
The Relph Report

A study for the Film Council examining the costs of lower budget UK films and their value in the world market

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A summary of the principal findings of the report

The increasing costs of lower budget British films too often exceed their earning potential in domestic and international market places. There are indications of a falling off of investment in this sector. Deprived of the protection of tax breaks, the money might well disappear altogether.

This report looks at the reasons for the rise in costs and proposes ways of bringing budgets down to a sustainable level to stimulate better opportunities for filmmakers and more work for crews and suppliers.

It also addresses another endemic weakness of the UK film scene, the inability of all but very few independent feature film production companies to create lasting value in those companies. The report suggests that the high cost of production has forced producers to dispose of all value in their films simply to get them made. Thus it argues that reducing costs represents a way for producers to create real value in their companies.

The report is principally directed towards films which now cost between £2 and £4 million. These are films whose subject matter and style demand a certain level of production infrastructure but lack elements that give them an obvious market value. It is based on a survey of the financing and production costs and practices of 26 lower budget British films made over the last five years and of five films made outside the UK.

The cost of these films has risen recently partly because the market was, for a while, willing to pay higher prices. Lottery money, tax breaks, bank finance and insurance deals coincided, making it easier to fund films and establishing a new, and higher, going rate. Now that production funding is less freely available, it is hard for the industry to return to the lower cost ways of working.

There is a huge force of inertia created by a sense throughout the industry of the way things should be done and a sometimes understandable caution about risking change.

Sometimes the problems come from the crossover between big budget production and films of this scale. Both producers and crew have expectations about terms of employment, working practices and conditions which do not fit well with lower budget production. Technicians, who are used to working on big films, feel they are making unacceptable compromises for lower budget films.

At the same time, many films are being financed from multiple sources and those financiers became more interventionist and put new cost pressures on producers.

This report proposes that positive initiatives are needed to help filmmakers break out of established ways. It suggests a code of practice for lower budget films and a register of crew who have signed up to work within it.

The essence of lower budget filmmaking and of the code of practice should be that the production is conceived from the beginning as a lower budget film and designed to maximise the creative and practical potential of this way of working.

The report suggests that the process begins with writing to budget and protecting and exploiting proper preparation time. It is not intended to be a way of cheese paring the costs of bigger films. Nor is it intended to slash wage rates or impose long, unpaid hours.

Some of the inspiration for the code comes from the lessons of the mainland Europe and America. Independent producers overseas have found ways of making films for significantly less than they cost in the UK, even allowing for their lower cost of living.

Films from mainland Europe generally use fewer people and pay them well for normal hours and longer schedules. British producers tend to throw lots of people at a short schedule with bought out overtime. American independents do the same but pay very little. They enjoy a filmmaking culture where enthusiasm for the work is as important as pay and conditions. Many UK technicians, who rightly have a worldwide reputation, tend to be more focussed on their specific jobs than they are on the end product.

On the part of crew, the code of practice would include willingness to work for basic rates, without guaranteed payment for overtime that will not necessarily be worked, an openness to multi-tasking and to working within a smaller crew and agreement to live and work on location outside the normal expectations of first-class hotels and catering.

In return, producers would guarantee civilised minimum conditions, proper payment for hours worked and an element of deferral that links the crew directly to the success of the film. It is a key element of all the proposals that financiers should accept that all participants: director, producer, main cast and crew, should have access to a corridor of revenues in return for accepting a smaller scale of earnings over a longer time.

It is anticipated that the register will attract technicians who care more about the quality of working life than the quantity of it and who have a greater interest in the films themselves than the job of making them.

The intention is that by working in accordance with the code and the other detailed recommendations, it will be possible to bring the costs of lower budget films down to £1.5 million to £2.5 million. For crew and suppliers, this could mean that there would be more work around, even if they would earn less from each individual film. For the industry as a whole, it will protect a

sector which is vital for the development of home grown talent, provide opportunities for culturally marginal as well as mainstream subjects and, unlike bigger budget films, not be vulnerable to foreign competition and exchange rate movements.

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Introduction

The report is in two parts. It seeks to address the fact that too often the cost of UK Films exceeds their earning potential. Notwithstanding the fact that there has been a surplus of production over the last couple of years it recognises that recently fewer projects are able to realise their budgets.

The first part examines why lower budget British films cost as much as they do. In doing so it looks at a cross section of 26 recent UK productions. It also makes some comparisons with similar scale production in the US and in the rest of Europe. The report goes on to make some recommendations about how these costs might be controlled and proposes the establishment of a code of practice under which many could be made. It also suggests the setting up of a register where technicians and actors could sign up to that code and record their willingness to work on films made under it.

The second part of the report looks at how the films in our sample are financed and considers what financing resources are available to a UK producer. It identifies why so few UK producers have been able to establish real value in their production companies and suggests that by applying some of the recommendations in the first part of the report they might be able to do so.

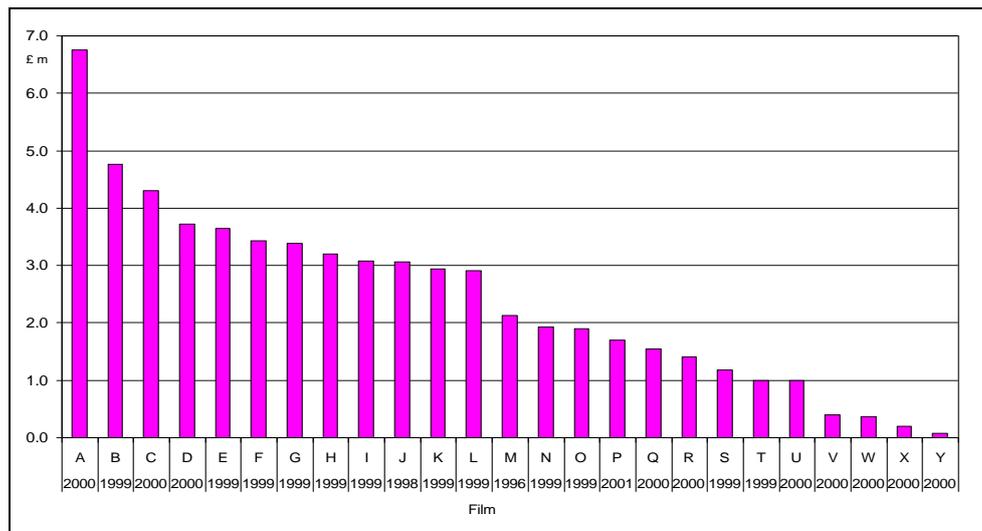
In particular it is directed towards films that are currently costing between £2 million and £4 million where the problem of rising finance is most acute.

Part 1 – Film Costs

UK low budget films survey

The survey of UK production includes 25 films, predominantly made in 1999 and 2000. With exception of one at nearly £7 million, budgets range from £5 million to £76,000.

Budgets of films in the sample:



This report is primarily concerned with films made relatively conventionally that today cost around £2 million. That includes films A to Q in the survey.

The next section of the report looks at why UK film costs have risen. This is followed by an analysis the survey data for the major budget headings and includes a detailed discussion of strategies for cost reduction.

Why has the cost of low budget feature films risen in the UK?

Beyond the fact that the UK is now one of the most expensive places to live and work there are a number of reasons why production costs at this level have risen significantly over the last few years.

- **Competition for limited creative and technical resources**

The UK film, television and commercial production community is comparatively small. In good times, that has created fierce competition for established technicians and equipment with consequent price and wage inflation.

- **Too much money chasing too few good projects**

Throughout the early nineties there was much less finance about and producers knew that to get their films made they had to bring them in under a certain figure. With the arrival of lottery funding, tax breaks, bank finance and insurance deals, the lid on the pressure cooker came off. For a brief moment, budgets of £3 million plus were fundable. The ceiling that had been fixed for quite a while was raised and producers and line producers took advantage of that when compiling their budgets.

- **The going rate**

Producers and line producers have got used to the idea that £3.5/£4 million is what it costs to make a quality lower budget feature and everyone is finding it difficult to go back to lower costs.

- **Fees linked to budget**

A good proportion of UK investment comes from banks on the back of sales agents' estimates. The estimates, and indeed the price that the film eventually sells for, are linked to the budget, as are the agents' commissions. Sales agents' have little incentive to push budgets down because their risk is usually small and in the most favourable position. Producers' remuneration is also frequently linked to the budget. That means that sales agents, producers and production companies can all have an interest in promoting the biggest affordable budgets.

- **Cross-over between big budget and low budget films**

Many UK technicians, studios and equipment providers work on big budget US Studio pictures. They are often the technicians with whom newcomers with modest budgets aspire to work. Although many are very willing to work on smaller budget films there is often a limit to how

much they will reduce their salaries, crews and equipment requirements. Equipment houses will often provide “big film” kit for “small film” prices but there is still a knock on cost for the time and the transport needed to handle all the “super” gear.

Ambitious producers can be very successful in persuading top technicians to work for less but it is much easier to produce a viable budget, without any necessary impact on the quality of the work, by working with rising talent, who find what lower budget films can afford perfectly reasonable.

- **Cautious line producers**

Line producers and production managers, regularly asked to produce budgets for new projects seeking finance, tend to cover themselves by compiling cautious budgets particularly for inexperienced producers whom they don't know. They rarely have the time to develop the kind of relationship with the producer and director that would lead to really creative approaches and they learn by bitter experience the difficulty of managing a small budget with inexperienced producers and directors and demanding financiers.

- **Increased production**

The comparative glut of production over the last couple of years has pushed up the cost of other important facilities such as location permits, Post-production services, vehicle hire etc. Now that there is less production some of these items are available at more competitive prices but discounts are still based on higher rates.

- **Basic pay now includes overtime**

Many technicians have become used to the six-day week and the enhanced payment that goes with it. Although it might well be better for their films to work a longer schedule over a five-day week, producers find it difficult to impose that routine because crews won't discount six-day rates, which they have come to see as their basic rate.

- **New costs**

The costs associated with many of the new financing sources have inflated budgets. Sale and Leaseback deals, bank borrowing and, until recently, insurance premiums, have introduced new costs for lower budget films that rarely existed before. There has also been a substantial increase in the number and cost of delivery items required.

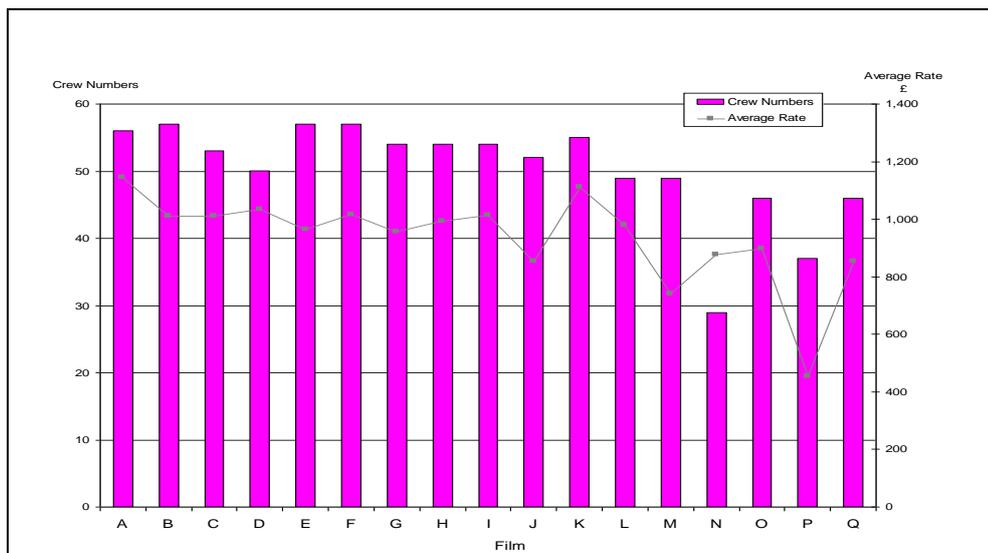
- **New demands from financiers**

Most films are financed from a number of different sources, each with its own rights to editorial input and reporting requirements. This makes work for the producer and the production office, sometimes distracting the producer from keeping a close eye creatively and administratively from what is happening on the floor. Delays in confirming financing deals can starve the pre-production cash flow and make cost effective planning difficult. Financiers sometimes require additional shots or even scenes. They can want more time to agree the cut, extending the post-production schedule. All this leads producers to budget cautiously. In particular, post-production schedules are growing.

- **UK custom and practice**

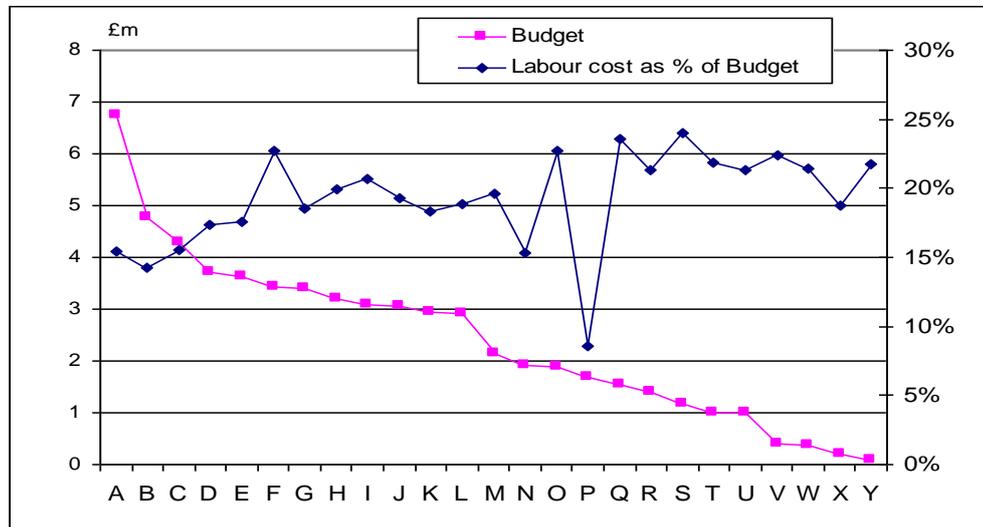
Comparing budgets across a range of films from £1.5 to £4 million demonstrates a consistent perception about what is needed to make a “proper” film. The following chart is drawn from the survey data for films in this specific range, which is examined in detail later in the report.

Crew numbers and pay rates for films budgeted at £1.5 million and above:



At the higher end crews may be 55 people and average wages over £1,000 and at the lower end maybe 45 crew and average wages of around £750. All the budgets have provision in the same categories that are greater or smaller according to the length of the schedule, the hours worked, numbers of people in each department and of course rates paid. The base line is consistent and HODs coming to work on the films expect to be provided with staff according to a fairly rigid set of parameters otherwise they maintain they can't do their jobs properly.

The following chart plots the overall budgets of the films in the sample against the total labour budget (excluding producers, directors and cast) as a proportion of the total budget. This proportion is never greater than 25%, which indicates that the way people work and the resources they feel they need to do their job is relatively much more important to the cost of the film than their salaries.



“The way we do things here” has made it very difficult for producers to control budgets except by cutting the length of the schedule, reducing salary levels or deferring fees, usually their own first. It is only when budgets get under £1 million that these preconceptions begin to fall away.

There is no doubt that the budgets of British films have risen substantially since the mid-nineties. Some argue that those rises have not been that great, given that things were static for several years before, but the increases considerably exceed the overall UK inflation rate for the same period of 14%.

Film prices on the other hand are not rising and films are becoming more and more difficult to sell. The risks for investors are greater and they are no longer willing to take them at current budget levels. If we go on making our movies in the way that we always have, the scope for reducing cost is limited and likely to affect quality. There is a real need to reconsider what has seemed to be essential, to think laterally and to look at the way other countries produce films in this range for so much less than we do.

1. Shooting statistics

As well as analysing information included in the budgets, we have summarised the following information about the way the films were shot:

Film	Budget £m	Format	Shooting Days	Setups per Day	Days in Week	Hours in Day
A	6.7	35	56	14	5	9
B	4.8	35	47	9	5	11
C	4.3	35	52	11	5	10
D	3.7	35	40	10	5	9
E	3.6	35	52	12	6	10
F	3.4	35	45	14	5	11
G	3.4	35	44	16	6	10
H	3.2	35	48	n/a	6	n/a
I	3.1	35	49	12	6	19
J	3.1	S35	46	12	6	11
K	2.9	35	33	12	6	11
L	2.9	35	48	13	5	11
M	2.1	35	41	14	5	10
N	1.9	S16	37	n/a	5	9
O	1.9	35	35	19	6	10
P	1.7	S16	25	19	6	10
Q	1.5	35	31	14	5	10
R	1.4	S16	36	n/a	n/a	n/a
S	1.2	S16	33	21	n/a	n/a
T	1.0	S16	34	16	5	8
U	1.0	DV	33	16	6	10
V	0.4	S16	21	n/a	n/a	n/a
W	0.4	16	24	n/a	6	n/a
X	0.2	DV	14	n/a	6	n/a
Y	0.1	DV	24	n/a	6	12

Fig. 2 Shooting statistics

- Two films with budgets of £1 million shot for 33 and 34 days but films with twice that budget only managed 35 and 37 days.
- Above £2 million, the number of shooting days relates more obviously to the budget, with some films managing 52 days and, in the case of the most expensive, 56.
- Micro budget films shot for substantially fewer days – an average of just over 20.

- Above £2 million the average number of set ups per day was 12 and below £2 million it was 17+. The real difference is in the originating medium; only two of the lower cost films were shot on 35mm.
- The chart suggests that quite a high proportion of the films were shooting five-day weeks but this often means an 11-day fortnight which is more and more common these days.
- The average day was a 10-hour day excluding lunch.

2. Story rights & writer

There is nothing more important to the success of a film than a good screenplay so it may seem churlish to suggest ways to economise on screenwriting costs or to appear to be cutting the screenwriter down. Nevertheless it is important that writers' fees relate sensibly to the overall scale of the budget and to other key creative talent.

Writers' agents try to fix fees to the budget, commonly 2% for the underlying rights and 3% for the screenwriter, shared if there is more than one, with a floor and a ceiling. In the sample, the average writer's fee was around 2.5% but more than half received less than 2%. These percentages are probably too low for a really low budget and they may well be too high at the other end of the range where a producer is fighting to keep the overall cost within the available finance.

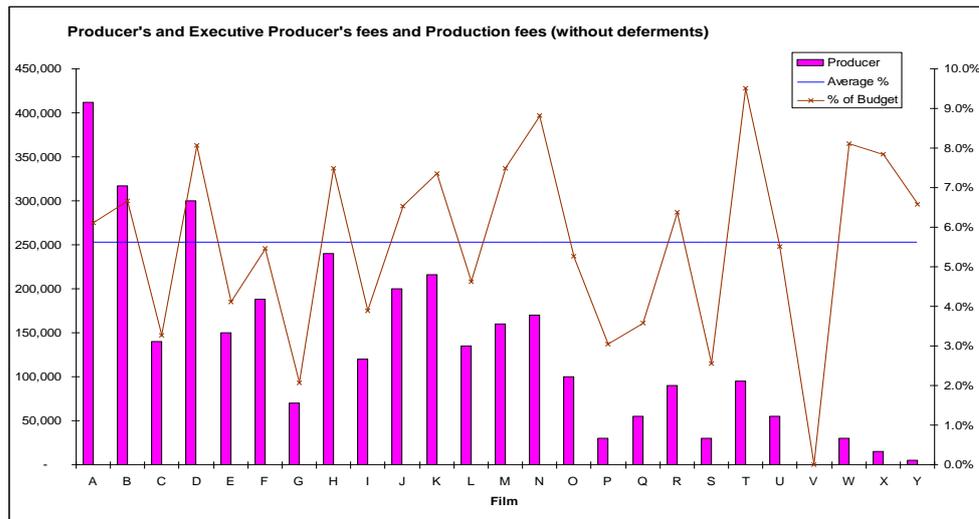
What all parties want more than anything is for the film to get made so authors and writers are generally helpful when the budget is under pressure.

The secret is to keep the development costs – primarily the up front cash cost of the script – as low as possible until there is a clear indication of the scale of project and consequently the investment it can attract.

Screenwriting is a rare skill in the UK and the best writers are in great demand. It may well be worth offering a really good screenwriter a partnership in the project in order to attract them but that of course makes it difficult to change horses later. It is obviously really important that there is genuine compatibility between the director and the writer and the producer before entering into such an arrangement.

Another way of giving screenwriters and the authors of source material budget related fee increases is to offer kickers instead of percentages. If for instance they receive a full 3% or 2% fee if the film is made for a genuinely low budget but increments are based on a lower percentage as the budget increases e.g. £5,000 for each £500,000 increase in the budget.

3. Producers



Producer and production fees in the sample averaged just under 6% of the budget. For lower budget films this is inadequate, given the time it takes a producer to develop, finance, shoot and deliver a feature. For all the films below £2 million, combined producer and production fees were less than £100,000 and, in some cases, they were only £25,000 for films well above the micro budget level. Producers have an incentive to keep budgets high for personal financial survival when fees are based on a percentage of the budget.

One of the first places financiers look to save money is the producer's fee. Sadly it has also become a regular practice of some film financiers to lead producers on until they cannot possibly afford to say no and then to demand substantial deferrals of fees and overhead to a position that is usually right at the back end of recoupment. Sometimes, producers themselves cut and defer fees to get down to a budget that is fundable.

