstrate to be considered as a location for Hollywood film…productions". Indeed, if *The Hobbit* had left New Zealand, it would have sent a very harmful message to a range of international businesses and investors, and one unfavourable to the business growth agenda of the National government (MBIE, 2013) [8]. Based on National's instinctive prioritisation of macro-economic objectives and free market principles (Thompson, 2011), the clarification of the *Employment Relations Act* 2010 was seen as providing "greater certainty" around the status of film workers, because it reflected the general nature and practice of the industry, as declared by Minister of Labour Kate Wilkinson (2011: 35). Moreover, this situation was also an opportunity for the Government to implement its anti-Labour movement agenda by diminishing the power of the union movement in New Zealand (Haworth, 2011).

The Government's view of the dispute was that "*The Hobbit* production was important for investment in the sector, for the on-going performance of the domestically-based film industry, for the technical skill base…and for New Zealand's international reputation" [9] (Haworth, 2011: 106). The Government's rationale for offering financial incentives to Warner Bros was based on the belief that the net investment of capital on *The Hobbit*, even with the extra subsidies, would leave the overall national economy in better circumstances. In other words, the sizeable capital investment that could be delivered by foreign-financed top-tier productions, enhanced in The Hobbit's case by its size, scale and continuity as a feature film trilogy, was considered beneficial for the national economy. Commenting on the Government's position and its potential to gain political capital from the dispute, Walker and Tipples (2013: 68) argue that "the need to avoid losing the productions gave it a mandate to intervene urgently for the greater good of both the local film industry and the nation's economy by passing the legislative amendment without the usual consultation and submissions processes". In other words, the collective public interest was framed in terms of economic prosperity and commercial gain.

As an internationally acclaimed director and producer, Peter Jackson entered the dispute with considerable knowledge and experience of leading large-budget foreign-financed productions. Prior to this dispute, he had problems with NZAE in relation to immigration visas for foreign actors and the Bryson case precedent [10]. Any problems or uncertainties that the Hobbit dispute created for his employer, Warner Bros, were received by Jackson as a form of personal attack, an unsurprising reaction in that the dispute threatened Jackson's business interests and his future as a producer of Hollywood films in NZ. *The Hobbit* production provided a suitably large-scale strategic vehicle for challenging an unresolved generic employment issue. This was not about the working conditions of *The Hobbit* in particular. Jackson's indignant response testifies to irritation and frustration at *The Hobbit* being singled out, and potentially threatened in terms of its ability to proceed in NZ.

Jackson's concern about the MEAA's financial motivations should not be overlooked. One of the main MEAA duties, consistent with those of SAG [11] and of other leading screen actor unions, is to collect residuals [12] on behalf of its members. This can become a significant source of revenue because the unions collect a fee for distributing these residuals—5 percent commission from members or 15 percent from non-members (MEAA, 2009). This fee covers administrative costs for distributing a residual since the actors might be located anywhere in the world and it is the union's job to find them (personal communication, 5 April 2013). Importantly, such residuals, whilst universally important as a form of superannuation income when actors are retired, were and are non-existent in New Zealand.

One speculative but plausible explanation as to why Jackson was so opposed to instituting the MEAA collection of residuals as normal industrial practice in NZ is the fact that his own revenues from the sales and "afterlife" of his foreign-financed productions stood to be reduced. In other words, if Warner Bros and Jackson retained greater control of the residuals, they would be better positioned to profit from ancillary markets involving video games, merchandising, and mobile phone applications related to top-tier productions. If this control was shared with the union, through its responsibility for distributing the residuals, it could require financial transparency and accountability on the part of Warner Bros and Jackson [13]. Such a change would not only have reduced the financial appeal of NZ for a large American studio such as Warner Bros, it could have seriously undermined Jackson's business model and *modus vivendi* as a producer/director of Hollywood films in New Zealand.

From a value chain perspective, Jackson's business model is centred on the production and post-production phases. Both attract substantial sums of foreign investment. Warner Bros is an American company obliged to respond to its shareholders by maintaining and maximising its profitability. Any uncertainty created around this main goal is considered an obstacle (Bennett, 2010; Tyson, 2011). Warner Bros needed to know that their investment was safe and no further "boycotts" would occur such that New Zealand was still a "film friendly" production country (Goldsmith et al., 2010: 153). They also wanted the *Employment Relations Act* to ensure that contractors would not be able to make claims as "employees", as had happened in the Bryson case. Furthermore, Warner Bros as well as MGM were equally dependent on the success of *The Hobbit* films due to their respective financial positions: MGM was about to go bankrupt and Warner Bros was in need of another film success after the *Harry Potter* and *Batman* franchises (Haworth, 2011; Walker and Tipples, 2013).

These pressures might have induced them to react against collective bargaining, a common industrial practice for Hollywood majors in the United States, the United Kingdom and Australia. As other countries began offering economic incentives, Warner Bros was disposed to exploit the consequent regulatory arbitrage opportunities, by playing off governments against each other so as to garner favourable tax breaks. This behaviour underlies the provision of additional financial subsidies for *The Hobbit*. Warner Bros was then able to offer extra financial benefits to its shareholders. At the same time, it was politically enticing for the NZ government to intervene and provide subsidies to show its "film friendliness" (Goldsmith et al., 2010: 154) as well as the ability to efficiently manage and resolve uncertainties created by the union's actions.

