

Financial Arrangements for Renting.

25. As a rule, the films are "sold" (rented) to the exhibitor for the larger theatres on a percentage basis, and the percentage generally varies with the class of film. A typical arrangement would be that the renter receives 20 per cent. of the gross theatre takings for "programme features," 25 per cent. for "specials" and 25 to 35 per cent. for "road shows." There is sometimes an arrangement that in the case of the two latter classes grossing more than an agreed minimum the excess is split 50/50 between renter and exhibitor.

26. A recent development of the percentage booking arrangement is what is known as the "barometer" system. Under this system the percentage paid to the renter depends not on the type of film, but on the actual box-office receipts at the theatre. Percentages from 10 to 50 per cent. are paid according as the gross receipts for the period reach certain agreed limits. In some cases, particularly in the smaller towns, a "flat" rental of so much per night or period is agreed on, and the exhibitor takes the risk of the picture's success or failure. This arrangement is also common where two feature pictures are shown on the one programme.

27. The usual arrangement is that with all "programme features" and most "specials" the renter supplies the exhibitor without charge with the "supports" or short pictures which go to make up the theatre programme. Certain News Gazettes and special short pictures are not included, and the exhibitor has to pay extra hire at flat rates for these. A special arrangement is made in the case of certain films known in the trade as "floaters." These are usually particularly good "road-show" pictures and are not included in the "block" booking arrangement (see paragraph 20), but are the subject of special contract. The picture "Cavalcade" is a typical example of this class. "Floaters" are frequently sold without supports, and the exhibitor makes arrangements to rent these separately.

Renting Contracts.

28. All film rented (or in the trade term "sold") is made the subject of a contract signed by both renter and exhibitor. It will be seen from the figures in paragraph 17 that the American renters still supply 70 per cent. of the films screened in New Zealand, and as there are not sufficient British pictures available to supply exhibitors' requirements, the American renters are to a considerable extent able to dictate their own terms. The Trade Association (see paragraph 17) is controlled by the American interests, and the principal provisions of the contracts, which are to a great extent standardized, are framed by this organization. The contract itself is definitely one-sided. It gives the renter relief to meet the difficulties inherent in the supply of the same film to a number of exhibitors in succession, but binds the exhibitor hard and fast despite the fact that he has also corresponding difficulties.

29. The contract is a source of very considerable friction in the trade, and, as is usual with most one-sided contracts, it is very seldom honoured to the full by either party. It is usually signed by the exhibitor with the knowledge that it is trade practice for variations to be made to meet the convenience of both parties. So long as the pictures supplied are reasonably satisfactory from the box-office angle, and both renter and exhibitor are receiving a reasonable return from the business, no difficulty occurs, but in the event of any dispute the contract becomes a very powerful weapon in the hands of the renter, since practically all of the penalty clauses react to his advantage. Very few cases dealing with film-hire go into Court, as the exhibitor is aware from the cases which have been taken that the contract is fully enforceable, and he usually attempts to compromise the difficulty.

30. It is of considerable importance to the success of individual pictures and of the renter's "service" generally that the films shall obtain what is known as a "good release" (pictures are said to be "released" when they are screened in the principal or first-run theatres in the cities), since not only is a large revenue obtainable by the renter from the exhibition in these theatres, but the film gets very valuable advertising. It will be evident, for instance, that a picture screened in Wellington at the Regent, De Luxe, or St. James Theatres, will obtain better revenue and publicity than if shown at, say, the Queen's Theatre.

31. Only a small proportion of the films available can be given a release in the better-class first-run theatres, since each film is screened for one week or more, and as the exhibitors who control them also control theatres in the principal country towns (see list in paragraph 43), they have a good bargaining-power with the renters, and can usually obtain not only better financial terms than the independent exhibitor, but also the right to reject a considerable proportion of the renter's "block" of films. In the case of some "services" they may even restrict their purchase to a small proportion of the renter's "service."

32. In the same way a chain exhibitor who is the sole operator in a country town will usually use his bargaining-power to take the best pictures from each "service" for that town rather than buy the whole or major part of a service from an individual renter. It is the independent exhibitor who is most affected both by the block booking system and the contract restrictions, and detailed consideration of some of his difficulties is given below.

Renters and Exhibition.

33. In paragraph 4 above it is noted that a number of the American companies have obtained control of theatres in other countries. This is the case in Australia where one of the principal companies (Hoyts) operating theatres in every State is controlled by American renting interests, but, as far as can be ascertained, neither producers nor renters have any financial interests in the exhibition side of the business in New Zealand, other than the leasing of one theatre in Christchurch by British Dominion Films, Ltd.

C. THE EXHIBITOR.

Development of the Exhibition Business.

34. As the name denotes, the exhibitor is the person or firm who exhibits or screens the film in the theatre. The present system of film distribution and exhibition in New Zealand is largely a post-war development. In the early days of the industry practically all the films exhibited were imported and distributed by a New Zealand company (Picture Supplies, Ltd.), which was associated with and controlled by the Fuller-Hayward interests, who also controlled most of the picture-theatres in the cities and larger towns. When the American renters established distributing organizations in this country Picture Supplies, Ltd., was split up into renting and exhibiting companies (Australasian Films—now Greater Australasian Films, Ltd.—and Fuller-Hayward Theatre Corporation) and when the Cinematograph Films Act was passed in 1928 the latter operated the only important chain of theatres, and owned or controlled about sixty-four theatres.

35. The advent of the talking picture greatly altered the whole business of public entertainment in New Zealand. The flesh-and-blood performances with their high personnel and production costs could no longer compete with the talking-screen, which was able to give a comparable entertainment at much lower prices. The firms previously engaged in the former business, Fullers (vaudeville) and Williamsons (legitimate), determined to exploit the new medium. They either adapted their existing theatres for the purpose, or built new ones, and in less than twelve months were active and important factors in the industry. The Fuller interests did not form a separate group, but acted in co-operation with their previously existing interests in the Fuller-Hayward Corporation. A third interest which developed rapidly during this period, mainly in the southern portion of the North Island, was that organized by Mr. W. R. Kemball, who was the first exhibitor to screen talking-pictures in New Zealand, and to produce a satisfactory locally made sound-reproduction equipment.

36. The original ascendancy of the Fuller-Hayward group on the exhibition side of the industry was due to the fact that they entered the business on a combined distributor-exhibitor basis, but the system of chain control of theatres has become a general and definite development in the trade during the last few years. Attached to this memorandum are lists showing the controlling interests and association of all theatres operated by the