Driving producer fees down damages the industry both because producers are quite unable to build continuing businesses and often have to push films into production too soon because they need the fees. There is a need for a radical rethink about producers' remuneration. Producers should be rewarded rather than punished for keeping the budget down and rewarded further if they cut fees and overheads, make substantial deferrals or do a good job containing cost during production. Producers who give up a substantial portion of their fee should be treated in a similar way to other equity investors.

There is a rule of thumb regularly applied in Europe that the whole of the Producer's interest - including their own fee, executive producer and creative associate producer fees and overhead/production fees but excluding line producers fees - should not be less than 7% of the total budget. As the sample demonstrates, the average is less in the UK, 5.7% without deferrals and 6.5% with.

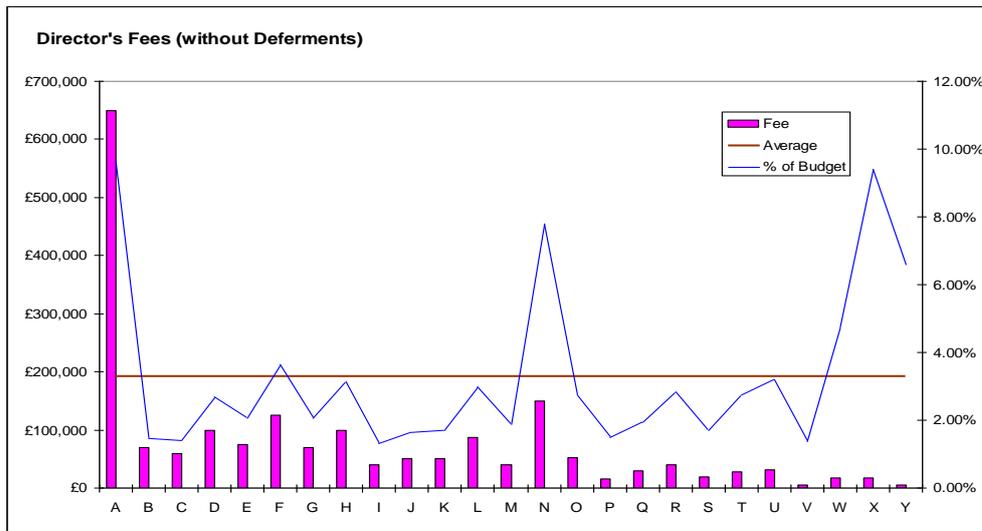
A fairer way to approach producer entitlement is to look at the cost of being in business. Assuming a strike rate for an independent producer working alone of one film every eighteen months and a minimum resource of an assistant and office:

18 months producer's basic salary @ £30,000 p.a.	54,000
18 months assistant @ £15,000 p.a.	22,500
18 months rent @ £600 per month	10,800
NI	9,180
Sundry costs @ £100/week	7,800
TOTAL	£104,280

While shooting the film, the producer may be able to include some of these costs in the budget but the bulk comes from the producer's fee and overhead. In this example, anything less than £100,000 reduces the producer's personal income because the other costs are irreducible. In rare cases when the production overhead is more than £100,000, the producer's company might make a small profit but to expand the business the producer has to make films that pay profits or deferments. The survey shows that producer's total interest is rarely more than £100,000 on lower budget films so most producers are heavily subsidising their films.

For producers to survive and build businesses, they must receive fees that relate to the cost of mounting the production, as opposed to a percentage of budget. The secret is to determine a fundable budget and control other costs within it to ensure reasonable fees for producer and director as well as a sensible production fee but this is easier said than done. Almost inevitably a good part of the fee may have to be deferred. In these circumstances, it may be appropriate to add a premium to compensate for the risk that the deferral may never be paid. On low budget films, when producers defer modest fees, there is a strong argument that their deferments should be recouped alongside other finance.

4. Directors



Some of the producers interviewed for the survey felt that directors' fees had risen disproportionately over the last few years. In other cases, directors had clearly made sacrifices to get their films made. Fees varied enormously.

Directors often come on board in the early stages of development, when it may be hard to judge the scale of the piece. There is the temptation to accept what the agent asks and argue when the film becomes a reality. As with writers, this can set difficult precedents. The principle that fees should relate to realistic budgets is best established early.

In assessing the right fee, it is best to start with the time worked during the production. Exclusively, that is likely to be:

Pre-production	6-8 weeks
Shoot	6-8 weeks
Picture Cut	8-10 weeks
Dub	2-4 weeks

Add non-exclusive time for development, pre pre-production, sound editing, grading and promotion. The amount paid for the time worked should relate to fees elsewhere in the budget. Much depends on the status of the director: whether they are a hungry first timer or someone with a name brought in to help the producer finance the movie or the originator of the project, looking for help from the producer in getting it made. The range could be from £750 to £2,500 per week, for all but well established directors.

The extent to which the production is unable to pay fees on that basis and the director either agrees to take less or defers is the extent to which the director becomes a partner in the production. In many cases where there is not enough money in the budget directors end up equal partners with the

producer. This can be helpful particularly where, for instance, deferred fees for both parties are tied up in the contingency.

Directors are customarily entitled to a share of profits – up to 10% of producers' profits or between 2½% and 5% of net profits – and profits can be traded against salary when a production can't afford the right level of fees.

Directors have an enormous influence on the budget beyond what they are paid. On occasions some directors want to spend more than can be afforded and often believe that their producers are holding back resources. When working within tight financial limitations it is really important that there is trust between producer and director and that both share the priority of achieving the best possible results within the funds available.

The ability to deliver a film for a really low cost is entirely dependent on the strength of the relationship between producer and director and the willingness of the director to accept tight financial limitations. As budgets increase, it is easier for directors to manipulate, there is more room to move and things can much more easily slip out of control. Experience has lead line producers and producers to be deliberately cautious in preparing budgets.

The director's attitude towards the film's budget is far more important than what he or she gets paid out of it, but if they feel that they are being treated fairly by the producer and the financiers then the attitude to working within strict budget limitations is likely to be more constructive.

It is important for the producer and the director to establish at the outset that they are both making the same film practically as well as creatively. These are some of the things that need to be established:

- **Daily screen time**

Some directors, trained in television, view 2-3 minutes a day on a feature as luxury when they have been used to shooting anything up to 8 minutes. Others, perhaps used to 30 seconds on a commercial, find it really hard.

- **Set-ups**

Many directors think they can get 20 set ups a day when their cinematographer rarely shoots more than 10-12.

- **Shooting ratio**

Directors need to understand how much film is provided for in the budget and producers need to be sensitive to the director's working style in making that decision

- **Length**

Producer and director must agree about the length of film they hope to make. Once the film is in the can, directors tend to think that long films work when they don't and it is hard to cut them back. Time spent shooting discarded footage is a double waste because it could have been spent on material that ends up in the film.

- **Preparation**

Planning is the essence of cost efficiency but that is not to stifle creativity or to inhibit instinctive reaction to a scene as played by the actors in a set or location never seen.

- **Shot lists and storyboards**

A story board or a shot list is something to work from, which can always be changed, but it is better than a clean sheet of paper, for all but the most experienced director.

- **Key talent**

A director's insistence on working with certain key talent can be a problem if that talent is not used to low budget work or has a resentful attitude to it.

- **Attitude to producers**

Some directors have the unhelpful attitude that producers are just glorified production managers, that they are some kind of opposing force. However talented the director, that kind of attitude makes it almost impossible for the producer to control cost effectively.

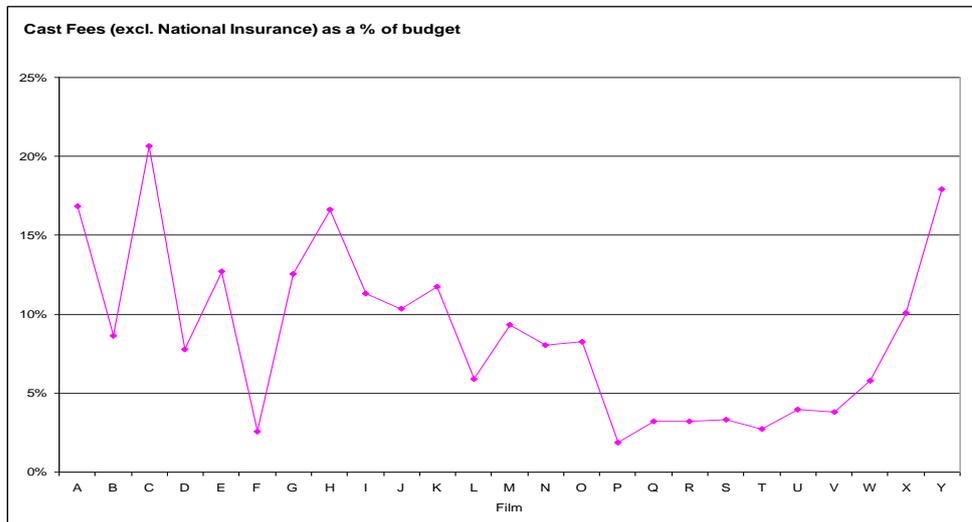
- **Relationship with financiers**

Some financiers have encouraged that idea by commissioning writers and directors themselves and hiring producers late in the day or by dealing direct with directors during shooting or editing making it impossible for the producer to maintain any kind of authority.

The absolute and essential element of successful low budget production is genuine partnership and trust between producer and director. Anything less than that leads to waste and the misuse of limited resources. Each must fight his corner but without taking advantage. This is not intended to suggest that only directors behave badly. Unfortunately, there are as many, if not more, producers who abuse or take advantage of directors.

5. Cast

Some producers felt that rates for equity artist's rates had risen more than any crew rates. The chart shows that, at the top end of the budget scale, fees represent a higher proportion of the budget. Once the budget falls below the Equity low budget ceiling, when residuals are no longer paid up front, cast cost as a percentage of budget drops.



Agents tend to demand substantial fees for artists with little or no box office appeal outside the UK because they have appeared in studio movies or attracted attention in a movie that has sold well internationally. They often begin discussions by referring to what their artist got on previous films but this has little relevance to a low budget film.

Producers can only offer what they can afford to pay, which should relate to what other actors are being paid and to the budget as a whole. The overall cast budget should stay within 8 and 12.5 % of the total above the low budget ceiling and 5% and under it.

Much depends on the part, the quality of the screenplay and, of course, the director. If all these things appeal very good casts can be assembled within modest budgets. Favoured nations helps. Actors feel a lot better about being paid less than they think they are worth if everybody else is in the same boat. Generally, British actors like to support British films and will – within limits – give special consideration to them.

If none of this works and the budget is above the ceiling for the Equity/PACT low budget agreement, there is one solution that works wonders with actors and their agents if financiers will accept it. By creating a corridor of revenue from dollar one – say 10% or 12.5% – it is possible to engage top line talent for modest salaries plus a share of the revenue corridor. This replaces deferrals, which may never happen, with effectively a gross position. If the

film does well, then all do very well and even if it doesn't little bits of revenue dribble in for years.

6. Stand-ins, doubles, stunts, crowd

Many FAA stand-ins are extremely professional and can make themselves useful in many ways. If affordable, at £100 per day plus, they really can contribute, but their cost is not just their salary but catering, accommodation and per diems. Good films can be made within a tight schedule without using them. Sometimes a couple of utility stand-ins can cover all artists or floor runners and ADs will stand in. All but the very grandest artists will be happy to stand-in briefly for themselves, if they think that they are going to look better.

The cost of doubles and stunts is unavoidable if the action calls for them and union rates are high but do truly reflect the going rate. Detailed planning, including storyboards, is the only way to save money.

Crowds in the London area have always been a problem for low budget movies. FAA artists in low budget terms expensive. Some films manage to work in real situations with disguised cameras and a handful of professional extras working round the actors but there are potential clearance problems with this approach. Away from London, crowds are much cheaper and can even sometimes be had for nothing. Large crowds can be rewarded by offering prizes rather than money.

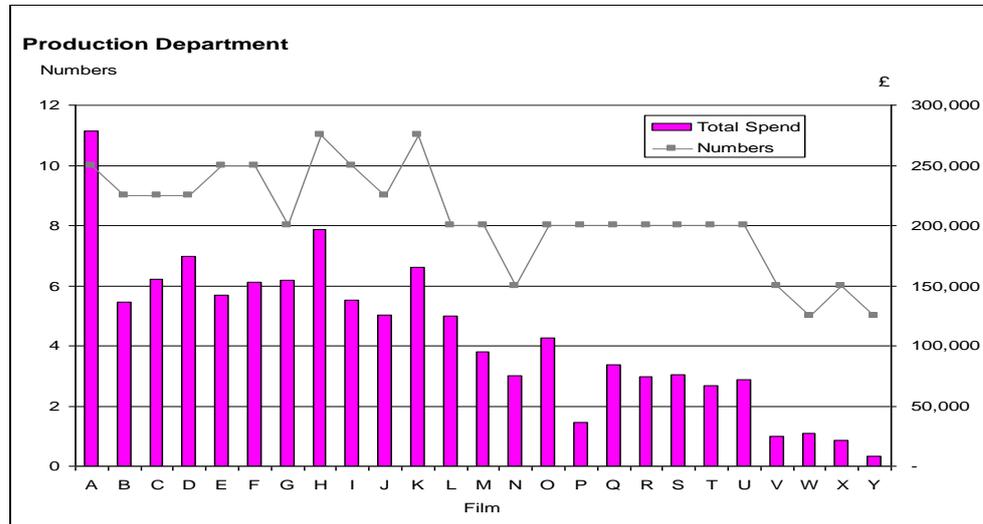
7. Casting

Most budgets in this range include fees for casting directors rather than weekly salaries. This means that the contract can't be exclusive but it is the most cost effective way of engaging a casting director.

There needs to be a clear understanding between the production and the casting director about the span of time and the volume of work that contract covers. Savings can be made by undertaking routine contractual work in the production office, using the casting director only for their specialist knowledge in finding cast and assisting negotiations for high profile actors. Whilst casting directors are sometimes protective of actors, they can also help save money by knowing what will attract a particular actor or actress. Having a casting director make the first approaches in the deal making process is also helpful, leaving the producer as back up if things get tough.

8. Production management

Salaries for production managers (PM), often called line producers, vary enormously. In our sample, the highest line producer salary was £3,500 and the lowest, excluding micro budgeted films or those with heavy deferments, was £1,100. Most were in the £1,500 to £2000 range. PMs varied between £1,100 and £1,700.



Departments vary in size too. In the sample, the smallest was five and the largest eleven. This is an area of considerable growth in numbers. Not so long ago, a low budget film would have been run by a PM, a co-ordinator, a location manager and a runner, together with the accountant. Now line producers often have PMs or unit managers and producers and co-ordinators have assistants, as do location managers, who sometimes have their own runners. Accountants nearly always have assistants.

MINIMUM DEPARTMENT	MAXIMUM DEPARTMENT
PM / Line Producer	Line Producer
Co-ordinator	PM
Location Manager	Co-ordinator
Accountant	Production Assistant
Runner	Location Manager
	Asst Location Manager
	Location Runner
	Producer's Assistant
	Office Runner
	Accountant
	Assistant Accountant

There are explanations for people inflation in the production department:

- Paperwork and reporting requirements have increased - one film was sending call sheets and progress reports to twelve separate financiers.
- Location shooting in London has become hideously more complicated.
- Late decisions, about locations particularly, often give rise to additional staff requirements. The location manager is still looking for locations, whilst the assistant manages the one that is shooting.
- Health and Safety increasingly demands management time and sometimes imposes impossible demands and limitations.
- With an inexperienced or absentee producer, line producers often feel that they should stay close to the floor, which makes them feel a PM should cover the office.
- Bigger crews make it harder for accountants to manage alone.

On bigger productions, other departments learn to expect production to handle every need not directly related to their specialism. This is not cost effective in lower budget films and perpetuates attitudes about demarcation that work against effective low budget filmmaking.

It is possible to be creative about demarcation even within the production department. On a small film with contained locations, one of the production

team can double up as the location manager with daily assistance for big scenes.

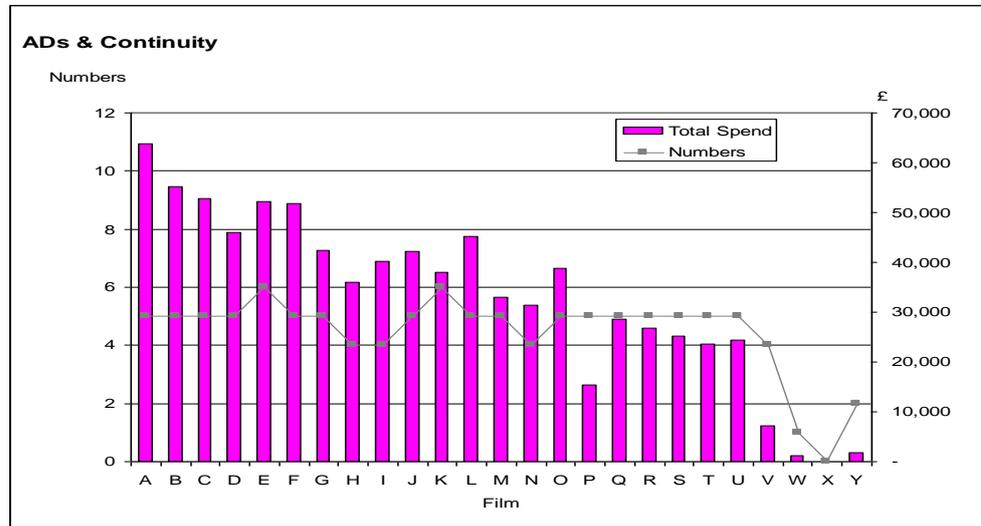
It is important to define the likely workload of the department and apportion it fairly. If there are only a small number of people, financiers must be realistic about the reporting that they request and the last minute changes that they impose. Similarly, other departments need to understand what they have to be responsible for and not necessarily expect production to spoon-feed them.

Experience in this area breeds caution and caution increases costs. It is important that the line producer still has an appetite for finding new ways to save money and time. When something is costing too much, there is a real need to be positive and constructive about finding a way to get to the same end for less money. "That's what it costs, governor" won't do.

The casting of the line producer is the most important factor in controlling both the budget and the ultimate cost of a film. Too much experience can lead to caution and conventional attitudes; too little is not necessarily a bad thing, particularly if supported by an experienced hand elsewhere as producer or AD. It is often better to employ a hungry young'un, who doesn't know that things can't be done, than a wise old bird who has seen and done it all.

9. Ads & continuity

There is not much variation in the sample. Larger films employ a first, a second and a third AD with a floor runner; smaller make do without the third AD. Films with significant crowd scenes sometimes have another second AD. Salaries vary less than for PMs & line producers.



It is important that the AD has some feeling for the material and is sensitive to what the director is trying to achieve as well as being technically competent. This is a tough combination to find. In terms of value for money, the AD is a crucial appointment to make as soon as possible. The assistant director has to run the crew and he or she should ideally be involved with choosing them. It is worth considering starting the AD in a senior production management role before he/she moves over to the floor to control the shot that he/she has planned and staffed.

Most lower budget films are made by inexperienced directors working on short schedules, who need the AD more than most. For the AD that doesn't mean telling the director that things are impossible but using their expertise to get the "most juice out of the orange". It is the assistant's job to show the director and cameraman how goals can be most productively achieved and manage the floor to get the results. In the first instance, it is the AD's responsibility if things go wrong, not the director's or the cinematographer's.

The relationship between producer, director, AD and cinematographer is critical to the AD's effectiveness. Too many assistants are wary of taking charge, particularly if there is tension between producer and director. If the director decides to take sides with the cinematographer, for instance, against "production", it is really difficult for the AD to keep things moving.

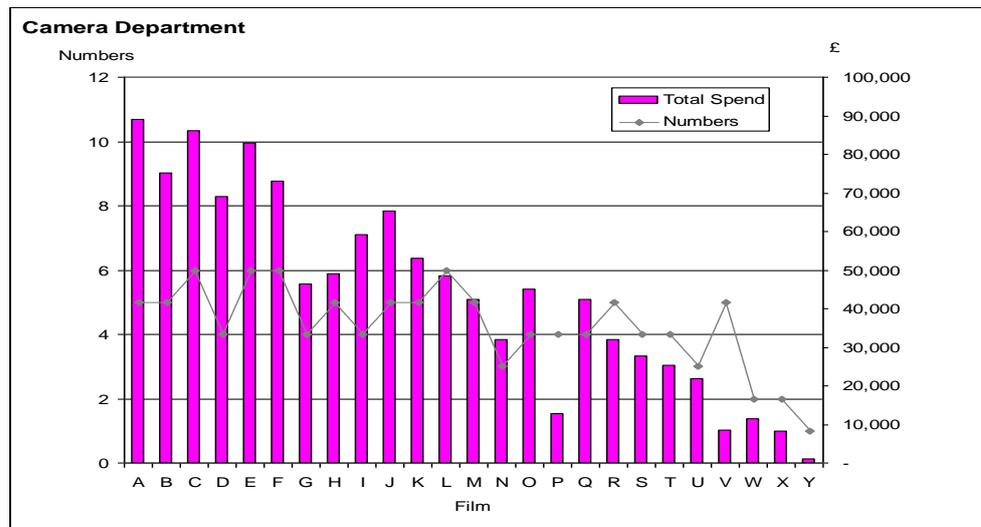
The key to achieving any film within budget and schedule lies with the producer, the director, the assistant director and the cinematographer. In an ideal world, the budget and the schedule would be put together in consultation

with all of these parties but, at least, it is crucially important that they understand and accept the budget. If anyone starts sucking their teeth before the film begins, it may be best to recast.