The central objective of the NZAE and CTU in this dispute was to improve the working conditions of actors in New Zealand by gaining new standard conditions for the domestic sector in line with global labour standards. The union's action was understandable, if international capital could act internationally, so, too, could the workforce affected by that capital (Haworth, 2011). Unfortunately, as NZAE Vice President Phil Darkins confirmed, NZAE was "politically naïve" when it failed to inform the CTU of the "do not sign" action with FIA because it never expected the dispute to become a public debate (personal communication, 11 April 2013). Darkins further objected to immigration law changes – calling it "a virtual open-door policy"—because it allowed "foreign film workers into the country for brief periods without review by local worker groups" (Cieply and Barnes, 2012, 2).

The NZAE and CTU both maintain that the dispute was settled "before the law change and before Warner Bros extracted the extra subsidies" (Kelly 2012, para. 5). Warner Bros, however, rejected the union's claims and affirmed that "confirmation of the boycott being lifted was not received from SAG and NZAE until a day later, on 21 October" (Tyson 2011, 10). For CTU

President Helen Kelly [14], "it was clear that had it been known to the public that Warner Bros and the Government already knew the industrial dispute had been settled and the 'boycott' lifted, Warner Bros' trip to NZ would have been hard to justify and the subsequent promise of additional tax payer money and urgent law change would have been untenable" (Kelly 2011a, para. 120). It is likely that the Government's response to Warner Bros would have indeed been problematic. Be that as it may, Jackson's view was clear when he wrote on 18 October to Minister Brownlee that "there is no connection between the blacklist (and its eventual retraction), and the choice of production base for *The Hobbit*" (Jackson, 2010). Whether Warner Bros would have moved the project overseas is impossible to know.

Eight years later, in January 2018, the new Labour-led Government (in coalition with NZ First and the Green Party) announced that "it would not repeal the legislation but would make changes" (Cowlishaw, 2018). The formation of a Film Industry Working Group was announced with representatives from 13 organisations, including Weta Digital, Equity New Zealand, Business NZ and the Council of Trade Unions. Some months later, in October 2018, the Working Group recommended the status quo in film-making law (NZLS 2018). This decision was based on the "unique nature" of the screen industry; the law was seen to provide the necessary budget certainty and flexible conditions that was needed (RNZ, 2018). However, the report did recommend the restoration of collective bargaining rights to workers (MBIE, 2018). Thus, the New Zealand government was not simply repealing "the Hobbit law" but restoring collective bargaining for film workers (Cooke, 2019). At the same time, the government signed confidentiality agreements with Amazon for its forthcoming *Lord of the Rings* TV series (Stuff, 2019). In summary, the Government agreed to the working group's recommendations, and "now proposes to implement those recommendations through the Screen Industry Workers Bill" (MBIE, 2020). This is currently at Select Committee Stage and will need to be reinstated for second reading when the next Parliament is formed during the second half of 2020.

Conclusion

This article illustrates how Global Hollywood operates in a local context to defend its economic interests and adds to the contemporary discussion of Hollywood influence on cultural policy. From an institutionalist political economy of communication approach, the Hobbit dispute in NZ demonstrates how relevant interests can change and evolve over time. In this specific case, each institutional actor involved—the unions, Warner Bros, Jackson and the NZ government—was motivated by a degree of opportunism and self-interest.

The government was primarily concerned about the national-economic consequences that could result from losing the production of *The Hobbit*. This outcome would have undermined its business growth agenda and the desire to maintain a "film friendly" international reputation. The clarification of the *Employment Relations Act* 2010 and the additional financial incentives given to Warner Bros was seen as the least damaging solution in regard to keeping *The Hobbit* and maintaining economic prosperity for all New Zealanders. In the employment dispute, by safeguarding the NZ employment environment for powerful foreign media conglomerates, the government also saw the opportunity to advance its anti-union agenda.

Peter Jackson considered the actors' campaign a personal affront because *The Hobbit* project was used as a strategic vehicle for making a stand on a generic employment issue. Apart from his own desire to resolve the dispute, Jackson's interest aligned with his employer's (Warner Bros)

priorities. This necessitated avoiding another Bryson case by way of an amendment to the *Employment Relations Act* and the elimination of the immigration non-objection letters from NZAE [15]. Because other countries had started offering enticing economic incentives, the additional financial subsidies for *The Hobbit* allowed Warner Bros to exact higher profits for its shareholders as well as providing an avenue through which the NZ government could more firmly resolve the uncertainty created by the union's actions.

In terms of outcomes, the NZAE and CTU's attempts to improve the working conditions of actors in New Zealand was a failure, even more so because their overall influence was diminished by the elimination of the immigration non-objection letters from NZAE. The union's aim was genuine, but they were politically naïve and underestimated the consequences of their actions. Overall, The Hobbit case demonstrates that although top-tier productions do deliver benefits to the New Zealand film industry, they might also bring some unfavourable consequences for the host country and a greater degree of tension between cultural and economic policy goals.

