

Behind the making of The Lord of the Rings

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When the Hollywood publicity machine moves into overdrive with the Academy Awards in March each year, its prime concern is not reward for artistic endeavour but the promise of massive profits for those movies acclaimed by the power brokers in the industry. One of this year's leading contenders is New Zealand director Peter Jackson's *Fellowship of the Ring*, the first in his *The Lord of the Rings* trilogy.

Released just before Christmas, the film has amassed a record breaking 13 Oscar nominations—including Best Picture and Best Director—and after only four months in circulation has taken \$US767 million at the box office, nearly five times the cost of making it. This month it ranked 7th in the world list of top grossing films. With two more episodes already filmed and now in post-production—their carefully planned release dates set 12 months apart each—*The Lord of the Rings* is set to become one of the highest earning film series of all time.

In New Zealand, where the trilogy was shot, the media and government have whipped up an extraordinary atmosphere of nationalistic fervour. Weekly updates on box-office takings have become a permanent feature of the country's newspapers with every international film award ceremony greeted with breathless anticipation and endless speculation about the impact of the film's success or failure on the country's "reputation".

Just before the film was released the Labour-Alliance government proclaimed one of its senior cabinet ministers as "Minister for Lord of the Rings", with special responsibility for milking every conceivable economic benefit from it. One of Wellington's main daily newspapers temporarily renamed itself the *Middle Earth Evening Post* while the tourist industry, a major foreign currency earner for New Zealand, began preparing tours for thousands of Tolkien fans eager to visit the film's locations, the public was told. In addition, Peter Jackson was given the country's highest civil honour, the Order of New Zealand, an award that can only be held by 20 individuals at any one time, and the government issued a special edition of postage stamps depicting scenes from the film.

But despite all the flag waving, one of the key reasons *The*

Lord of the Rings was produced in New Zealand was a special tax deal provided by the previous National Party government to New Line Cinema, after the Hollywood production company threatened to take its project elsewhere. Anxious to promote the film as a sign of New Zealand economic "recovery" and a destination for new international investment, the government allowed tax exemptions previously closed in 1999 on the advice of the Inland Revenue Department and allowed New Line to defray one-third of its \$NZ600 million production costs against tax.

According to the *NZ Listener*, the main national media magazine, New Line was able to divest itself of escalating production costs by investing its money elsewhere and using it to buy back the entire film project at a later date when box office receipts were assured. *The Return of the King*, the third film in the series, was substantially financed by German investment company Hannover Leasing, through a \$US150 million tax shelter amounting to half the budget of all three films. The government deal also allowed for further tax exemptions when shell companies involved in the production are sold. Had the trilogy been a commercial failure, some \$200 million in advance taxation credits would have been unrecoverable.

New Line spokesman Michael Lynn reportedly told the *Los Angeles Times* in December 2000 that a combination of tax breaks, pre-release distribution deals and sale of associated merchandising rights meant that the production company was only risking \$US20 million on each of the three movies.

While some sections of New Zealand's business elite have raised concerns over these financial arrangements director Peter Jackson told the Australasian premier of *Fellowship of the Ring* in Wellington just before Christmas, that the trilogy would never have been made in New Zealand without the tax deal: "Canada, Australia and England all have tax incentives. If we want this sort of thing coming here, that's what we have to have."

Barrie M. Osborne, the US producer of *The Lord of the Rings*, also told the Wellington press conference that local labour laws should be more "flexible" so that film producers could instantly fire employees they were not satisfied with.

New Zealand employment laws, he complained, did not sufficiently define the difference between independent contractors and employed staff. Film producers, Osborne said, need to be able to terminate contractors who weren't "working out" with minimum notice. This was "difficult" if they were regarded as employees.

According to Osborne: "You may have a great assistant director but that assistant director might not have the personality to work with Peter Jackson. You might have a great editor but that editor might not have the personality. You don't discover that until you start working." The solution, he said, was to give film employers "the right to terminate employment or contract with minimal notice, i.e., a week's notice".

Osborne avoided mentioning that these same labour laws enabled him to produce *The Lord of the Rings* much more cheaply in New Zealand than he could have in any comparable country—the US, Australia, Canada or Britain—because of the low wages and poor conditions prevailing in the local film industry. The New Zealand Film Commission points to the already "deregulated" labour force as a key reason why it is 30 percent cheaper to make films in New Zealand than in Canada—which is currently attracting most of the \$10 billion "runaway" film industry from the US because production costs there are well below those prevailing in Hollywood.

Anna Wilding, a Hollywood-based actor, producer and film consultant, who visited New Zealand during production of *The Lord of the Rings*, complained publicly that locals hired to supply and ride horses in the film were treated like "slave labour". The riders, who received daily rates of \$NZ200 and meals, would have been paid at least \$500 plus allowances in the US. Moreover, the extras were left to sleep in tents and horse floats in the bitterly cold South Island climate, without being paid float fees or allowances for working away from home. Wilding said she believed the film company was paying many riders as extras when under US conditions they would have been classed as stunt people and paid up to \$1,500 a day.

But the film company was also able to cut costs even further by engaging, the NZ Defence Forces. Army personnel were used in a variety of capacities, both behind and in front of the cameras. As manual labourers, they laid 5,000 cubic metres of soil, ploughed fields, tended a vegetable garden and built sets. Some 300 military extras were also used in filming, mainly in the battle scenes.

For all this the Defence Force received, according to a report released by Defence Minister Mark Burton, a one-off payment of \$205,666 for expenses, meals, allowances, setting up camps and transport. For a total of 10,459 man-days filming, this amounted to \$20 per day for each person

worked, or \$2.45 an hour. The troops, however, saw none of it.

One officer, an army weapons technician who was second-in-command of 140 soldiers on the set recently complained to the *Sunday Star Times* about exploitation of the soldiers. He said they worked long hours, were not given scheduled days off and had no choice about being involved. Soldiers from Waiouru and Linton army camps had received only "a T-shirt and a few pints of beer". Burton dismissed these concerns, saying that because the personnel involved were already on the Defence Force payroll "there was no requirement to cover their salaries".

Certainly there are some significant technical achievements behind *The Lord of the Rings* and considerable resources of creative talent were mobilised. Without the enormous advances of computer graphics in recent years, it would have been impossible to even attempt a convincing cinematic re-creation of the fantasy world of Tolkien's book. Developments in computer software, for example, enabled the creation of battle scenes in which thousands of computer-generated creatures act and inter-act as individual beings, rather than programmed masses with a limited range of actions.

The three movies also break new ground in that, unlike previous series, such as *Star Wars*, they were shot simultaneously with the same cast and crew—again with considerable implications for cost savings. It was a mammoth undertaking, a five-year project in the planning, filmed over 15 months and involving over 90 speaking parts. With the aid of satellite communications, Jackson was able to direct from a central location filming in up to three separate locations around the country, each with a field director taking instructions from Jackson in his base, viewing the footage as it happened.

If any Academy Award honours are bestowed on *The Lord of the Rings: The Fellowship of the Ring* next Monday, the central preoccupation of the New Zealand government and political elite will be how much new value will be added to their financial investments.



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