10. Camera crew

DP's wages varied from £1,100 to £3,500. £1,100 is definitely the exception and a surprising number of films paid £3,000 or more.

Most films had a four-man crew: DP, focus puller, clapper/loader and grip. Focus pullers, for the most part, earn between £900 and £1,200. Loaders were getting £700 - £900 again with very few outside that range and grips were between £1,000 and £1,200. Only seven films employed an operator, 4 films employed a trainee and only 3 had video assist operators.



Historically camera crews like to be seen as kingpins and have a huge influence on the cost and working environment of a production as well as on its look.

Cinematographers invariably insist on their regular crews and those crews do sometimes take advantage of that because they know that they are not really competing for the job. Many producers like to keep parity between grades at similar levels in different departments - for instance second assistants, boom swingers and focus pullers are often paid at the same level - so a focus puller or camera assistant who knows he is preferred can cause havoc in the rest of the budget. Sensible and affordable rates should be set in the budget and the acceptance of the rates should be the preface to the whole contract with the camera department including the DP. If all or any of the crew is unhappy with the deal, it is better to recast.

Tempting though it is for a first time filmmaker to hire an experienced cinematographer there are real pitfalls and a whole raft of things need to be checked - speed of working, choice of lights and equipment. The cinematographer must be as committed as the producer is to achieving the

film within the time and money available and believes that it can be done well within those parameters.

Many camera departments believe that their financial responsibilities end once the equipment deals are done and their contracts have been agreed, but they have as much responsibility as the production office for solving the problems that arise as the film progresses within the agreed budget. It is essential that they sign up to provisions for cranes, cherry pickers, steadicam days, extra sparks, rigging requirements, extra camera days – everything that is caused by the requirements of the cinematographer.

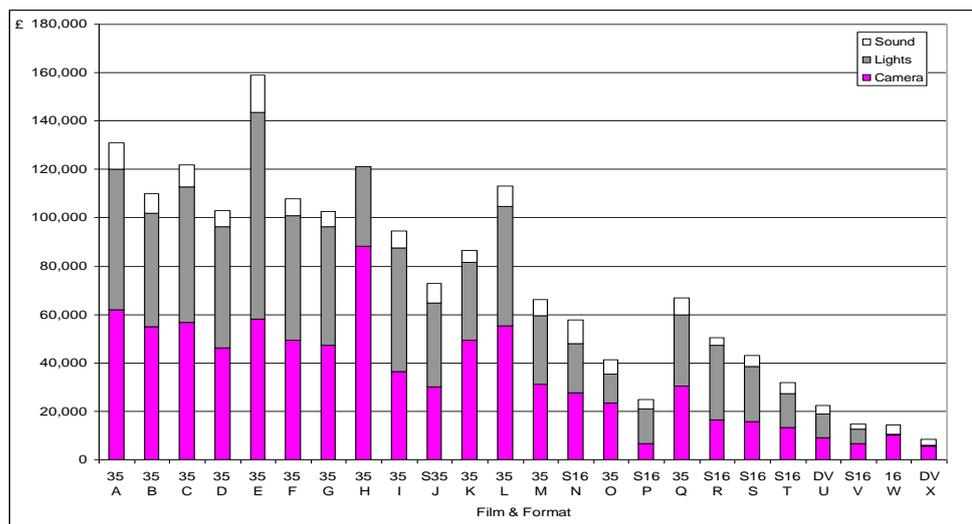
Often the initial budget is drawn up before the cinematographer is chosen, without time for proper consultation. Costs in this area are really unpredictable and line producers are understandably cautious because they know how prep time can be squeezed and what happens when locations can't be discussed with the cinematographer before the film starts.

Much of this is about attitude that can be very hard to assess in a short meeting. Producers need to be sure that their camera crews really want to make the film on the producer's terms and that they are going to be positive in finding ways to achieve that.

11. Equipment

a) Camera equipment

Most 35mm camera equipment costs were in the range £30-60,000, depending on the length of the shoot. Cheaper films paid around £5,000 a week for equipment and the bigger budget films nearer £8,000. 16mm equipment varied between £6,500 and £16,500, a weekly cost of £1,600-2,000. All three DV films had equipment costs of under £10,000.



The big decision is whether to use 35mm, 16mm or DV. The last two are substantially cheaper, both directly and in terms of knock-on costs.

Increasingly technology is equalising the look and quality of the end result. Whilst 35mm remains the best, 35 mm prints produced digitally from 16mm are more reliable and better quality than the old alternative of blowing up from film. S16mm is a real alternative, even for devotees of 35mm film. Wim Wenders and others have used sections shot on high definition DV within conventionally shot films and it is difficult, if not impossible, to see the difference.

The big indirect advantage of 16mm or DV is that it makes the production much lighter on its feet. The more equipment there is, the more transport is needed to carry it, the more time and people it takes to get out and put away. The essence of truly low budget filmmaking is to find ways of doing things with the minimum of toys.

For some filmmakers, DV will continue to be unattractive because it takes away the sense of concentration imposed by film disciplines.

Even if it is possible to persuade equipment houses to provide pricey gear for a song, beware the time it takes to use. As soon as a crane, a steadicam or a low loader appear on a set everything grinds to a halt and single set-ups take hours instead of minutes.

Frequently cinematographers and their crews argue that particular pieces of equipment or lighting approaches (e.g. extensive pre-rigging) will save time and money. In reality that usually means that the scene takes the time allocated rather than longer and the producer is left with an added cost to achieve that rather than a saving. A line item in the budget providing any additional equipment other than the odd extra lens may not seem much in itself but implies resources to support the use of it that low budget films can rarely afford.

Even using relatively conventional methods, it is possible to shoot a genuinely low budget film on 35mm – this author made one not so many years ago for £400,000. To keep the price down, film is developed and telecined but not printed. The first time the director sees the work projected as a film is at the screening of the first print.

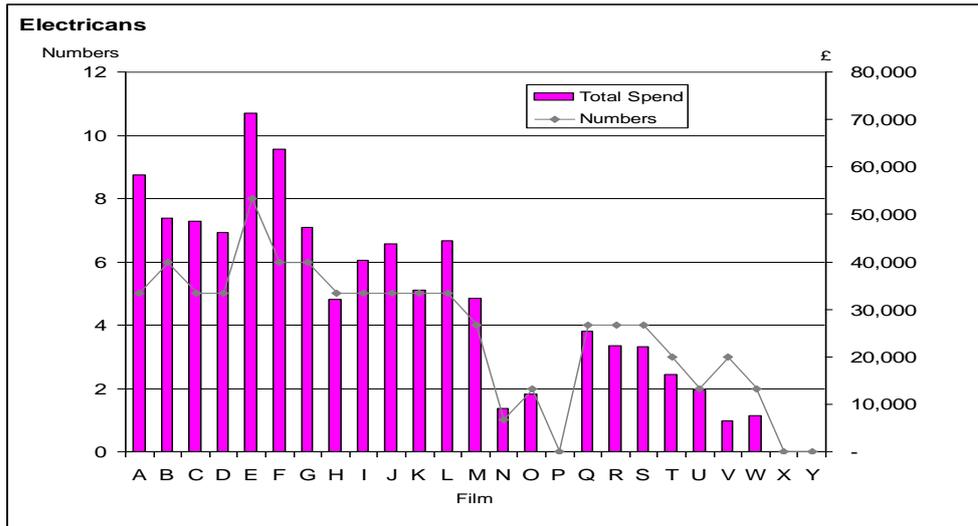
b) Lighting equipment and consumables

Budgets above £2 million included lighting provisions between £28,000 and £51,000, with just one outside that at £75,000. Below £2 million, the variation was less – between £20-30,000.

As with camera equipment, there is great reluctance by technicians to use anything but the very latest gear. Certainly it is better, particularly lighter and more efficient, but that isn't to say that what came before won't produce a good result for considerably less money. It is important to hire people who will be creative about finding different and cheaper ways of doing things.

12. Lighting crew

Rates for gaffers varied between £900 and £1,600 but most were in the range £1,100-£1,350. Best boys were £900-£1,100 and other sparks £850-£1,000. Most films with budgets above £2 million employed a gaffer, a best boy, two electricians and a generator operator. Below £2 million, numbers drop to two or three.



The combined spend on equipment and lighting crew was £60,000 to £100,000 for higher cost films so this is an area where it is worth looking for savings.

The conventional approach does not offer producers much choice. Cinematographers tend to work with one gaffer, who in turn is tied to an equipment company which supplies the electricians at pre-determined rates.

The big decision is whether to light at all. The films that cost least used virtually no lighting. However, that gives the film a look that is not always right.

It is possible to break the mould and light cheaply. One producer told us of a studio movie that had been shot with lighting technicians from the US, who worked for less and with a different attitude. Others have been able to use British freelance technicians who are keen to make a break.

The culture in America is different. Many lighting technicians are film school graduates with creative ambitions. In the UK, they are mainly skilled craftsmen who are attracted to a high earning sector of their trade.

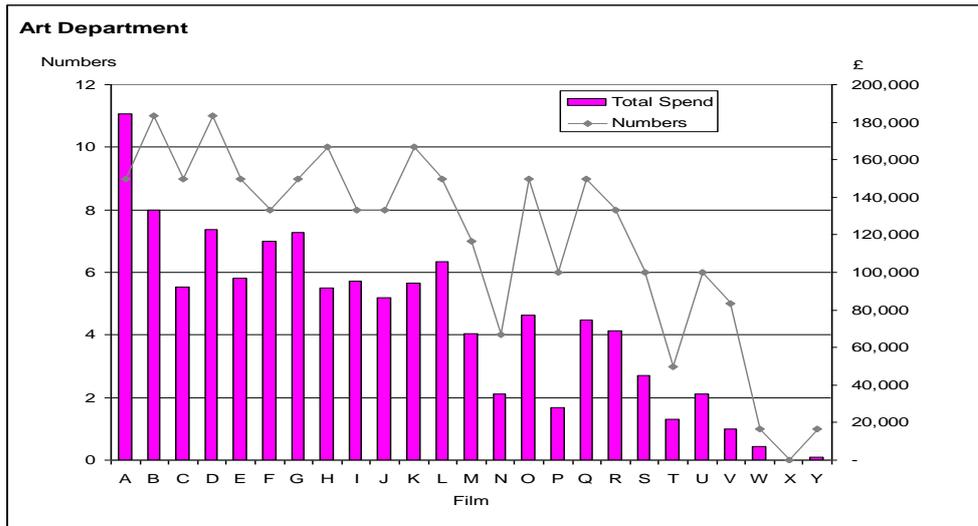
13. Sound crew

With only three exceptions, all the films in the sample had two sound crew. Rates for the recordist varied between £900 and £1,400, although two films paid £1,600. Boom operators were £800-£1,100, with one exception at £1,200.

It is worth taking time to find locations on which good direct sound can be recorded and it is worthwhile considering engaging one of a growing breed of sound mixers who like to go on and edit and create the final soundtrack in Post-production. Although it doesn't particularly affect this area of the budget, sound delivery requirements are getting more and more onerous and low budget films are often expected to meet standards that have been established on much bigger budget films.

14. Art department

British films pour a lot of resource into this area. On average the films in the sample spent 2.5% of their budgets on Art Department labour alone, by far the highest percentage spend on labour for a single department. Art Departments of 6-8 people and Prop departments of 5-6 are common. With the addition of construction labour and stand-bys modest films can end up with 25 people solely concerned with the setting in which the story takes place.



Designers, understandably, like to put their mark on a movie by creating a consistent visual style but that can need resources that are beyond a low budget film. The only way to be fair to everybody, is to start by giving the designer an overall budget for the department and ask him or her to propose how to spend it or, even, say that it is simply too little for them to work with. If that is the case, the only option is to find a designer who can produce good results within the budget.

Too often the designer is asked to prepare a budget without any guidance, which then has to be cut back because it is too high. Afterwards, the producer

is constantly reminded how things would have been so much better if this or that hadn't been cut; usually costs overrun and the director is left feeling that they have ended up with second best.

Much depends on the ground rules being clear from the start. Some of the most experienced designers are the best at doing something for nothing, but are wary to offer their ideas up because too many directors cannot be trusted not to change their minds at the last minute.

Old techniques of creating sets cheaply seem to have disappeared. Invariably sets, whether locations or studio sets, are prepared so that directors can shoot in every direction. What might have been done once with two walls or even one, today invariably means four. This may be because directors don't like to make up their minds how they want to shoot a scene until they get there. It could also be because they are wary of making decisions too soon because they know that producers and financiers can demand extra shots which may require more set.

Successful low budget design often comes from working with what is found on the location to create the design rather than imposing a design that comes out of the designer's head.

Demarcation is a major factor in the organisation of art departments. People on the floor spend most of the day standing about because their skills are only needed for a few minutes. This is not to say that people don't help their mates – standbys certainly muck in with one another but a painter is needed to paint and a rigger to rig, even if others help them. The idea that two or three people might be trained to handle all the floor functions from standby art director to painter to carpenter to rigger to prop man has not yet taken hold but must be the future. A way to break the pattern might be to make an exemption to the normal demarcation rules as part of a new code of practice for lower budget films.

Set building requires specific skills and experience that tend to come at a fixed price and with a fairly rigid attitude to the employment package. It is difficult for low budget films to compete for this talent, although some prefer being an important part of a small team, to working on big pictures with large crews.

Well used, most of these technicians can produce a great deal in a short time. It is still a good option to consider set construction as an alternative to location shooting, and it can surprisingly save money. Locations can mean cramped conditions which limit the director and expensive and time consuming travelling and location support.

15. Wardrobe

On low budget films, there are usually only two or three people in the wardrobe department.

Although the department itself rarely costs much, working practices can indirectly inflate costs. Costume checking between shots has become a kind of a time-consuming fetish. Directors might be happy to take the risk of cutting back costume support on the floor either to reduce the total budget or spend the money and time somewhere else.

Wardrobe departments almost always assume that actors must be waited on and cannot be trusted to look after themselves. In fact, most actors can be trained to look after their own costume continuity.

An enormous amount of work goes on overnight to maintain clothes. This leads to long hours and high pay for comparatively unskilled work. There is scope here to employ someone who will do the work for the kind of modest wages it commands outside the film world and might enjoy the opportunity to work on a film.

16. Make-up and hair

In the sample, only one film carried four people, most of those with budgets of £2 million and above had three, and all those with budgets below £2 million had only two. Fortunately, thanks to the welcome arrival in the film world of make-up artists trained in television, where hairdressing is considered part of the skill, most films in this area now employ people with combined skills. Rates vary quite considerably – chiefs between £900 and £1,600, with one exception at £2,200. Assistants £750 to £1,100

It is difficult for a producer to economise on make-up and hair. The actors are the heart of the movie and they have to look right. Producers and directors should think carefully before making heavy demands on the department. Although it may seem easy to suggest changing an actor's appearance with make-up, it invariably means extra cost and time. After that, the only way to save money is to look for new talent, for instance, good assistants who are looking to make a break and who will work for lower rates.

17. Office and studio rentals

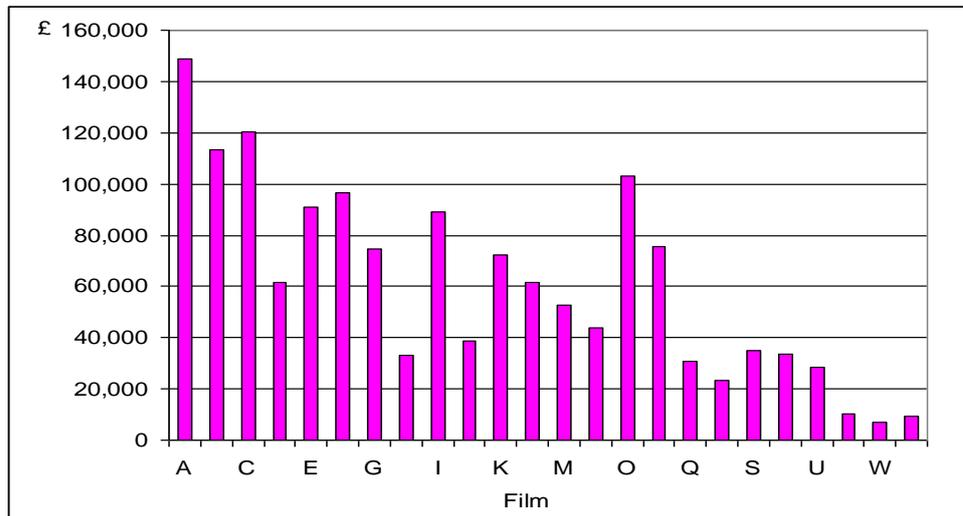
Most low budget films manage to keep costs right down by renting disused warehouses and factories. Few can afford proper studio facilities. There is a lot to be said for setting up a mobile office when a film is moving about so that the production office is always close to the set.

The cost of the space is usually not particularly material but the way it is used will affect other costs. If the office/studio is where crew are employed, its distance from the locations is crucial. The feature film previously referred to, shot for £400,000, was set around King's Cross. The director and designer were asked to find all locations within walking distance of the base. None of the shooting time was wasted on travel.

For art departments particularly a dedicated studio is often the most convenient base but if the film is not shooting there, and locations are in central London, the production takes on huge amounts of travelling time.

18. Locations

Budgets for location facilities varied enormously, ranging between £30-40,000 and £150,000. Just over half the films had location budgets of over £70,000. With a couple of exceptions, location costs hover at around 3% of the budget.



London was consistently expensive but films made in Glasgow had comparable budgets.

There has been real inflation in the cost of permits and the support services for location shooting, especially in London. There's not a great deal that producers can do, except make clear that they're not in same league as Hollywood Studios. Although the film industry is usually the poor relation of television, films always seem to be charged more.

The earlier locations are found the better, particularly if the whole film is to be shot on location. Budgeting and scheduling is much easier when major locations are known. Producers and directors can start work before the line producer is engaged. Using a location finder for a few weeks at an early stage is generally a good investment.

It pays to pre-determine an affordable fee structure, and stick to it. It is wise to establish that a particular location is affordable before showing it to the director. This is an area where preparation time pays off. If locations are found far enough in advance, there is time to replace the ones that blow the budget.

It is a curious feature of UK production custom and practice that location finding is done by a location manager who in most cases is chosen for management and logistical skills rather than a creative eye. Some have both,

but a lot of time could be saved if directors and designers involved themselves more in the process of finding locations. Sometimes the help of a relatively inexperienced person who can relate to the film creatively is more useful in the early stages than an established location finder.

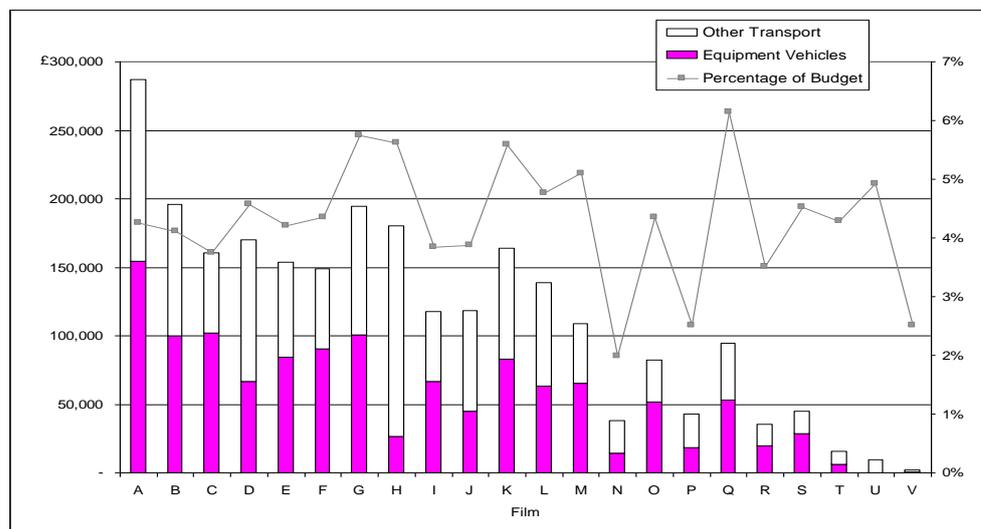
A confident director who wants to save money can help by adapting to what is available, as can the screenwriter. Both will need to be persuaded that every effort has been made to find the right location at the right cost before making revisions.

Quite a number of productions use location agencies that instantly produce extensive photographic coverage of locations. Usually they have been used before and are more expensive than new sites. Also they are rarely where the production wants them to be.

The closer together locations are the better it is for everyone. Having found one key location, it is worth searching the area to see what else can be shot nearby. Of course, closely grouped locations potentially save money on transport and other support costs but they also save the director wasting shooting time moving between far-flung locations. It is also easier to reschedule if there are weather or other problems.