The Hobbit dispute also highlights "the fragility and vulnerability of the New Zealand film production industry", because it exemplifies how Global Hollywood operates in a local context, characterised "by a structural power imbalance" (Leotta, 2014). Moreover, for New Zealand—and other sovereign countries around the world—this episode raises principles of democratic accountability within the political system, in terms "of whether the Cabinet Manual and the Standing Orders of Parliament are sufficient protection against an executive abuse of power when enacting legislation" (Wilson, 2011: 95). Nevertheless, the government's demonstrated willingness to adapt sovereign laws to keep top-tier film productions might set a precedent for future screen productions. New Zealand might now be seen as a more attractive film-making location for Hollywood majors than it was before The Hobbit dispute. But there is the possibility that more financial incentives and related modifications to sovereign law may be required in order to attract future top-tier film projects to the country.

Another broader implication of the dispute is whether independent contractors worldwide have "the right to form collectives, to engage in strike action, and collectively influence their terms and conditions of work" (Walker and Tipples, 2013: 66). If the answer is negative, "a growing proportion of the workforce will have neither legislative employment protection nor access to collective representation, with the possibility that this is likely to both erode working conditions and further reduce the influence of unions" (66). Overall, the dispute can be seen as a case of "national interests being…subordinated to the interests of international capital and its domestic agents" (Haworth, 2011: 107). In an age of globalisation, it appears that "the power of a transnational company is greater than that of a sovereign Government" (Wilson, 2011: 96). In this regard, The Hobbit case aligns with the standard monopoly capitalism critique of corporate power: the drive for accumulation over-rides state autonomy and worker interests.

Author Bio

Natàlia Ferrer-Roca is Professor at the University of Girona, Barcelona. She holds a PhD in Communication from Victoria University of Wellington, New Zealand. Her research is interdisciplinary, connecting political economy, communication policies, cultural industries and destination branding. She has published on innovation in the New Zealand film industry, multi-platform film financing strategies, film distribution and the role of cinema in the branding and marketing of New Zealand as a tourist destination.

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Endnotes

[1] The LOTR Trilogy: The Fellowship of the Ring (2001), The Two Towers (2002) and The Return of the King (2003), all directed by Peter Jackson.

[2] The Hobbit Trilogy: An Unexpected Journey (2012), The Desolation of Smaug (2013), and The Battle of the Five Armies (2014), all directed by Peter Jackson.

[3] The *Pink Book* is a 'document of guideline best practice for the engagement of cast in the New Zealand screen production industry' (The Pink Book, 2005, 2). In other words, The *Pink Book* is not a binding agreement but a guideline, so SPADA recommends the use of it, but cannot enforce its implementation. It is a 'voluntary industry code' (Tyson, 2011, 5).

[4] Already in 1969, Schiller described the quintessence of power as "the fusion of economic strength and information control" (Schiller, 1999a, 98).

[5] SPADA is a non-profit, membership-based organisation that represents the interests of producers and production companies on all issues affecting the commercial and creative aspects of independent screen production in NZ. Penelope Borland was SPADA CEO during the dispute.

[6] The MEAA is the union and professional organisation which covers everyone in the media, entertainment, sports and arts industries in Australia. The Alliance was created in 1992 through the merging of the unions covering actors, journalists and entertainment industry employees. Simon Whipp was MEAA's official contact person for NZAE.

[7] The International Federation of Actors (FIA due to its French name, Fédération Internationale des Acteurs) is an international non-governmental organisation representing performers' trade unions, guilds and associations around the world.

[8] Professor Paul Roth, Otago University employment law specialist, said that 'a law change specific to the film industry could set a precedent so that any time an industry looked likely to be damaged by overseas competition, similar action might be required' (McLean, 2010, para. 5-6). Interestingly, this has turned to be a premonition of a pattern of political brokerage, with National making backroom deals with casino operator SkyCity (*NZ Herald* 2013b) and global mining giant Rio Tinto (Bennett, 2014).

[9] Minister Finlayson was more categorical when he affirmed that if *The Hobbit* did not stay in NZ, ‘it would fire up the industry’ and also described the Hollywood production as representing ‘a part of the New Zealand identity’ (Wade, 2010, para. 13-14).

[10] This reputation was directly linked not only with promoting NZ as Middle-earth but also as a film-making location.

[11] SAG is the American performers union, which represents more than 165,000 media professionals.

[12] A residual is a payment made to a performer for subsequent showings or screening of the work. Typical instances are the payment of residuals for television and film re-runs, sales of DVDs, videos and audio recordings.

[13] Unions not only distribute residuals, but also enforce contracts by investigating, recovering and redistributing royalties if they believe they are still outstanding (Equity UK, nd).

[14] Helen Kelly passed away in October 2016 due to lung cancer despite never being a smoker.

[15] The non-objection letter from NZAE was a protectionist measure for local film personnel. This letter told Immigration NZ that NZAE had no objection to an actor/actress entering the country for work. Therefore, the overall influence by NZAE was diminished with the elimination of the non-objection letter.

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