19. Transport

Every film costing more than £2 million spent over £100,000 on transport and more than half exceeded £150,000. On average films in the higher budget category spent 4.4% of their budgets on transport. Films with budgets of £2 million or more, with one exception, had 14 or more equipment vehicles. As the budgets fell below £2 million, so the number of vehicles and the transport cost fell significantly but the percentage spend remains constant.



Expectations about custom and practice are a significant contributor to transport costs. Departments fight for their transport and complain bitterly if the production won't give them what they want. The only way to counteract

this is to be absolutely clear about the ground rules when crew are hired. This report recommends that transport should be included in a code of custom and practice.

Among issues to be considered are: -

- Use of self-drive vehicles. Electricians drive their own equipment vehicles; yet props and construction rarely do and camera almost never do. Saving a driver saves the costs of feeding and housing them as well as paying them.
- Wardrobe and make-up and hair both hate setting up new stations each day, but it is cheaper than using specialist vehicles.
- Take vehicles off hire when the production moves into a fixed location or studio for a couple of weeks.
- Have artists picked up by PAs in self-drive cars, ensuring that they are properly insured. In London cabs usually work out cheaper than unit cars but they are more risky.
- Provide transport to and from base for shooting crew, instead of allowing them to use their cars and book mileage and parking.
- Provide hire cars for crew working away from the floor instead of paying mileage.
- Avoid Winnebagos and mobile homes. They give the impression that there is plenty of money about. If it is essential, use caravans but rooms in nearby houses are better.
- For away locations, stick to second-class rail fares with reservations or, better still, hire a coach or provide petrol allowances for the crew to use their own cars.

Ultimately, the key to saving money is to have smaller crews, thus fewer people to transport, less equipment, and sets and locations close to one another.

20. Hotel and living

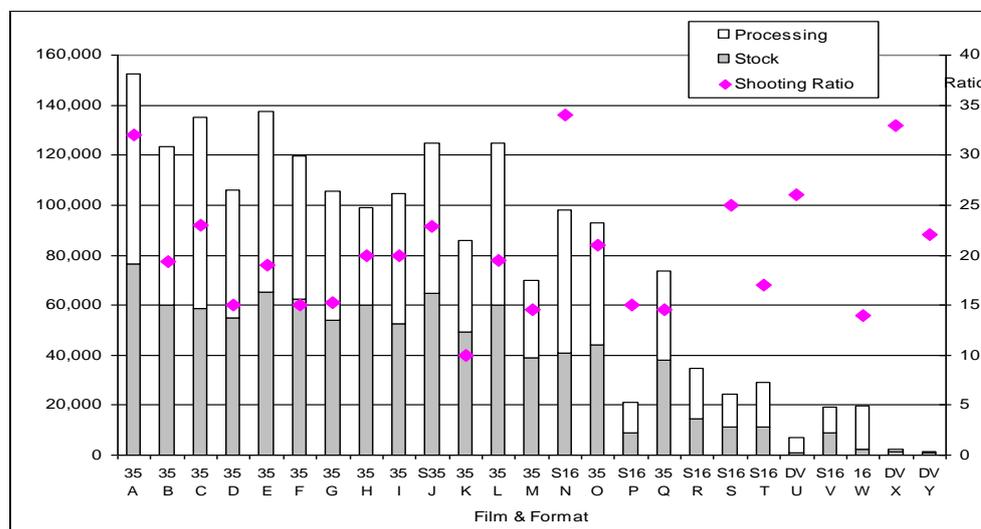
In the end, the impact of hotel and living on the budget is decided by the number of days of away location where overnight accommodation is required. Having said that, there are different ways of approaching living costs. As ever, the success of an unconventional approach depends on securing the agreement of crew as they sign on.

- Self-catering accommodation is much cheaper than first class hotels. It is possible to provide a high level of service, in terms of cleaning, washing and meals without significantly eating into the saving.

- The number of people being accommodated is crucial. A driver who costs £500 a week to house and feed on location becomes a very expensive commodity.
- Using local drivers and substituting local crew in some jobs becomes very attractive, although it can be hard to get London HODs to accept them.
- There is little alternative to the evening meal allowance. Strictly speaking the production may just offer the crew an evening meal at a fixed venue but that is neither practical nor really fair.
- Location caterers providing meals from a catering van is the most convenient but expensive way to feed people on set. It will cost between £11 and £15 a head. It is much cheaper to hire a cook and provide equipment and materials, mixing in experienced unit caterers for difficult locations.
- The number to be fed is crucial. Too often quite small films find themselves feeding close to a hundred people each day. For a 35-day shoot, that means a catering provision of £50,000.

Someone will complain whatever you do. The most important thing is to arrange things in a way that shows that real care is being taken to look after people, even if not entirely in the way they are used to.

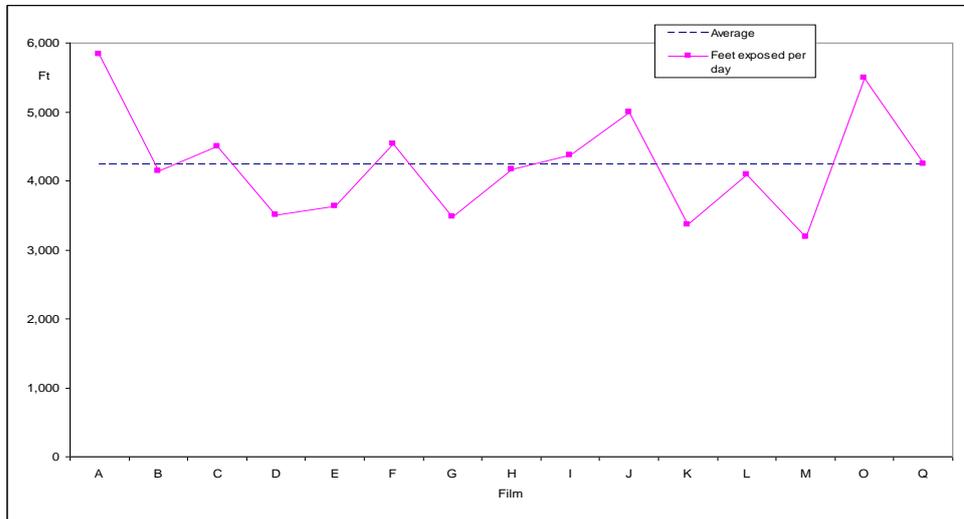
21. Film stock and processing



The most expensive film spent close to £150,000 and the cheapest originated on film only £20,000. Cost as a proportion of the budget averaged 3.5% for 35 mm films. With only two exceptions, all the films costing more than £1.5

million were originated on 35mm. Below £1.5 million, all the films were shot on S16 or DV.

With one exception, there has been no obvious inflationary pressure from suppliers. Stock, processing and printing costs have risen at or below the rate of inflation. However, telecine transfer costs have risen by as much as 50%.



There maybe some inflationary push from consumption of stock. Shooting ratios averaged around 20:1, although this figure maybe exaggerated because to calculate it that we have had to assume that the film was the budgeted length and not, as is often the case, longer. The daily average footage exposed is 4,200ft. Guarantors now insist that producers budget for 5,000 ft, when a few years ago the standard was 3,500ft. Pulling back to 3,500 ft a day would knock £25,000 to £35,000 off the budget.

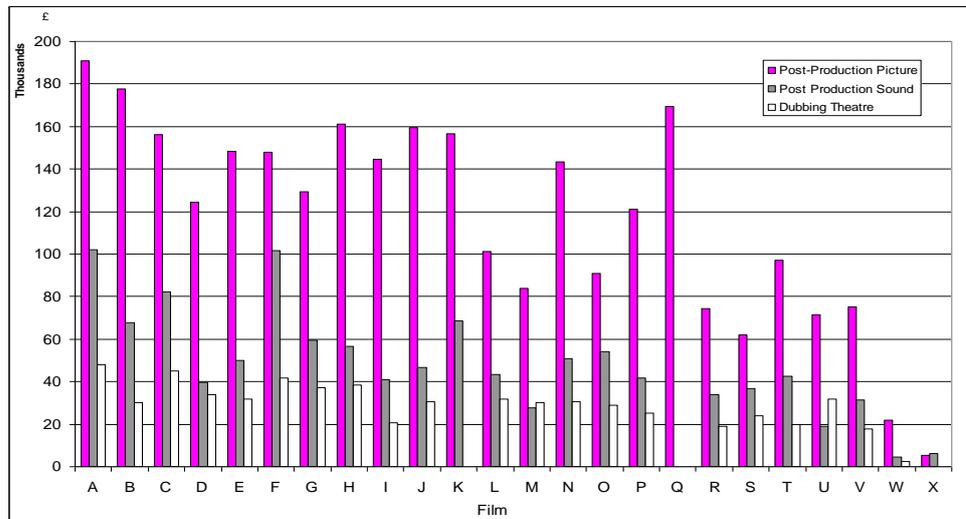
Now that 35mm prints can be produced from a 16mm negative by digital transfer instead of blow-up, shooting on 16mm has become viable even for films with multiple print 35mm releases. This route is still slightly more expensive at the processing end but brings the benefit of a lighter, faster shoot. Before long, DV will be equally viable.

If 35mm is essential, it is cheapest to telecine the negative, rather than print rushes. If rushes are not printed and a conventional cutting copy assembly is not possible, the negative can be cut before the dub so that a mute print is available for mixing. If necessary, the film can be revised once the mixed elements are in place. Even on anamorphic, where the frames are very close together, it is possible to re-cut the negative.

22. Post-production

At the top of the range, total costs were just under £350,000 and at the bottom, excluding the micro budgets, there are four films all around £120,000. Picture edit costs vary more than sound edit and dubbing theatre charges.

With a couple of minor exceptions all the dubbing theatre charges are between £20,000 and £40,000. Sound edits however are anything between £20,000 and a £100,000 and picture between £60,000 and £180,000.



The costs of post-production are dictated by the number of people at work and the number of weeks they work for. The efficiency with which all the resources are used often depends on the input of the financing partners. Generally, they take longer to agree the picture cut than the traditional post-production schedule of 14 weeks would allow. This can happen simply because of difficulty with availability rather than a wish to extend the editing. Delays extend sound editing, because of changes to the picture after it is supposed to be locked, as well as the picture editing and post-production management. They also result in cancellation charges when dubbing dates are changed. Producers, reasonably, try to anticipate all this by producing cautious budgets.

The strategies for dealing with an expanded post-production schedule depend on whether the production is under pressure to deliver to pay off bank borrowing. If there is no bank borrowing, the safest and probably cheapest thing to do is to allow plenty of time between each phase. Keep picture editing overheads to a minimum so that running over is not too costly. Book sound crew, dubbing theatre, composer and music recording at a really safe distance from picture lock and, if possible, don't tell anyone what you have done.

If there is bank borrowing, show the director's cut as early as possible – say six weeks after shooting – give two weeks for notes and financier's input, keep two up your sleeve and plan to start the sound phase ten weeks into post. Start the composer looking at the film from director's cut onwards but don't give final measurements until the last minute. Record music in the week before dubbing and complete the dub in three weeks or less, allowing a further couple of days, not necessarily connected, for M&E and mono versions. That comes to just under 20 weeks instead of 14 but sound tracks

are more sophisticated and delivery requirements more demanding than they were.

Farming out post-production sound to a facility can be a little more flexible and cost effective than hiring in your own staff but it may not be as good creatively as a dedicated sound team. Involving the sound recordist who shot the film can save time in post, with good creative results. This course is often resisted by conventional editors who see post-production sound as an editing function rather than a recording one but in truth it is both.

Increasingly, films at the lower budget level employ post-production supervisors, adding a new layer of management. This is a rational response to the growing complexity of delivery and is a good solution if the producer needs to move on to other projects quickly. However, post-production is not an impenetrable art. If they have the time, it is perfectly possible for producers to manage post-production themselves with the help of their own assistant.

This is an area in which film differs radically from television. Post-production for a television drama is often completed within 6-8 weeks including the dub. Things are a little easier because there is usually only one financier and delivery demands are less onerous. However, since movies generally improve as they are refined in the editing room, significantly shortening Post-production is not an attractive way to save money.

23. Post-production lab

Delivery requirements imposed on low budget films are often very similar to those for much bigger films. It is sometimes possible to persuade sales agents to accept some of these costs as a distribution expense outside the budget but it is not easy. Digital post-production, although expensive in itself, can produce some savings in that the digital master can replace the interpositive and can fairly easily provide the DV and video delivery elements. Most of these costs are per foot costs so one of the best ways of saving is to make a shorter film.

24. Titles

Digital post-production can save money because titles are easily added in the computer without the expensive and complicated film processes. The biggest difficulty for independents is getting the titles agreed by all parties and not forgetting or misspelling anyone. Mistakes are much easier to correct if titles are computer generated.

25. Music

This is an area where the producer must decide what is affordable and work within it. Big name composers will often work within very tight budgets if they like the film. Be straightforward about what you can afford. Talented composers can be very ingenious with small amounts of money. Computer

generated scores with a handful of live musicians laid over can sound good; the right tune with simple orchestrations can be just as effective as a full symphony orchestra.

Pre-recorded tracks are generally expensive and the cost is difficult to estimate. It is never too early to start negotiating with record companies and publishers and it is generally cost effective to use an experienced intermediary. The important thing is to be able to walk away when the price is too high. It is unwise to rely on a record deal to cover a gap in the budget. Very few low budget films have the profile that would attract a record company and they are notoriously slow in making up their minds.

It is often this kind of music which can do most to market and promote the film. It maybe that it is worthwhile putting aside a big chunk of a small budget to spend on music, but that will mean making real economies elsewhere.

Low budget filmmaking in Europe and America

1. Summary

In Europe, crews are smaller; schedules are longer and working hours are more reasonable. It is possible to shoot for 8 weeks on a budget of less than £1 million. In France and Denmark crews were engaged for a basic five day week and paid overtime as worked, not nearly as much as in the UK. UK rates often cover six-day weeks and 12-hour days. Hourly rates in Europe are comparable to the UK; indeed the Danish rates are probably higher.



Social security rates are generally higher in Europe than in the UK.

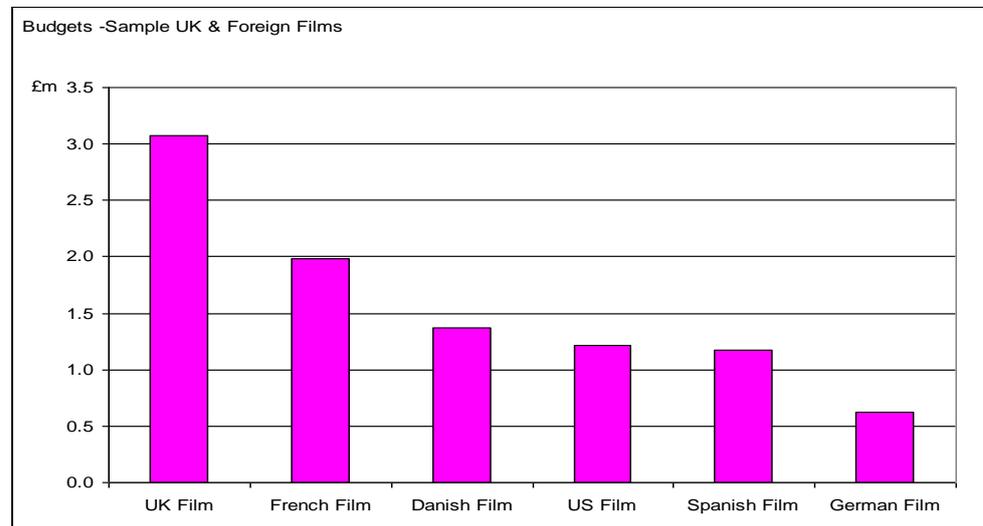
The pattern seems to be that in Europe, fewer people work over longer schedules than they do in the UK but for comparable salaries.

In the US, the working approach seems quite similar to the UK, long hours and six-day weeks, but the pay rates are much lower. In the example chosen, the American crew was significantly smaller than the UK one but this is not necessarily typical. Generally, in the US slightly smaller crews work very long hours for much less money.

The following section looks at the differences in detail. The text includes reference to crew rates, which are tabulated in Appendix C.

2. The films in the sample

There are six films in the sample; one very low budget German film, three others – the American, the Danish and the Spanish film – which are low budget, and two – the British and the French – which, by their own description, are low/medium budget.



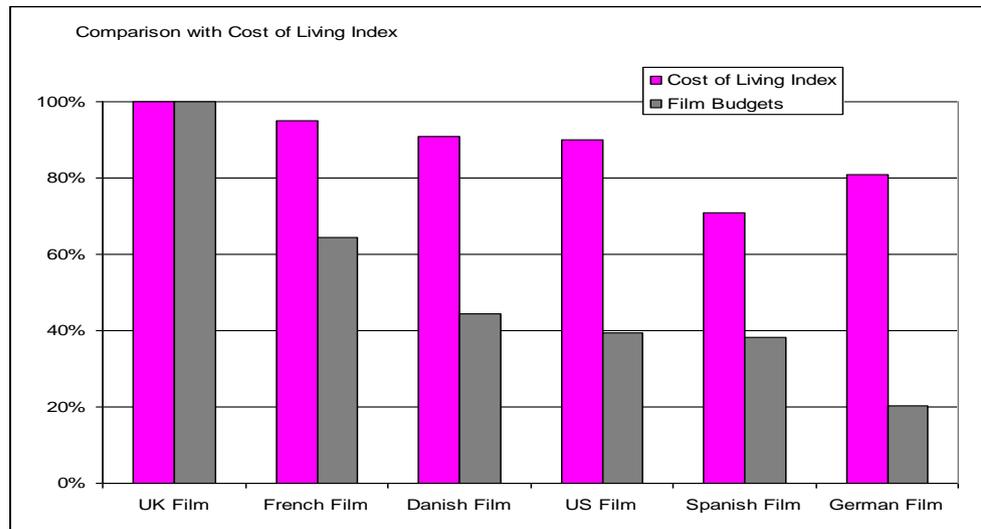
This is not a statistically meaningful sample, although the British film is representative of the much larger sample of UK production included in this report. However, the foreign films are similar in scale and ambition to the British film and provide a broad-brush indication of differences in cost and approach.

The US film is a well-known, contemporary drama and, like the British film, was made entirely on location. The French film is the only one by a senior director and is exceptionally long.

The British film had some special costs associated with its subject matter. They are included in the budget total but we have allowed for them when examining specific budget heads.

3. Cost of living

The UK and particularly London are amongst the most expensive places in the world to live and work. However, the differences between the costs of the film in this sample cannot be accounted for by differences in the cost of living.

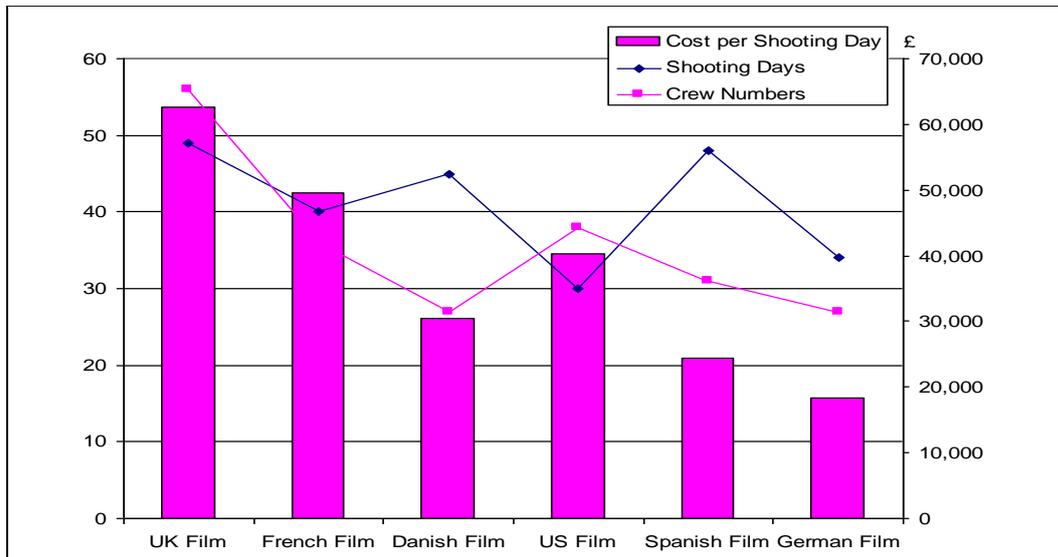


4. Shooting schedules & crewing

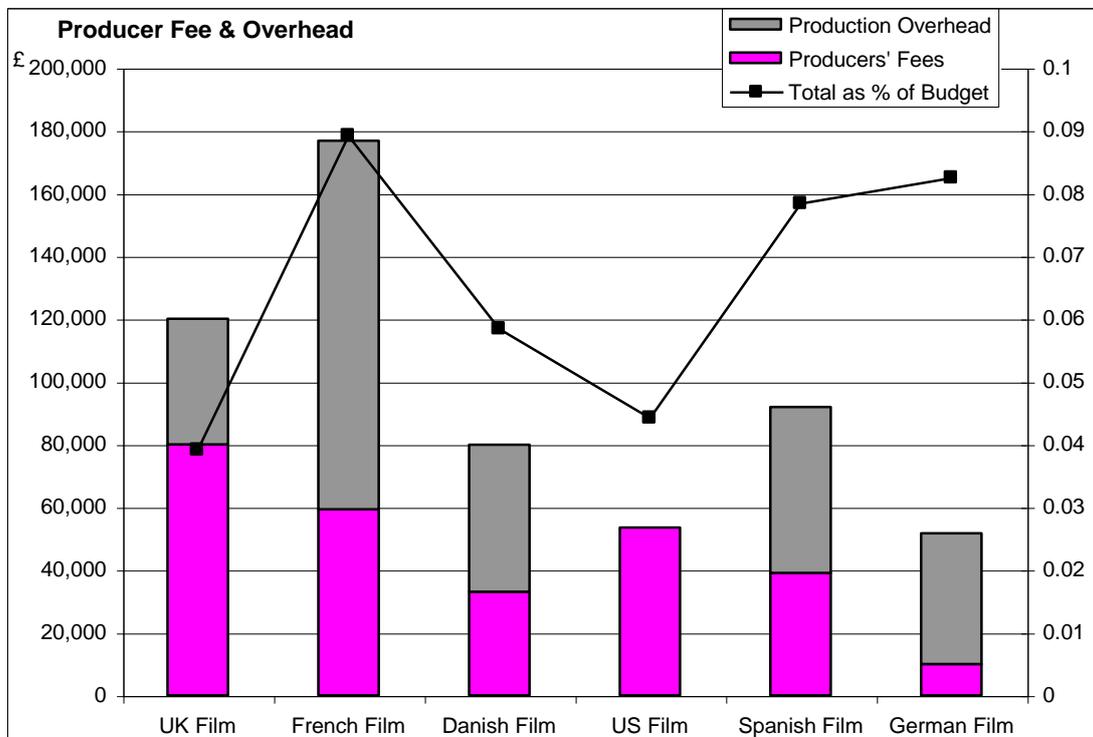
The US film, shot for thirty days over five weeks, and the German film for 34 days over seven weeks. The French film had 40 shooting days over eight weeks and the other three all managed 45 days or more.

There were 56 crew on the British film, 38 on the US film and 36 on the French film. The Spanish film had a crew of 31. The German and the Danish crew totals, at 27, were both less than half the British total. This demonstrates immediately a major reason why these films cost so much less than the British film.

Shooting days in the UK are the most expensive. The cost per shooting day in Denmark is less than half that in the UK. A French shooting day costs 20% less than a UK one and a US day 35% less. The cost of shooting days is calculated by dividing the total budget by the number of shooting days and therefore may be slightly distorted by exceptionally high costs on non-shoot items such as delivery materials.



5. Producer fee and overhead



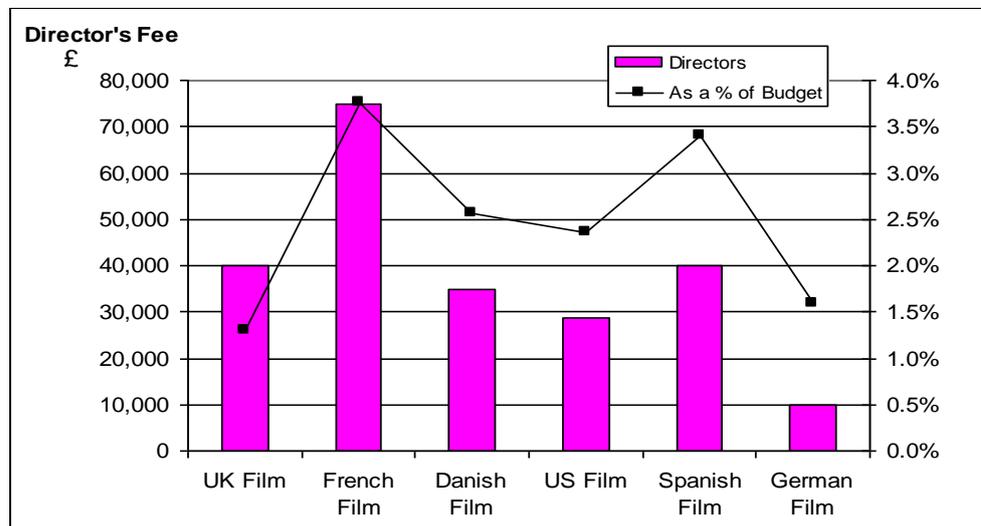
The French film has the highest fees which also represent the highest proportion of the budget – 9%. The British film has the second highest fees, but they are the lowest proportion of the budget – just under 4%.

The American film has modest fees for its individual producer and no production fee, but there is a substantial provision in the budget for a financing fee paid to the company which arranged the finance and co-produced the film.

In this case, the producer deferred a substantial part of their interest, and became entitled to a share of revenue.

The other European films, whilst not paying enormous producer fees in absolute terms, allocated between 6 and 8% of their budgets to the producer.

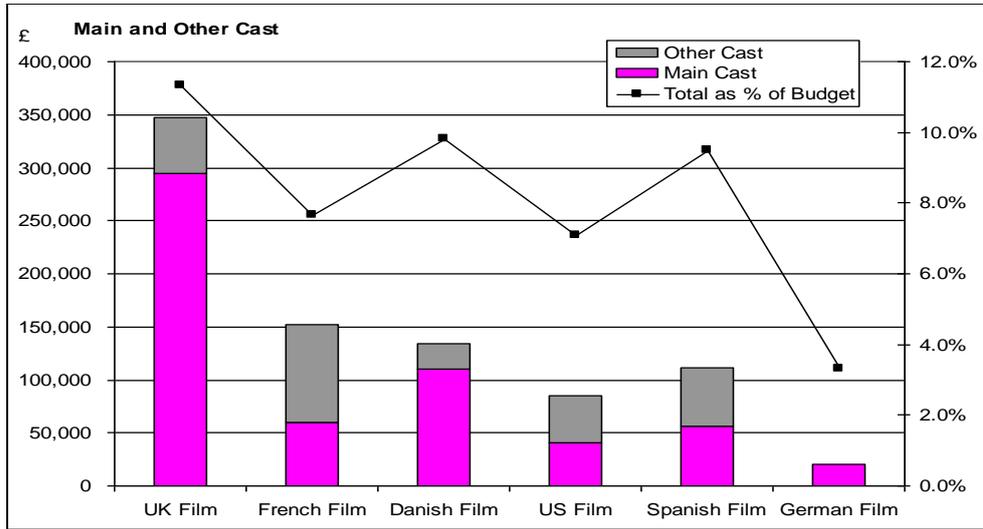
6. Directors



The French director is an established name and received more than £40,000. The UK director, a first timer, got £40,000 and the Danish, Spanish and American fees were all around £30,000. The German director was only paid £10,000 but received an additional fee for writing the screenplay.

7. Main and other cast

This is where the big differences between the UK film and the others begin to show. The main cast for the UK film cost seven times that of the American film. The UK picture did have a couple of local stars, but two of the three principals in the US independent picture were also well known in their territory and helped finance the film there.

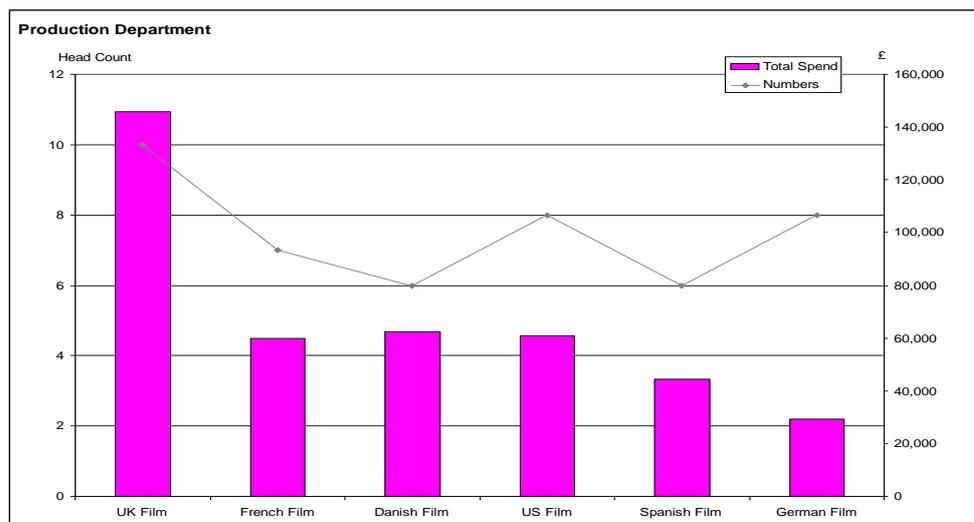


American actors benefit from a share of receipts through their SAG contracts and two of them had bonus arrangements related to box office, but these figures evidence a very different attitude to up front fees for low budget films by agents here and in the US. The French film also had some star name actors but its cast budget is a third of the UK one.

Once a UK film costs more than the ceiling for qualifying films under the low budget agreement with Equity, actors' fees rise disproportionately. This may be because the practice in the UK has been to buy out residuals, whilst this is not done in the US. Through custom and practice, British actors and their agents have come to treat the combination of basic and residuals as a minimum wage.

Although the total spend on actors in the European films is much less than in the UK one, it still represents a substantial percentage of the budget – on average about 9%.

8. Production management

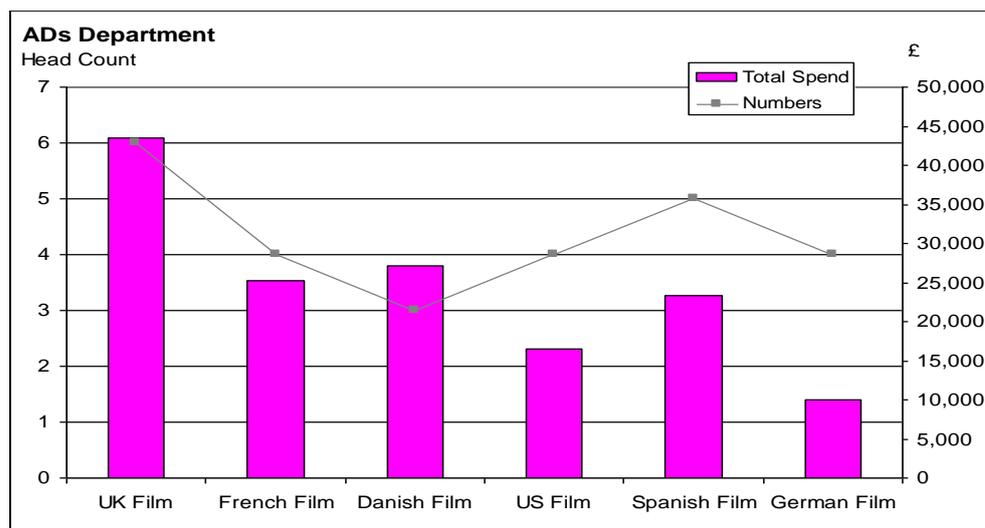


The UK film employed ten people in the production department, the US and German films eight, the French seven and the Danish and the Spanish films only six. The rates for senior production staff in France and Denmark are comparable with the UK. Across lower grades, and certainly in Germany, the US and Spain, they are considerably lower.

Neither the Danish nor the French budgets included provision for accountancy, which presumably is carried out by the producer's office. The German, Spanish and US budgets included one accountant, paid just over half the rate for the UK production accountant. The UK film was the only one to employ an assistant accountant, at a rate higher than that paid to the production accountants on any of the other films.

Location managers and production co-ordinators were also paid much more highly in the UK. There were two location managers on the US film, both at rates less than the location manager and the assistant location manager in the UK.

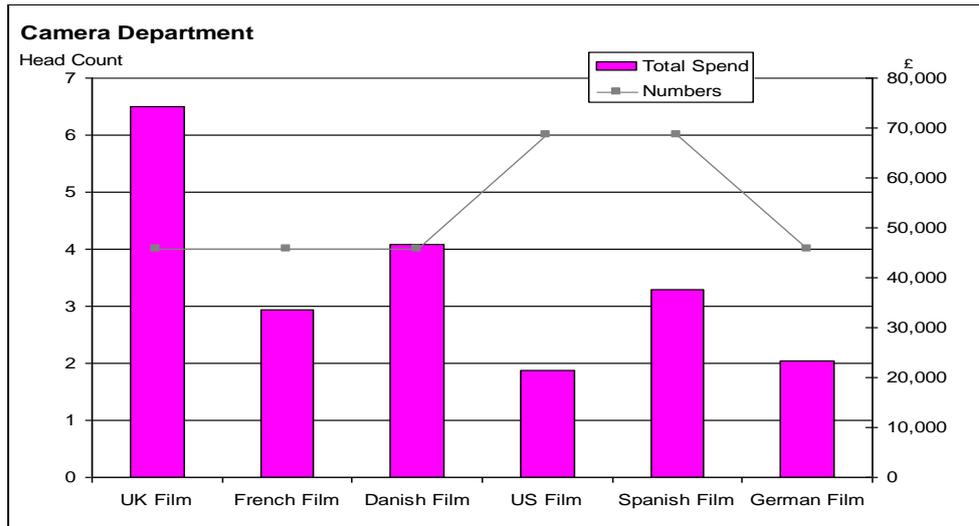
9. Assistant directors and continuity



The norm is four – three assistant directors and a script supervisor. On the Danish film, there were only two assistants. Both the Spanish and the UK film employed a floor runner/trainee. There was a crowd director on the UK, who was not employed for the whole film.

UK rates for script supervisors and second assistants are particularly high; nearly twice as much as their counterpart's on the other films but these rates include overtime, which the European ones don't. On the Danish film, one of the three assistants was only part time and the rates for first assistant and the script supervisor were much closer to the UK ones.

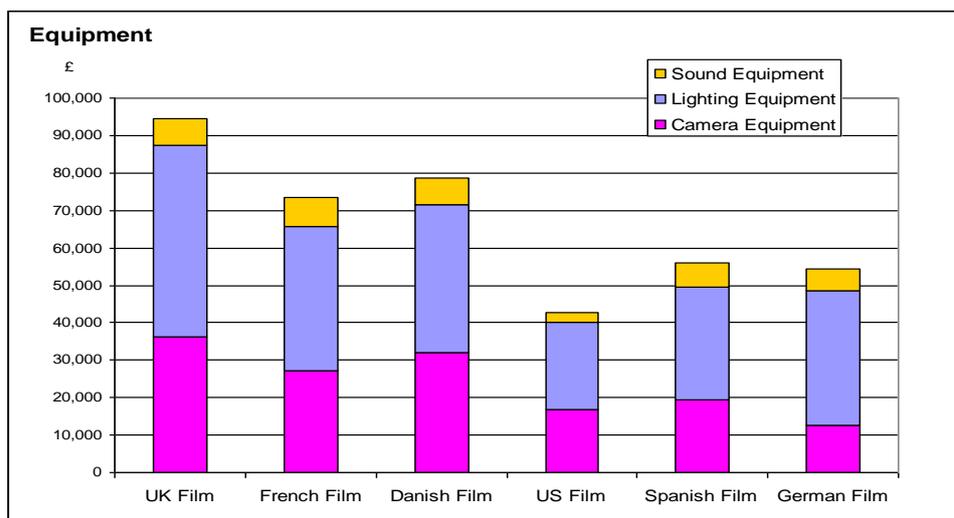
10. Camera



Most of the films carry four people in this department – the DP, clapper/loader, focus puller and grip. The US film also had an operator and trainee.

The UK DP rate was three and a half times the US rate and more than twice that of any other country. This is the only grade where this huge disparity occurs. The rates for all grades in the UK film were higher than other countries, but taking account of the sixth day and the overtime worked, the hourly rates in Europe are not dissimilar. Remarkably the US picture employed six camera crew, working six days and lots of overtime, yet spent less than all the others. This is not solely a function of the short schedule. The per-week rate is less than half that of the UK.

11. Equipment



a) Camera

The UK budget for camera equipment was £36,250 over seven weeks (the film actually shot eight) against the US budget of £16,785 over five weeks. The weekly cost of the UK equipment was just under £5,200 per week; in the US it was only £3,350. Clearly the UK film carried more equipment, but equally clearly, the Americans are able to hire basic kit for less than it costs in the UK.

The Spanish and French films, which had comparable shooting schedules, spent just under £20,000, and the Danish film which also shot for 45 days spent £28,720. The French film did have a substantial second unit budget, but clearly equipment is cheaper abroad, and by the look of it, there is less of it on the foreign movies.

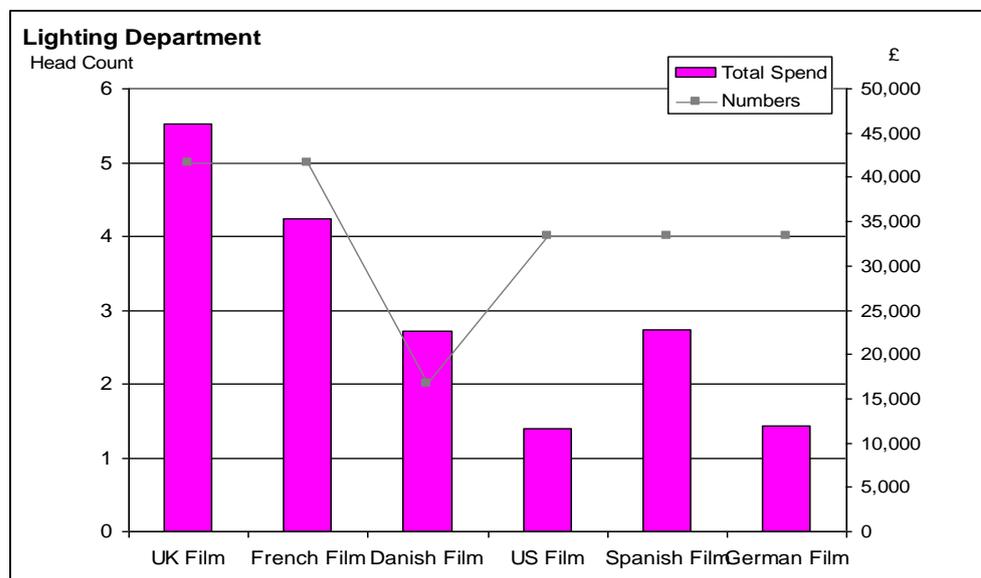
b) Lighting

The European films are spending between 20 and 40% less than the UK film over a similar term; once again, the weekly budget on the US film was £4,600 and on the UK film it was £7,300.

c) Sound

This is such a small number overall that the modest differences between countries are not really significant. It appears that the American producer has done an amazing deal.

12. Lighting department

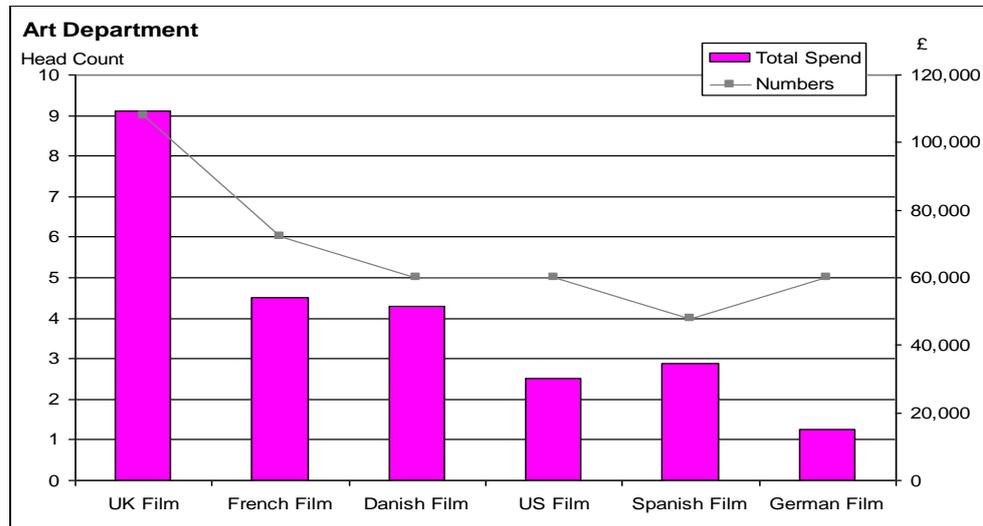


The pattern for other departments is repeated. What is remarkable is that the US film employs four technicians for a combined weekly rate of just over £2,900, working six days a week, while in the UK film five technicians work

similar hours for a combined rate of £6,600. Admittedly, one of the US crew appears to be an intern on a very low rate, but there clearly is a very different attitude to low budget film work between the UK and the US. The gaffer's weekly rate in the US is £700, and in the UK it is £1,200.

The French film employs five technicians for a five-day week and an average of £4,375, which in hourly rates is probably comparable to the UK.

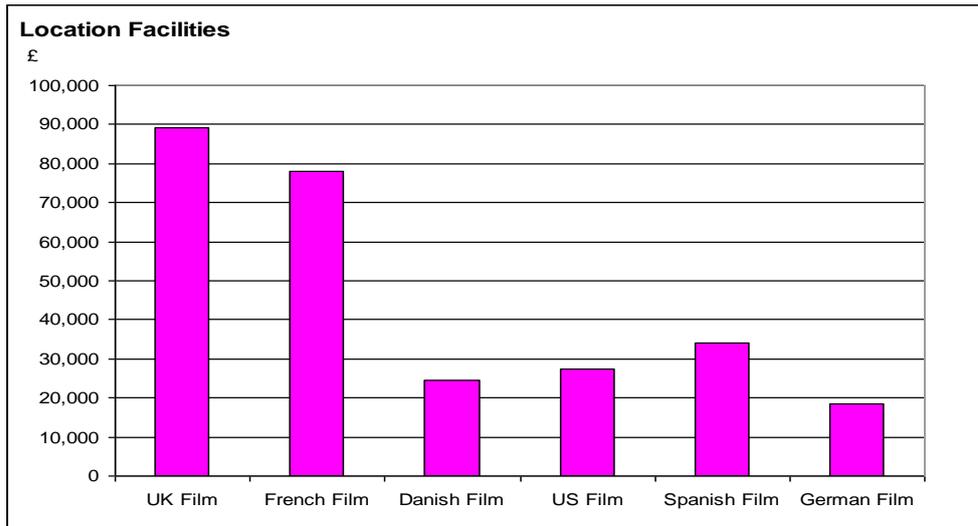
13. Art department



This survey only deals with employees in the art department, not with construction workers and materials which are specific to the needs of an individual film. The construction manager is counted in the art department team, as are prop masters and dressers.

It is noticeable that more resources are allocated to this area in UK budgets than in either European or American ones. There are nine people in the UK department, six in the French, five in the Danish, US and German and only four in the Spanish one. Total expenditure on each of the foreign films is less than 50% of the UK spend.

14. Location facilities



Although the UK film was shot outside London, it was made in a city which is a substantial TV production centre. It appears that the cost of hiring location facilities in the UK has risen enormously in recent years. The French film incurred similar costs – just under 12% less. All the other films spent around one third of that which was needed in the UK. The UK film did require the fairly extensive use of a premier division football ground, which must have been costly.

15. Transport

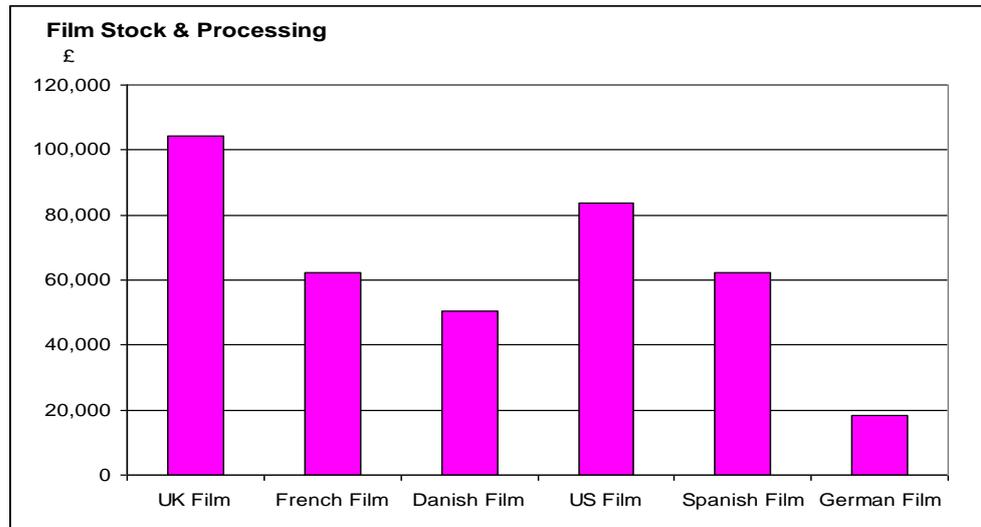
TRANSPORT COSTS						
	UK Film	French Film	Danish Film	US Film	Spanish Film	German Film
Hire Cars	11,625	2,964	3,926	7,491	5,859	12,001
Unit Cars	12,350		1,650	10,320	-	1,866
Camera	7,600	7,411	2,427	1,392	4,687	1,125
Lights	2,100		3,565	Price in Equip	5,078	1,936
Grips			1,322	Price in Equip		
Construction	1,950					
Sound Car	2,100					863
Dressing Props	1,350		6,130	1,285	2,734	
Standby Props	3,600				1,821	1,936
StandBy	3,600					
Make-Up & Costume	11,900			1,071	5,078	
Cast Accommodation	11,830			1,392	6,796	1,333
Minibus	11,200	6,403		(2) 1,964		
Dining Bus	1,425					
Genny	1,960					
Honeywagon	5,950					
Cast Travel	4,200		2,070	19,285		
Unit Travel	8,078	5,434	1,230	5,642	3,906	4,691
Bikes & Taxis			1,653		5,273	
Petrol	8,800	7,905	2,480	4,392	2,343	5,666
Mileage			1,650			
Foreign Location & Sundry	3,920	5,928	3,305			6,300
TOTAL	115,538	36,045	31,408	54,234	43,575	37,717
Number of Hire Cars	8		3	8	11	8
Number of Unit Drivers	4		1	1		1
No of Equipment Vehicles	16		5	10	5	5
No of Equipment Drivers	6				5	

The chart above demonstrates clearly the enormous difference in approach to transport between a UK film and all the others. There were 16 equipment vehicles on the UK film, and a maximum of five on the others. The result was the UK transport bill was more than twice that of any other film.

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16. Film stock and processing

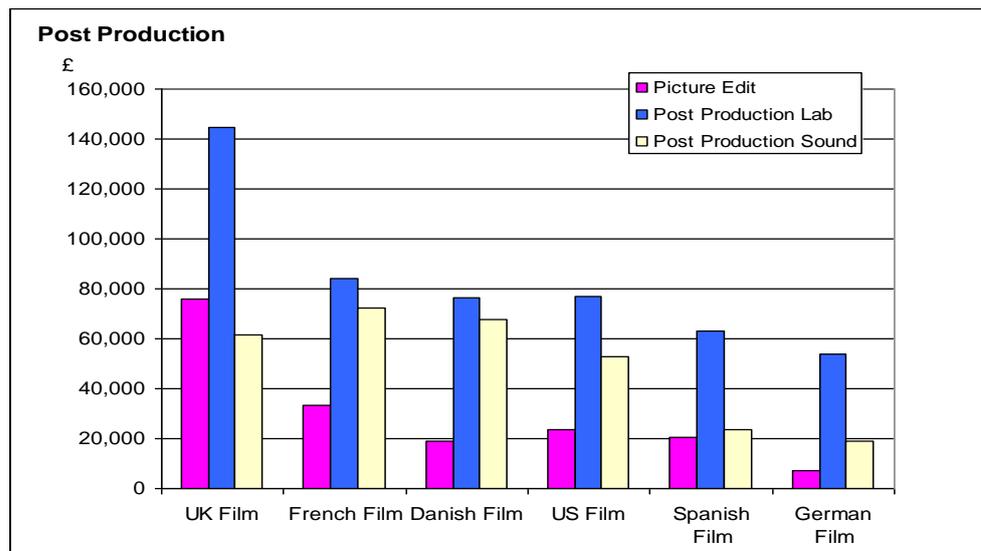


On the UK film, there was a provision for the main unit of 210,000ft – an average of 5,000ft a day, with stock available on a discounted basis at £0.207/ft. In this case the negative was developed at 9p/ft, 30,000ft of selected slates were printed during the shoot, and 76,500ft was printed during editing to provide a 35mm cutting copy master.

On the American film, the daily provision was only 4,000ft, a total of 120,000ft, budgeted at a much higher, probably undiscounted rate of £0.38/ft. The negative was developed at 11p/ft, and the only material printed was 7,000ft was of rushes. Telecine charges were 9p/ft in the UK, but averaged out at 19p/ft in the States. As a result, the two films, despite using very different amounts of stock, have similar overall costs.

Two of the European films did not specify stock provision. The Danish film provided 120,000ft. The German film was 16mm and consequently cost a great deal less.

17. Post-production



Picture editing costs are higher on the UK film, the only one to engage the editing team throughout the shoot and sound post-production.

Post-production lab is significantly more expensive in the UK because the delivery requirements seem to be more onerous than in the other countries. It would appear that the US film has passed off some of these costs to the distribution and sales budget.

Sound post-production is actually a little cheaper in the UK than in France and Denmark.

Comparisons between UK film and television drama production

The sample includes two films which were made as television films – W and X – but these are exceptional. They were the work of documentary filmmakers using their regular crew and facilities, expanded only to take account of the fact that actors were involved.

Conventional television drama is shot for around £600,000 per hour, with occasional exceptions for high profile costume pieces. In theory, this means that a 90-minute film could be shot for less than £1 million. However, there are few single films being made for television and most dramas are series or serials, or perhaps single films which are made sequentially about one character. As a result there are significant economies of scale which arise from the bulk of production.

Television films rarely include contingency in their budgets, and none that we know of had completion guarantors. There may be marginally fewer people employed, and on slightly lower rates, but most savings are achieved by shooting much more screen time each day. It is interesting to note perhaps that the price television companies will pay per hour for drama has been going down in real terms, not up. Channel 4, for instance, was paying £600,000 an hour for a drama miniseries in the late eighties.

How can we maintain production values and spend less?

There have been several attempts to do this in the fairly recent past. However, with the possible exception of the *bfi* (British Film Institute), no one has been able to come up with a formula capable of generating a reasonable number and variety of films over a sustained period.

The *bfi* managed it by creating a protected environment in which economies were accepted as part of “experimental art filmmaking”. Because the films were wholly subsidised and not directly linked to the market place, technicians and crew were willing to accept pay and conditions that they might have rejected or resented in the commercial sector.

The Workshop movement, established when Channel 4 began in the early eighties, also consistently made truly low cost films. One of the original workshops, Amber in Newcastle, is still making quite ambitious films for a few hundred thousand pounds and getting a decent return. Amber has stayed in business because it has managed to balance the cost of the films with the revenue they generate. They make their films with small crews over long schedules and choose local subjects that are intended to appeal to a broad community, if a local one.

In the early nineties, a group of young filmmakers, exasperated by being asked to wait their turn, found ways of making very low cost films by deferring virtually all fees to artists and crew. Sadly, everyone was disillusioned. A lot of the films barely saw the light of day. Cast and crew didn’t receive any meaningful deferments. Financiers, who had put up the little money that was needed to meet direct costs, many of whom thought that they were getting something for nothing, found out what a risky business film is and stopped investing.

Finally, some of the most interesting work has consistently come from television and indeed still does. Last year *THE LAST RESORT* was made as a co-production by the documentary and drama departments of the BBC on a budget of £370,000 but costs were added on when the film gained a cinema release. It was made by a documentary filmmaker who simply built on to his established way of working to make a drama film. Similarly, twenty years ago the BBC produced a group of filmmakers who had learnt to make film drama for *Play for Today*. In the early days of C4, they were able to make films like *MY BEAUTIFUL LAUNDRETTE* and *THE PLOUGHMAN’S LUNCH* for low budgets because their expectations about how films were made were different from those of mainstream filmmakers.

Recently, the BBC and the New Cinema Fund have launched a programme of “Films on Television” an updated version of “Play for Today” of films at a budget of around £650,000. Channel 4 and FilmFour Lab have also been co-

operating in producing roughly four films a year with budgets of £1 million and under.

There have always been filmmakers with the determination to push through films made for almost nothing. Digital technology may have made their task somewhat easier but they still depend on the commitment of people working for minimal wages and providing services and equipment at little or no cost.

However, this report is mainly concerned with more expensive films, now costing between £2 million and £4 million. If this area of the British film economy is to be sustainable, these films need to be made for a price closer to their value in the market. To achieve this, the report proposes a number of different ways of working that together can be pulled into a code of practice which a producer looking to keep costs low might use as the basis for organising production.

The ideas are founded partly on an analysis of what is happening now, based on budgets of 26 recent films provided by their producers. The detail of this analysis and more detailed discussion of cost reduction ideas are in the next section. The most important areas are summarised below:

1. The script

▪ Write to budget

Keeping cost within affordable bounds starts with the idea and the way it is written. Producers are inclined to feel that they should allow screenwriters the imaginative freedom to write what they want and that it is the producer's job to find a way to realise it economically. Instead, the producer should from the earliest stage have in mind an estimation of the value of the film and, together with the director, steer the writer to work within achievable boundaries. The alternative approach is too likely to produce films where a look achieved on the cheap is all too obvious on the screen.

This is not an instruction to be unambitious. The Coen Brothers must have constructed BLOOD SIMPLE from the outset to fit the modest finance that they could raise, similarly Steven Soderbergh must have planned SEX LIES AND VIDEOTAPE to fit within key parameters. In the fifties and sixties, when admittedly most movies were made in the studio, writers knew from the outset how many sets could be afforded and wrote with that in mind.

▪ Restrict length

It is worth being realistic about length. Material that ends up on the cutting room floor because the film is too long is a waste of the time that the director and crew have spent shooting it, time that could have been spent on footage that actually ends up on the screen.

A 90 minute film is less likely to disappoint the audience and reduces cost at every stage of the production process.

2. Preparation

It is really difficult for producers to protect adequate preparation time. Films happen when they happen: financing or cast become available and the producer has to seize the moment. Nonetheless, preparation time does save money and it is in the interest of financiers to help producers protect it.

In an ideal world a producer would expect to confirm all financing at least three months before the start of principal photography. There is a tendency for financiers to hold back from making a commitment until the last moment, because they feel it gives them a greater hold over the film but it does have a knock on effect on cost.

▪ Thinking through the budget

The importance of investing time in preparation starts when the first budgets are being prepared. Line producers and production managers are too often asked to produce budgets in a couple of weeks for directors they barely meet. Sometimes they are not given a target price until the request comes back to cut their first draft budget. Understandably, when they're in doubt they take the cautious and expensive route.

The production manager should always be given an idea of the cost that can be afforded, which in turn is based on a sense of the value of the film in the market. Ideally, producer, director and production manager should take the time to agree fundamental approaches to crewing, shoot organisation and use of technologies that will underpin the costing of the whole production. The outcome should be a budget tailored to the priorities of the producer and director and the desired price. Too often the constraints of time mean that the production manager's budget shows that this film will cost the same as every other film.

▪ Planning the shoot

Once the film is financed, two or three week's concentrated discussion between the director, cinematographer, designer and producer can produce the plan for a shoot that squeezes maximum screen value out of the available money. There is no need for either head of department to have staff in place so the wage cost of this time need not be high.

It is cost effective to budget for a few pickup days after the main shoot to deal with sequences that don't quite work, rather than schedule an unnecessarily long film that tries to cover every possible base.

- **Storyboards**

Shot lists and storyboards are useful tools. They ease communication and planning and push as much as possible of the thinking process into prep time and off the floor where high paid technicians are waiting. They mean that money is not wasted building, lighting and dressing parts of sets that the director never intended to shoot on.

- **Locations**

Inflation in location costs means that adequate prep time is especially valuable in this area. There needs to be time to replace locations that try to hold the production to ransom and to find a set of locations within an economic distance of the production base and each other.

- **Last minute cuts**

Of course, plans can be blown away by outside events. Discussions with producers show how difficult it is to accommodate last minute financing cuts, without simply slashing the rewards of the producer, production company and director. Once the structure of a production has been designed, it is difficult to accommodate a significant budget cut without rethinking the parameters of the production. This can be next to impossible when crew have already been hired. The producer's only protection is to be making the film at a price that justifies the financiers' risk.

3. Crewing

The crew and the facilities needed to support them are usually the major cost in a lower budget film. It is worth questioning assumptions about the number of people who are needed and the right level of experience for the film.

- **Fewer people – more time**

Containing crew numbers allows the production to spend more time for the same or less money. And if you have more time, you don't need as many people. Cuts in crew numbers don't affect just the direct payroll but also reduce all the add-on costs of feeding, transporting and housing crew.

- **Be cautious about “star” technicians**

It can look like a coup to secure, say, a famous cinematographer but there can have knock-on effects on the structure and cost of the production. Whilst the “star” may readily agree to work for below their rate, his or her regular crew usually won't and the deals done with them will affect the pay structure for the whole film. It may be possible to do a generous deal for camera and lights but the production still has to bear the costs of using and transporting big film equipment on a small film budget.

- **Look for fresh and hungry talent outside the mainstream**

One of the best ways to do things differently is to choose to work with talented people who either haven't learnt what to expect from feature film production or who are hungry for experience and responsibility. A production manager who is like this may well be more valuable than an old hand who has seen it all.

- **Meaningful deferrals**

One way of fitting the price of the film to its likely value is to include an element of meaningful deferrals in the crew package. Meaningful deferrals come from a revenue corridor, not from a back end or profit position. The package for the crew is a living wage, but less than they might be used to, during the course of production topped up by a deferral. This requires the co-operation of financiers but the argument for them is that the up front cost, and accordingly the financial risk of the film is less than it would be otherwise.

4. Design

British low budget films spend a far higher proportion of their budgets on design than most films made abroad that are pitched at a similar level.

- **Aesthetic**

Many foreign filmmakers, most obviously Dogme, choose to minimise the use of design in the production. This isn't always because of a conscious aesthetic. Sometimes the filmmaking culture is simply more ready to accept locations in their found state, partly for cost reasons. However, this report does not intend to suggest that this is the only alternative to a heavy art department spend. There is an intermediate path based on building up from what life and locations offer rather than imposing a design vision on them. This approach produces a completely designed look for an affordable price.

The most crucial questions affecting the design budget are: how much do we really need to do to produce a film with a look that does justice to the director's vision and can we raise the resources to do it? If the answer to the second question is a financial struggle that will affect the whole of the rest of the film then it might be best to rethink the first.

- **Provide a spending limit from the start**

Designers like to put their mark on a movie but this can often involve more than a low budget film can afford. It is best to ask the designer from the outset to work to a spending limit. If they produce a budget based on the script without any guidance as to what can be afforded, it will be almost certainly too high and the resulting cuts leave everyone feeling that they have been short changed.

- **Multi-skilling**

Art departments tend to be large. Everyone has their specialisation and the feeling is that they need to be on hand all the time in case it is needed. Sometimes the need is only for a few minutes a day. Although the pressure for demarcation is strong, the only way that valuable art department skills can be afforded on low budget films is to work to resist it. Ideally two or three people might be trained to handle all the floor functions from standby art director to painter, to carpenter, to rigger to props.

- **Agree to limit shooting options**

Invariably, sets are prepared to allow directors to shoot in every direction. This is not something lower budget films can afford and directors and producers need to make sure the art department understands what is required and is reassured that it will not be held to account for not providing things that weren't requested.

The intention behind all these suggestions is not to produce a cut down version of the traditional art department but to build smaller departments with a wholly different philosophy and organisation.

5. Originating medium

The use of DV or 16mm offers potential for real cost savings. DV is still an aesthetic choice but increasingly 16mm negative can produce high quality 35mm prints without the old problems associated with blowing up the image. The cost savings are not principally in the technology itself, but in the lighter, faster shooting that both media allow. You need fewer people, fewer lights and less equipment.

Proposals for change in the British low budget sector

Production standards on UK films, including those with lower budgets are very high. British technicians and British working practices are admired and respected by filmmakers all over the world as evidenced most recently by Robert Altman's often-stated appreciation of the experience of making GOSFORD PARK here. The problem has been that maintaining those standards using conventional UK methods for lower budget films means that they cost more than their market value and it is impossible for their producers to build sustainable businesses.

As things are, there is no clear distinction in production practices between a mainstream UK film and a low budget one. As a result, the costs for a low budget film are just mainstream ones quite marginally discounted. Shooting practices are essentially the same, with everyone trying to work a little faster and making do with a little bit less hardware.

This paper proposes that the industry build on the precedent of the PACT/Equity low budget agreement. This agreement defines special terms and conditions for the employment of actors on films with budgets under £3 million. The proposal is that this principal should be extended to agreements covering crew employment and the way productions are organised on the ground, as well as the way producers, directors and crew are rewarded for making films under the new arrangements.

The benefit for the producer is that reducing the budget creates a much greater possibility of keeping value in the producing entity. In addition, the producer and production company would be rewarded with a modest revenue share for keeping the price down.

Producer fees and production fees should relate more closely to the time of the company and the individual producer, not measured as they are now purely as a percentage of the budget. Those fees would take into account any revenue share granted in return for the budget reduction.

In an ideal world, the rule determining of these fees would be included in the code of practice. The producer should have a choice between taking a lower fee and revenue share or a higher one which delays that share until breakeven or profits.

The lessons from the review of overseas production suggest that there are two clear paths to be considered in establishing a low budget approach:

1. **The American approach** – hire crews similar in size to standard British crews, use new and untried talent, pay a lot less and shoot very long hours over as short a schedule as possible. Give the crew and cast a piece of the action in return for being under paid and overworked.

2. **The European approach** – substantially reduce the crew, work shorter hours over a longer schedule, afford experience but don't pay for overtime not required.

The code for both approaches will cover areas such as equipment, transport, hotel and living expenses, departmental accommodation and overtime.

We also propose that there should be a register of crew and facility providers who signify their general acceptance of an alternative approach. The evidence from the US suggests an enthusiastic attitude from their crew, who saw the film as a real opportunity to work with an exciting new talent. Sometimes low budget productions here have to work with crew who feel a low budget is just an excuse for paying them less for doing the same thing.

The result of both these measures will be to define the territory of lower budget production. Producers, even inexperienced ones, can confidently set out the terms on which their films will be made and budget accordingly. The resulting cost reductions will bring the price of the films within what the market is willing to pay and ensure the economic survival of this sector of production.

Part 2 – Film Funding

The market for low budget films

This section examines the market for low budget British films, as an indicator of what films in this sector should cost and a guide to how they can be financed.

Deciding what a film should cost

Typically, producers develop scripts and then give them to a line producer to prepare a budget. The budget determines what the film will cost and therefore the amount the producer must raise. The producer then goes to a sales agent for estimates of the market value of the film. Invariably, the agent asks what the budget is and makes the estimates fit. The producer then uses the estimates to raise the money.

A small minority of producers interviewed for the survey started by getting sales estimates and then based the budget on the estimates. The agent will need an idea of the scale of the film but it need only be a very general one. The inclusion of marketable elements, such as cast, will allow the producer to pitch the film at a higher level than the script alone would justify.

For one company, the rule of thumb was to find a way to make the film for 50% of the total of the lower end of their sales agents' estimates. Generally, it is much easier for a producer to raise finance and hold on to a meaningful interest in the film if the cost is close to or a bit below what the market thinks the film is worth.

Producers can be tempted to drive budgets up because their fees are linked to them and they expect that this is all they will ever own from the exploitation of the rights in their films. This is a circular problem because financiers who asked to pay high prices for films understandably seek to keep all rights and, thereby, reinforce the producer's expectations. Worse, these financiers may decide to withdraw from making films of this scale altogether.

Producers of British lower budget movies must find ways of making them for a more realistic price, if financiers are to get the rewards that will keep them investing in the sector and the producers themselves are to build sustainable businesses.

How the films in the survey were financed

		UK TV Licence	UK TV Equity	UK Theatrical & Video	UK Equity	Foreign Equity	Lottery	Other Subsidy	Advance for Rights	Presales	US Sale	Gap Finance	Co Pro	S/L in finance
Budget	£m													
A	6.7													
B	4.8													
C	4.3													
D	3.7													
E	3.6													
F	3.4													
G	3.4													
H	3.2													
I	3.1													
J	3.1													
K	2.9													
L	2.9													
M	2.1													
N	1.9													
O	1.9													
P	1.7													
Q	1.5													
R	1.4													
S	1.2													
T	1.0													
U	1.0													
V	0.4													
W	0.4													
X	0.2													
Y	0.1													

The value of the market

UK television

The only players still investing in feature film production are FilmFour, BBC Films and, very occasionally, the ITV network through one of the major broadcasters such as Granada.

Both FilmFour and BBC Films invest equity as well as a licence fee and FilmFour is a UK theatrical and video distributor and sometimes sets some of their investment against the value of UK rights.

Both the BBC and FilmFour seek to acquire all UK TV rights, free and pay, in perpetuity for a fee that in both cases has a ceiling which has been fixed for some years at £450,000 for the BBC and £500,000 for FilmFour. Recently, the amounts offered have been going down particularly for lower budget films, which are sometimes down to £250,000.

The difficulty is to hold on to underlying rights and to licence them to the broadcaster. Often in return for equity, the broadcaster seeks the assignment of copyright and with it distribution rights that then become their asset rather than the producer's.

The best solution for the producer is to sell the TV rights only and if possible to retain the rest of the rights in their company.

It is sometimes possible to get FilmFour to enhance their licence fee with a back end equity investment, without having to surrender any more rights. For instance they might pay £650,000 for television use - £500,000 licence fee and £150,000 equity recouped after all other equity. They will only do this if they feel that there is added value in the film.

Despite the increasing value of pay and cable rights, it is hard to separate them from free television rights. Once again, a new source of revenue for UK films has been absorbed on the financing side rather than adding to available funds for the producer.

The television market is getting more and more difficult and licence fees are going down worldwide. UK producers are fortunate to have the potential of these producing relationships with broadcasters, which are not tied exclusively to the overall TV market in feature films, which appears to be in free fall. However both of them depend on their TV owners for these special dispensations which could easily be withdrawn.

Recently both FilmFour and the BBC have been investing more money in fewer films. Disappointed by how little they earned from smash hit films like *FOUR WEDDINGS AND A FUNERAL* where they took modest equity positions the current policy for FilmFour seems to be to take a controlling interest in a majority of the films it backs. In the sample analysed in this report

there are 12 FilmFour projects in seven of which they have a controlling interest. This also enables them to retain UK Theatrical and Video and international sales rights and to charge an overhead to the production, something that has only been introduced over the last two to three years.

The sample also includes five BBC projects, two of which are micro budget television films fully financed by the BBC; two others were majority financed. The BBC was a minority partner in only one.

For some producers it has been good news that television will fully finance features. Certainly, it gets the films made more quickly, but the producer is left with fees alone, and no continuing rights in the property that they have developed, other than the illusion of profits. As a result, it has become difficult for even successful producers to build up real value in their companies.

FilmFour will give advances against UK Theatrical and Video rights, but more often, if the theatrical potential is not clear, theatrical and video is thrown in without an advance. In these cases producers are relieved to have got good upfront value for the TV rights in the film and to be assured of UK theatrical distribution.

UK equity

There are few sources of UK equity which are not linked to end-users. Those that are not are usually part of tax-based schemes taking advantage of EIS or 100% write off.

Only one film in the sample benefited from such investment and it was a film at the bottom end of the scale with a budget of £1 million. The investment came from a company using EIS, who were therefore able to mitigate the equity risk, which in any case was a last in first out investment, with a substantial tax break.

Foreign equity

A number of British producers have been able to access foreign equity funds. Broadly, there are two categories of foreign equity: tax schemes and equity invested by end users such as international or single territory distributors. The sample included the following examples of foreign equity investment:

1. A significant tax based equity investment from the Isle of Man in return for shooting there.
2. Two instances of investment from an overseas distributor adding equity to be recovered from a share of world revenues to a straight advance for one territory. The funds behind the investments probably came from a tax-based scheme.
3. Investment from a German tax-based fund.
4. Investment in the form of services provided by a Danish company – WAVE – who also took Danish rights.
5. One was fully funded by PolyGram, who in turn made a deal with the BBC giving them a license for the UK and sharing the equity with them.

None of these, with the exception of the Isle of Man, represents a likely investment for the UK producer. Two came out of deals brokered by other financing partners and two are from companies that no longer exist. The best chance for a UK producer to raise foreign equity is probably through a foreign co-production, discussed below. Although there are very large amounts of money being raised from German investors using tax-based schemes these funds are generally looking to invest in higher profile bigger budget movies.

Lottery

Lottery funding, which by comparison with previous subsidies is very substantial, is an important source of funding for UK production. It can help a producer fend off demands from third party financing parties who want to take everything.

Half of the films in the sample received Lottery money. There are four ways of accessing Lottery funds: directly through the Film Council, or through one of the franchises DNA, Pathé and The Film Consortium.

The Film Council will advance up to a third of the budget, or on smaller films sometimes half. It takes copyright or a share of it, where it can, until it has recovered its investment, when the copyright reverts to the producer. It is in some cases giving producers access to revenue earlier than their customary net profit position, particularly where they have substantially deferred personal or company production fees.

DNA and Pathé can, by virtue of matching finance, from Universal and on the Pathé parent, fully finance films. In return, they take all rights and give fees and profit participation only to producers. The Film Consortium takes rights, or not, according to the rest of the financing package.

Other subsidy

Most of the films receiving subsidy from other sources did so from British Screen which is no more, but three films benefited from investment through regional agencies – the Moving Image Development Agency in Liverpool, the Glasgow Film Fund and the Yorkshire Media Production Agency. Though modest in proportion, these funds are available to producers who have the appropriate project and they can help a producer build up sufficient investment to enable the retention of underlying rights.

Advance against rights

Two films in the sample received significant advances against distribution rights, and in both cases those rights ultimately revert to the producer. One of these is a film produced by one of the Franchises, which developed the project itself. It is unusual for films in this range to attract significant advances against distribution rights because they rarely have the ingredients to support pre-selling. Usually, distributors want to wait and see what the film comes out like before they make significant commitments. Having said that, it is

sometimes possible for a producer with a special relationship with an overseas distributor to persuade them to take rights in projects of this scale.

Pre-sales

In several cases pre-sales were achieved through a deal between the UK broadcaster/distributor and one particular German distributor who was taking rights in a package of films. In other cases, individual territories were sold on the back of a strong script and a talented director. If it can be achieved this is of course the best route for a producer wishing to retain the ownership of a film. One producer in our sample made significant pre-sales to the US, France and Germany, and by virtue of this was able to retain underlying rights even though he needed a significant equity investment from a broadcaster to complete the financing of the film.

US sale

Although it used to be quite common for UK films to make a distribution deal in the States prior to their production, only one film in the sample received a US sale in advance as part of its financing package. One other was 50% financed by a US studio that took distribution rights including North America in return for their investment. Generally speaking it is difficult for UK producers to affect a US pre-sale, but when and if it is possible, it can be extremely helpful to a producer trying to hold onto underlying rights.

The acquisition executives of US theatrical distributors do keep a close eye on UK talent and will occasionally contribute significant funding. For instance, *THE GOVERNESS*, Sandra Goldbacher's first film, was pre-bought by Sony Classics. The ideal is to achieve an advance against US rights without giving away any further entitlement but companies like Miramax frequently demand wider ownership in return for getting involved at all.

Gap finance from banks

Surprisingly, only one of the films in the sample used this mechanism, but it is a good alternative to a sales advance and banks will sometimes take a risk against a reliable sales agent's estimates even on films by first time directors or without name actors. It is possible to raise up to 25% of the budget, depending on the strengths of the estimates. This mechanism leaves the producer in control but bank costs are high and most insist on sole first position repayment against the loan.

Co-production

Once a popular mechanism for UK producers, the co-production has become a lost art. It can be an efficient way of raising extra value for a film from an individual territory. Depending on how much is involved, the producer may have to give away an interest in the revenue stream to the co-producer. European producers use co-production effectively, but it seems that it is more difficult to find co-production partners for UK initiated projects, particularly if the only reason for the co-production is to raise investment. Part of the problem is that British producers have rarely reciprocated by investing in

European projects that are not in English. The UK producer must raise at least 20% of the budget in the UK to make a co-production possible. With the demise of the European Co-production Fund, it has become really difficult for UK producers to do this for films not in the English language.

There are only two co-productions in the sample. One had a significant overseas location, but in the end the Spanish co-producer could produce little value from the territory. The other, a film with entirely British content, used German studios and accessed local funds as a result.

Sale and leaseback

Only one film in the sample used sale and leaseback to contribute directly to its finance, although several others used it to repay investors. One producer – very cleverly – retained rights in the underlying negative and was able therefore to take the benefit of the sale and leaseback deal into his company.

Sale and leaseback has become big business for a number of competing companies. This has pushed up the benefit to the film to about 12% of the budget. One or two companies, claiming the tax break on deferrals, have pushed the benefit up as to 25% of the cash budget, but it is not clear whether the Inland Revenue will approve the schemes.

Some financiers who take the benefit of the Sale and Leaseback allow the producer a proportion of it in return for the extensive work that needs to be done to make the deal.

Sale and leaseback may only be available in its present form until 2005, when the tax concession supporting it expires.

Deferrals

Quite a few of the films in the sample included deferrals for key creative talent but these were for relatively small sums. Only two films in the sample used deferrals as a major source of finance. In each case, the talent worked for modest fees, deferring virtually all their interest to make the film. In one case the deferrals were £500,000 and in the other £700,000. In both cases, the deferrers' recoupment was in a less favourable position than other equity partners.

The art of the possible deal

How can a UK producer finance a lower budget film whilst retaining some ownership in the underlying rights?

It helps to begin by realising the value of UK rights. For films in the lower budget range only UK television is likely to produce any up front value. It can be worth up to £500,000, with exceptional projects able to achieve a little more by including UK theatrical and video rights.

Value of foreign rights is generally produced on the back of sales agents' estimates. The agent may offer an advance for a particularly attractive project or facilitate a deal with a bank that might underwrite up to 25% of the budget as gap financing in return for sole first position recoupment. If a sales agent provides an advance or arranges bank finance, their commission rises but the producer stays in control.

Producers who have succeeded in developing relationships with particular distributors can generate productive and reliable foreign deals by pre-selling distribution rights in selected territories. They can sometimes persuade the distributor to cash flow production but, if not, they can use the contract as security to borrow from a bank. It is difficult to make individual territory deals directly with distributors without a previous relationship.

Another way a producer can access overseas revenues is through co-production, when he relies on the relationships of an overseas producer with distributors in his own territory.

One company in our sample has been successful in using advances from the US pay and cable market as a significant element of their financing. Few other UK producers do this because they believe that the lack of a theatrical window in the US reduces the value of the project in the rest of the world.

Sale and leaseback can make a useful contribution but it is usually the final piece of the jigsaw, not something to build the structure on. One or two companies are sailing close to the wind by financing films that can be made for a low cash cost but support sales estimates for a much higher value. The budget is set close to the sales estimates and a high proportion of the fees shown in the budget are deferred. In this way, the sale and leaseback deal can contribute a high proportion of the cash budget, in some cases even the whole of it. However, companies that do this kind of deal have to take over all the rights in the film and the producer is left with only a back end income share.

The producer can only retain ownership by attracting investment from three or four different sources. A smaller number of sources make life simpler but the producer will almost always have to surrender all rights.

This section looks at illustrative financing structures for budgets of £3 million, £2 million and £1.5 million. They show how producers trying to build sustainable businesses can retain rights within their companies by keeping budgets low and financing them from multiple sources.

1. For a £3 million budget, it may be possible to achieve the following:

UK rights	£500,000
Foreign pre-sales or co-production	£490,000
Lottery investment	£900,000
Sale and leaseback	£360,000
Gap financing/sales Advance	£750,000
	£3,000,000

The foreign pre-sale or co-production for a specific territory helps to establish the potential value of the film in other territories and isolates the rights.

The last three sources do not require the surrender of rights.

2. The exercise is easier and the opportunity retaining rights greater when the budget is lower. For a £2 million film, the financing picture could be:

UK rights	£500,000
Lottery investment	£700,000
Sale and Leaseback	£250,000
Gap Financing/Sales Advance	£550,000
	£2,000,000

Here the producer is able to retain all foreign rights.

However, gap financing is only available to films with a demonstrable market value, where sales agents trusted by bankers produce estimates for the bank to underwrite.

3. Producers of films by first timers, without cast or marketable scripts, will probably need to pitch their budgets nearer to £1.5 million and find another element, such as regional funding or co production:

UK rights	£350,000
Lottery Investment	£500,000
Sale and Leaseback	£150,000

Regional Fund	£200,000
Other Equity	£300,000
	£1,500,000

Again the producer has been able to retain all foreign rights. Because the "Other Equity" required is only £300,000, it may still be possible for the producer to find it through gap financing or a sales advance.

Appendices

Appendix A – case study of film P

Film P was originally budgeted at £3.5 million. The budget was reduced to £1.7 million and it shows in the survey at that level. A significant proportion of that lower budget was funded by deferrals of fees to senior talent.

The following documents chart the history of the substantial re-conceiving of the project.

- C.1. Original budget at £3.5 million.
- C.2. Sales estimates for the first concept with an international star.
- C.3. Revised budget at £1.7 million.
- C.4. Revised sales estimates with established UK stars.
- C.5. Account of the way the film was reconceived.
- C.6. Summary of the changes.

C.1 The original budget

Budget dated 1/10/00

Producer: Prep: 5 Weeks
 Director: Shoot: 6 Weeks
 Post: 15 Weeks
 35mm Deliverables: 3 Weeks
 Location Shoot

Acct#	Category Title	Page	Total
001-00	Story/Scripts/Development	1	£108,500
002-00	Producer / Director	1	£343,451
003-00	Cast	1	£333,201
004-00	Total Fringes		£34,136
TOTAL ABOVE-THE-LINE			£819,288
005-00	Stand Ins/Doubles/Crowd	1	£46,200
006-00	Production Unit Salaries	1	£123,760
007-00	Asst Directors/Continuity	2	£36,060
008-00	Crew - Camera	2	£48,000
009-00	Crew - Lighting	2	£46,250
010-00	Crew - Set Operations	2	£30,950
011-00	Crew - Sound	2	£16,400
012-00	Crew - Art Dept	2	£105,800
013-00	Crew - Wardrobe/M.Up/Hair	3	£66,640
014-00	Crew - Second Unit	3	£11,140
015-00	Materials - Art Dept	3	£182,300
016-00	Materials - SPFX	3	£6,000
017-00	Materials -Ward/M-up/Hair	3	£49,300
018-00	Production Equipment	3	£142,440
019-00	Video / O.B. Package	4	£1,000
020-00	Stage Facilities	4	£4,400
021-00	Location Facilities	4	£248,223
022-00	Travel & Transport	4	£136,066
023-00	Production Film/Tape	5	£93,600
024-00	Total Fringes		£52,739
TOTAL PRODUCTION			£1,447,268
025-00	Crew - Editorial	5	£59,600
026-00	Post Production - Picture	6	£71,688
027-00	Post Production - Sound	6	£67,520
028-00	Stock Footage	6	£5,000
029-00	Digital Visual Effects	6	£85,725
030-00	Titles	6	£5,000
031-00	Music	6	£40,000
032-00	Total Fringes		£2,733
TOTAL POST PRODUCTION			£337,266
033-00	Other Costs	7	£29,150
034-00	Insurance	7	£38,500
035-00	Finance	7	£7,000
036-00	Legal	7	£20,000

Acct#	Category Title	Page	Total
037-00	Overheads	7	£5,000
			£0
	TOTAL OTHER		£99,650
	Completion Bond: 2.75%		£74,346
	Contingency: 10.00%		£270,347
	Fees		£496,216
	TOTAL ABOVE-THE-LINE		£819,288
	TOTAL BELOW-THE-LINE		£1,884,184
	TOTAL ABOVE & BELOW-THE-LINE		£2,703,473
	GRAND TOTAL		£3,544,382

C.2 Sales estimates

TITLE:			
DATE: 2-27-2000			
DIRECTOR:			
CAST:			
TERRITORY	Minimum	Medium	High
Belgium	40	60	80
France	400	600	800
Germany/Austria	600	900	1200
Greece/Cyprus	16	24	32
Holland	30	45	60
Italy	400	600	800
Portugal	10	15	20
Spain	300	450	600
Turkey	20	30	40
Scandinavia	160	240	320
Switzerland	30	45	60
United Kingdom	0	0	0
Bulgaria	6	9	12
CIS	20	30	40
Croatia	6	9	12
Czech/Slovak Republics	8	12	16
Hungary	8	12	16
Poland	16	24	32
Romania	4	6	8
Serbia/Mont/Mace/Bo	4	6	8
Israel	16	24	32
Middle East	12	18	24
Argentina/Uru/Par	30	45	60
Central America	6	9	12
Chile	6	9	12
Colombia	8	12	16
Mexico	40	60	80
Peru/Bolivia/Ecuador	8	12	16
Venezuela	10	15	20
Brazil	60	90	120
Hong Kong	8	12	16
Indonesia	8	12	16
Japan	400	600	800
Malaysia	8	12	16
Philippines	8	12	16
Singapore	8	12	16
South Korea	80	120	160
Taiwan	16	24	32
Thailand	8	12	16
Australia/New Zealand	200	300	400
South Africa	30	45	60
US 000s Dollars ex. North America	3048	4572	6096
U.S.A. and Canada	1000	1750	2500
US 000s Dollars Total	4048	6322	8596
<p>The foregoing projections are estimates only. No representation is being made that the projections will be realized. Actual results may vary materially from the projections for numerous reasons including, but not limited to, the final cast and creative elements of the picture. The foregoing projections are strictly confidential and, without the prior written consent of _____ may not be disclosed by the party to whom they are furnished to any other person or entity.</p>			

C.3 The revised budget

With reference to account numbers in cash budget dated 26/6/01

Super 16mm
Delivery on 35mm

Director:
Producers:
Matheson

Prep: 4 x 6 Day wks (18/6 - 14/7)
Shoot: 5 x 6 Day wks (16/7 - 18/8)
Post: 16 wks (20/8 - 7/12)
Delivery: 4 wks (10/12 - 11/1/02)

Acct#	Category Title	Page	Total
001-00	Story/Writer	1	£ 60,000
002-00	Producer/Director	1	£ 180,000
003-00	Cast	1	£ 237,650
005-00	Crew - Production Department	1	£ 29,400
006-00	Crew - Assistant Directors/Continuity	1	£ 14,500
007-00	Crew - Camera	1	£ 14,025
010-00	Crew - Sound	1	£ 6,200
011-00	Crew - Art Department	1	£ 32,900
012-00	Crew - Wardrobe/Make-up Hair	2	£ 34,550
022-00	Crew - Editorial	2	£ 12,800
023-00	Film Post - Picture	2	£ 19,750
030-00	Finance	2	£ 49,250
	NI Reserve	2	£ 9,975
TOTAL			£ 701,000
	Cash Budget	2	£ 1,000,000
TOTAL ABOVE-THE-LINE			£ 701,000
TOTAL BELOW-THE-LINE			£ 0
TOTAL ABOVE & BELOW-THE-LINE			£ 701,000
GRAND TOTAL			£ 1,701,000

C.4 Revised sales estimates

Territory	WIT	Asking Price \$'000	Medium Price \$'000	Minimum Price \$'000
BENELUX				
Belgium and Luxembourg		100		50
Netherlands				
		100	0	50
EUROPE				
France		350		200
Germany and Austria		350		200
Greece and Cyprus		20		10
Italy		250		150
Portugal		15		10
Spain		200		125
Switzerland		50		25
UK		600		150
		1835	0	870
EASTERN EUROPE				
Bulgaria				
CIS		20		10
Czech Republic				
Hungary				
Poland		20		10
Yugoslavia Including:		15		10
Croatia				
Serbia				
Slovenia				
		55	0	30
SCANDANAVIA				
Denmark				
Finland				
Iceland				
Norway				
Sweden				
All Scandinavia		125		70
		125	0	70
NORTH AMERICA				
USA		750		250
Canada				
		750	0	250
SOUTH & CENTRAL AMERICA				
Argentina and Paraguay		30		15
Uruguay, Chile				
Brazil		30		15
Central America				
Colombia				
Dominican Republic				
Mexico		30		15
Peru, Ecuador, Bolivia		10		5
Venezuela		10		5
West Indies				
		110	0	55
SOUTH EAST ASIA				
Japan				
Hong Kong				
India				
South Korea				
Philippines				
Singapore, Malaysia				
Taiwan				
Thailand				
		SOLD	SOLD	SOLD
AUSTRALIA				
Australia & NZ		125		60
NZ only				
		125	0	60
MISCELLANEOUS				
East and West Africa				
Israel		30		15
Middle East				
South Africa		20		10
Turkey		20		10
Airlines				
Publishing and misc				
		70	0	35
		\$3,170	\$0	\$1,420

C.5 Account of the way the film was reconceived

The producer initially decided that the project (script, writer, director and proposed cast) was worth between £2 million and £2.5 million.

All the director's creative choices were budgeted for. The producer commissioned a budget from a line producer, based on a brief from the director, with the help of a production designer chosen by the director. The director and designer reced locations in Liverpool, where the film was based. The director wanted to use a top DOP, whom he had worked with before. Like most directors, he preferred to work with familiar technicians.

The budget figure came out at £3.5 million. The producer was disappointed. She knew that the project was unlikely to achieve this in the marketplace. She had already received refusals from financiers at £2-2.5 million. The budget had to come down and that the free creative reign that the project had started with would need to be re-thought.

This process partly happened naturally. The designer withdrew. She had another job offer, but also felt she could not do the film justice at a lower budget level. The original line producer also moved on and a less experienced but hungry and enthusiastic line producer was hired.

The producer and new line producer started on reducing the budget to £2-£2.5 million. Other than the changes in HODs (and subsequent budget reductions), no real creative cuts were made. The budget was a tighter version of the £3.5 million budget.

It was still proving difficult even to raise the money, particularly as the minimum guarantees on the sales estimates were US\$1.4 million. The producer realised that to stand a chance of getting the film made, they would have to do it for £1.5 million.

The director wanted to do the film and was extremely pragmatic. This approach was essential in re-thinking the way to make the film. The director, writer and producer began with script re-writes. For example: -

- Expensive scenes involving boats were reset in a nightclub
- The film was originally set in a city seething with people. It was rewritten as an empty city. This substantially reduced the extras budget and consequently costume, make-up & hair, catering numbers and transport.

After script cuts and/or re-writes the visual approach was challenged: -

- a newer, less experienced DoP was chosen
- change to shooting on S16mm not 35mm - cheaper, faster and easier to shoot hand held, reducing requirement for grip – except on nominated days
- the shoot was cut by a week
- the director was careful to choose locations that were visually interesting in their own right and required very little dressing
- many locations were chosen early in pre-production, which eased planning
- key locations were used for several scenes, saving travel time and transport costs
- studio builds were cut, except one room of a house that was built in warehouse
- nearly all local crew were used (thereby cutting hotels and per diem costs)

At that stage, the only money in place was £500,000 from the Film Council, a Japanese pre-sale of US\$200,000 and 10% from a sale and leaseback deal. There was still a shortfall. An investor stepped in with £500,000 but taking the pre-sale and the sale and leaseback, giving the producer a total of £1 million.

The producer and director decided to make the film for the £1 million, which meant further cuts to the £1.5 million budget. The cuts were achieved by reducing crew numbers and cutting rates:

- Cast were put on PACT/Equity minimums under the low budget film agreement. The difference between each cast member's agreed 'market' rate and the minimum was budgeted as a deferral.
- Producer, director and crew were put on a weekly rate of £600 per week (unless their weekly rate would normally be less). The difference between the £600 and the PACT/BECTU minimum weekly rate was budgeted as a deferral.
- Even with the deferrals, some of the main cast, the producer and director were still working below their market rates.

The designer, costume designer and composer were given budget allocations and asked to work within them. The visual effects budget was greatly reduced and passed to a Liverpool based company, at a very competitive rate. Fewer crew meant less transport.

C.6 Summary

DESCRIPTION	CHANGE
Prep	Reduced from 5 wks to 4 wks
Shoot	Reduced from 6 wks to 5 wks
Format	Changed from 35 to S16mm
Writer	Deferred fee
Executive Producer	Fees cut
Producers	Wkly rate same as crew & deferred fee
Director	Wkly rate same as crew & deferred fee
ATL Travel & Living	Reduced # of fares & rate of hotel & pd
Cast	On Pact/Equity low budget a/ment & deferrals
Stunts	Reduced (some script scenes cut)
Casting Director	Fee reduced
Crowd	Number & rate cut by 50%
Crew	All HODS reduced to £600 - balance between this rate & Bectu 70 hour min put as deferral
Asst LM	Changed to trainee
Asst A/c	Cut
Runner	Also used as driver
Grip	Cut - 5 days allowed
Trainee	Cut
Stills	Cut
Electricians	Cut 2 electricians
Pre-rigs/strikes	Reduced allowance
Standbys	Reduced from 5 crew to 2 crew
Sound	Cut trainee
Art Department	Cut storeman, 1 dresser, asst art director, asst changed to trainee
Costume	Asst changed to trainee & # dailies reduced
Make Up/Hair	Cut 1 person & # dailies reduced
2nd unit	Cut
Construction	Allowance reduced by 80% (no builds)
Props	Allowance reduced by 50%
Draperly & greenery	Cut
Action vehicles	Allowance reduced by 50%
Boats	Cut
Graphics	Cut
Consummables	Allowance reduced by 80%
Costume Materials	Allowance reduced by 70%
Equipment	Camera budget reduced by 90% (deal), lighting by 65%, cherry pickers cut, consummables reduced, sby equipment reduced, crane cut
Stage rental	Cut
Office rental	Office rate & equipment allowance reduced
Location Fees	Allowance reduced by 60%
Catering	Crew & crowd numbers reduced as per budget cuts

DESCRIPTION	CHANGE
Hotel & Living	Allowance cut - used nearly all local crew
Transport	1 x minibus cut, crowd coaches cut, 1 x unit car cut, equipment vehicle drivers reduced & numbers of vehicles, cast all in 1 vehicle
Film & lab	S16mm & TK rate reduced
Post Sound	Package deal done
Post Picture	Equipment rates reduced, neg cutting reduced by 50% (deal), digital post
Dubb	Reduced by 2 days
Stock Footage	Allowance reduced
CGI	Cut
Music	Allowance reduced by 60%
Publicity	Allowance reduced by 80%
Production O/head	Cut
Bond etc	Obviously all % reduced
Finance Fee	Cut

Appendix B – Notes on meetings with producers

We met a number of producers of films in the survey – Graham Broadbent, Jonathan Cavendish, Mark Crowdy, Andrew Eaton and Michael Winterbottom, Jon Finn, Elizabeth Karlson, Duncan Kenworthy, Alex Marshall, Margaret Matheson. What follows is a summary of the responses to the questions asked in the meetings.

1. Have costs increased?

Overall

- Costs haven't really risen. One of the producer's films were costing £3 million five years ago
- If there's an assumption that film will cost £3 million, the budget comes out at £3 million.
- One film cost more than it should, but the director had made four films (some very successful) & did not have a style that suited reduced crew, hand held etc.
- Financiers' overheads have increased. FilmFour, Pathé & DNA ask at least 10%, Zenith 12.5%.
- Burden of multiple financiers has increased.
- New area of loan interest for pre-production loans required while trying to pin down financiers – rates @ 150%.

Development

- Writers' fees & ceilings have increased. One producer was asked for 3-3.5% of budget for the writer.

Above the line

- There has been an increase in fees for actors & directors.
- Huge inflation at top end.
- One producer thinks actors are paid more now, but difficult to pre-sell film without a 'star'.
- Another thinks pushing 'name' actor into low budget film is strange. Most successful low budget films aren't to do with the pull of the actors. No one went to *FOUR WEDDINGS AND A FUNERAL* for Andie McDowell, or *THE FULL MONTY* for Robert Carlyle.

Below the line

- Stock used has increased.
- Location costs in London are now exorbitant.

- Tax on location blows out incentives for shooting on location in UK.

Post-production

- Length of post has increased.
- Increase in delivery requirements. DNA requirements added £70,000 to budget plus post supervisor.

2. Why have you made films for less money?

- One successful film started out with a higher budget, but couldn't find money. Shoot reduced by two weeks, all rates cut, and producer and director fees deferred.
- Another successful film's original budget was £3.6 million. Financiers pulled out – new financiers cut budget to £2.9 million. Producer negotiated deferrals from all, including 80% of producer fee. Deferrals were last to recoup.
- £3.3 million was budget for conventional, comfortable shoot – but were only given £2.8 million so had to find a way to do for less. Doesn't really know how, just found a way and cut everything back
- Film budgeted at £2.6 million, but only under £2 million available. Threw out the rulebook and started again.
- An independent US film was in development for 5-6 years. Producer could only get limited money. Worked out how to make film for the money. Producer's attitude was, "how can I make it for what I can get?"

3. How have you made films for less money?

Above the line

- Minimal overheads with development. Heads of production on retainers.
- Having the money in place and adequately cash-flowed was wonderfully freeing...
- ...and gave time to plan how to reduce budget.
- Used director from theatre and TV who was good with actors and efficient with schedules so had 5-week schedule. BUT ended up doing additional shooting in post.
- Actors put on low budget agreement with deferrals.
- Be tough on actors' and writers' agents & keep parity.
- Director's agent packaged lead actors from director's agency thus providing talent at low cost.

Below the line

- Paid crew fixed wage. Extra for BECTU 70-hour week was deferred.
- Gives crew deferment on rate. Recoupment comes out fairly high up, after cash recoupment.
- Gave crew profit participation. Increased morale. Crew have actually received return.
- Made effort to work with crew who felt the job was a step up from usual position.
- Financiers tried to persuade producer to use more experienced crew. Producer took total responsibility for any failures – financiers agreed.
- A US independent lowers costs by paying people less but can also buy more for the dollar in food, hotels etc.
- Doing films for low money usually based on goodwill towards director from director's crew contacts.
- Cut crew numbers.
- Use DV on lower budgets. Cheaper and quicker and digital post cheaper.
- Shoot on DV. More footage but it's cheaper to extend low cost area of post (editor and avid).
- Shooting on 35mm creates a style of conservatism that does not work on a low budget shoot. 35mm is on its way out.
- DV is director's medium, especially now there are top end digital projectors.
- Try to avoid shooting in London – usually shoot in Wales or abroad as much cheaper. Use a local facility company in Wales that undercuts London rates.
- Used holiday cottages instead of hotels.
- Location vs. studio build: there are more hidden overheads in studio. Cheaper on location on lower budgets.

Post

- Digitize rushes straight from camera rushes. Don't go through whole telecine.
- Builds relationships with labs and post-production facilities, even E&O insurance, i.e. makes overall deal.

4. What are your criticisms? How would you like to do things differently?

Overall

- A lot of films just shouldn't be made.
- Far too many films made for release. UK distributors have less to spend so are more nervous.
- A low budget film shouldn't be a normal film squeezed to fit the pot.
- There should be a reason for it to be low budget – more experimental, more risky. If this is so, the film shouldn't have to jump through the

same hoops for financiers, story editors etc. Financiers should say 'here's your £300,000 – go away and make the film'.

- Make decision to make film, not hang around in development for a year.
- Give the filmmaker time to plan.
- Finance and cash flow uncertainty hurt pre-production because of inability to plan.
- There seems to be a lack of planning (due to lateness of finance coming together).
- If film is for mainstream audience, should make more prints.
- Development is more or less self-financed with some assistance from media. Consequently a lot of projects under-developed.
- Producers have to make as many films as possible. The only way to survive is through production fees.

Above the line

- Producers undervalued, but producer's fault – they need to dictate conditions of workforce more.
- Producers need a revenue corridor.
- Producers need proper development money.
- Producers aren't in control – everyone else is and therein the problem.

Below the line

- Did a pre-shoot on travel day with tiny crew. Similar scene on 1st shoot day with all crew, trucks, and standbys – seemed ridiculous.
- Producers and directors aim too high on low budgets. Try for top DP, designer etc.
- Crew are not going to work for less or work differently for a government funded financier or financier on huge salary.
- US low budget films are often independently financed, so crew have different approach – it is a different culture.
- Attitude of crew can be a problem.
- No grass roots interest in films in UK. In US have a level of respect for medium.
- A system of internship in the US, which is part of every business.
- One film had to bring over US gaffer because couldn't find one in UK who would work on low budget film.
- US more willing to take on new talent.
- Young people in UK don't see so many films, just want to hang out at Soho House – in US everyone is so informed, they're film nuts.
- US indie companies work with young kids. There are no sexual or racial divides.
- US crew are not jobbing crew. Sound recordist on one film could produce the next.
- No us against them, no rank and file – US gaffer went to Yale and interested in light.

- Producers could work with known group of people, working for less but with a revenue share.
- Set up register of crew willing to work for less.
- Ingrained attitude of crew of how things are 'supposed to be done' is a real problem. For example, a director liked the way an old man standing on the street looked and used him as an extra – the producer saw a costume assistant do a 'last check' on the old man. Seemed ridiculous - the director wanted the man because he looked right already.
- Would not want to shoot for less than 8 weeks.

Post

- Even though post has increased, picture cut should be increased even more. Too often the film is rushed into being locked off. It's much cheaper time than shooting time. Present structure is ineffective. Better to wait until picture is locked before booking sound and dubbing theatre. Once booked, the pressure to lock the picture increases – even if the film is not ready – because of cost of editorial and sound staff and slot in dubbing theatre being lost.
- Race to do music is totally unproductive.

General comments

- One producer is building a library for the company, making as many films as possible and trying to retain rights in certain territories and move into licensing and merchandising – maybe even set up sales agency.
- Sales company average return on gap portion is 178%. Easy to persuade financiers to invest this sum even on non-commercial films (and thus retain rights).
- Have many contacts with European producers – a network which started at Media Business School in Madrid. Most of their films are financed with money from outside this country and they do a lot of co-productions.
- No theatrical release may mean film makes more money as no spend on P&A (if a film costs £2 million with no 'stars' then you'd need to spend £1.4 million on P&A).
- TV cheaper: shoot S16mm so move faster, less delivery, no bond, no contingency and keep length at 90 minutes, post quicker.
- One producer sells each film by individual territory so more net profits (but makes an overall campaign more difficult).

Appendix C (i) – Foreign crew rates comparison

	UK	FRENCH	DANISH	US	SPANISH	GERMAN
PRODUCTION						
Line Producer	1250				785	781
Production Manager	1000	1318		1250	640	711
Location Manager	1100	706			700	
Location Assistant/Unit Manager	800	505		870	700	644
Location Runner/London Contact	350	276				
Production Co-Ordinator	1100	650		830	570	669
Producer Assistant		381				
Production Secretary	350	451		495	430	
Production Runner	200			437	215	390
Production Accountant	1200				700	669
Assistant Accountant	750					444
AD & CONTINUITY						
First AD	1200	706		1250	700	859
Second AD	1000	505			630	564
Third AD	650					292
Continuity	1200	596		970	700	527
Floor Runner	200	276			430	
CAMERA						
DOP	3500	1680		1650	1050	1757
Operator					525	
Focus Puller	1200	650		970	635	725
Clapper/Loader	800	505		522	550	395
Grip	1200	922		830	700	761
Camera Trainee					160	
LIGHTING						
Gaffer	1200	988		890	700	761
Best Boy	1050	889		775	630	416
Electrician	950	494			550	695
Electrician	950	830				695
Electrician						695
Genny Operator	950	988			160	
SOUND						
Recordist	1200	928		960	700	812
Boom	1100	607		816	630	488
ART DEPARTMENT						
Designer	1600	1318			1050	878
Construction Manager	1080					
Art Director	1200	685		1140	635	610
Stand-by Art Director	700					
Assistant Art Director	700	623				
Art Trainee		276				
Props Master	1100			940	635	651
Props Assistant				760	430	
Dressing Props	900			662	430	
Dressing Props	900					
Props Buyer	1200	685				610
STANDBYS						
Standby 1	900	605				625
Standby 2	900					
Standby 3	900				630	
Standby 4	900				550	
Standby 5	900				160	
WARDROBE						
Costume Designer	1200	623		820	700	735
Costume Supervisor	1000			560	630	
Wardrobe Assistant 1	900	391				333
Wardrobe Assistant 2	900					
MAKE-UP						
Make-Up Designer	1200	676		606	700	690
Make-Up Assistant	1000			655		
Chief Hair		670				566
Assistant Hair	300					
EDITING						
Editor	1800	741		870	860	769
Assistant Editor	900	505		210	500	461
Post Production Supervisor	1350			260	360	
Trainee Editor		276				

Appendix C (ii) – Foreign budget summary comparison

KEY BUDGET ITEMS	UK Film	French Film	Danish Film	US Film	Spanish Film	German Film
Development		13,964	11,537		1,562	5,000
Story Rights		9,711	20,660		9,960	
Writers' Fees		97,826			15,629	10,000
Story Rights/Writer Other	130,339					
TOTAL SCRIPT	130,339	121,501	32,197	0	27,151	15,000
Producer's Fee	80,000	47,430	33,000	53,500	39,062	10,000
Producer Other		11,857	7,320			
TOTAL PRODUCER						
Director's Fee	40,000	74,703	35,000	28,600	27,343	10,000
Main Cast	295,000	59,288	110,000	40,615	55,820	20,633
ATL Travel & Living	27,430					
ATL Fringes	35,746	65,848		23,478		
Other Named Cast	52,900	92,390	24,428	44,937	55,541	
Stand-Ins/Doubles/Stunts	5,100	3,952			917	11,733
Crowd	33,345	18,774				4,986
Castling	10,690	19,614			7,421	1,666
Technical Advisors	45,800	4,096				
Line Producer	40,000			13,357	6,250	
Production Manager	14,000	18,455	24,050	9,642	9,960	4,000
Location Manager	16,500	9,896		8,760		
Location Assistant/Unit Manager	9,600	6,571	9,200	8,760	6,445	3,333
Location Runner/London Contact	4,900	4,980	2,500			1,000
Production Co-Ordinator	16,500	9,105	12,230	6,285	9,375	9,000
Production Secretary	4,900	5,414	9,910	4,285		4,300
Producer Assistant		5,335				
Production Runner	3,000		4,545	2,571	3,125	1,000
Production Accountant	22,250			7,071	9,375	5,333
Assistant Accountant	14,250					1,333
TOTAL PRODUCTION	145,900	59,756	62,435	60,731	44,530	29,299
First AD	13,200	9,896	15,290	5,657	10,312	4,766
Second AD	11,000	6,066		4,400	5,078	1,500
Third AD	5,200				2,343	
Extras Co-ordinator Dailies	1,950		2,500			
Continuity	10,800	5,365	9,310	3,771	4,746	2,666
Floor Runner	1,400	3,873		2,714	781	1,000
TOTAL Ads & CONTINUITY	43,550	25,200	27,100	16,542	23,260	9,932
DOP	32,500	14,774	22,500	7,700	21,093	6,666
Operator				2,618		
Focus Puller	9,800	5,853	9,550	3,561	5,800	3,333
Clapper/Loader	6,550	4,549	4,900	2,750	3,164	1,950
Video Assist					781	
Grip	10,400	8,300	7,770	4,007	6,093	8,083
Camera Trainee				785	781	
2nd Unit Dailies	23,500					1,666
Steadicam Dailies	15,000		1,980			1,666
TOTAL CAMERA CREW	97,750	33,476	46,700	21,421	37,712	23,364
Camera & Accessories	36,250	18,774	28,720	16,785	19,334	12,100
Second Unit Equipment		8,498	3,470			500
TOTAL CAMERA EQUIPMENT	36,250	27,272	32,190	16,785	19,334	12,600
Gaffer	10,800	8,893	9,000	3,889	6,093	4,000
Best Boy	9,650	8,003	7,775	3,352		3,333
Electrician	6,650	3,952		2,842	5,566	3,333
Electrician	6,650	6,640			5,566	1,333
Electrician					5,566	
Electrician Dailies	5,700		5,850	785		
Genny Operator	6,650	7,905		785		
TOTAL LIGHTING CREW	46,100	35,393	22,625	11,653	22,791	11,999
Lights Package	48,500	31,620	37,200	23,213	18,358	14,033