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PolyGram Filmed Entertainment and Working Title Films: The making of a film studio and its production label

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Abstract

In the 1990s, the London-based production company, Working Title Films, become synonymous with a brand of globally oriented popular cinema which is identifiably British in content while also embracing many of the aesthetic and cultural forms of Hollywood filmmaking. Notable films include *Four Weddings and a Funeral* (1994), *Bean* (1997), *The Borrowers* (1997) and *Notting Hill* (1999). This paper examines the origins of this production strategy between 1988 and 1993. During these six years, Working Title was transformed from an independently owned and managed production company which largely produced Channel 4-funded 'social art cinema' to a subsidiary label of the nascent film studio, PolyGram Filmed Entertainment (PFE). Taking the approach of business history, I will explore PFE's key innovations, particularly the development of the so-called 'control sheet', a creative and commercial filter used to inform green-light decisions. In so doing, a complex and dynamic picture of filmmaking within a newly formed studio system emerges. Significantly, control sheet-like business practices were also adopted by the major Hollywood studios. Thus, the logic of the control sheet continues to underpin the current media ecology of Hollywood at large, including that of Working Title's current parent company, Universal.

Key Words

PolyGram Filmed Entertainment, Working Title Films, UK film industry, US film industry.

PolyGram Filmed Entertainment and Working Title Films: The making of a film studio and its production label

The British film industry has known few success stories like Working Title Films. Now more than 30 years in the making, the London-based production company has become synonymous with a brand of globally oriented popular cinema which is identifiably British in content while also embracing many of the aesthetic and cultural forms of Hollywood filmmaking. The first results of this production strategy emerged during the 1990s in romantic comedies such as *Four Weddings and a Funeral* (1994) and *Notting Hill* (1999) and family comedies like *Bean* (1997) and *The Borrowers* (1998). Working Title's origins, however, lay in the largely antithetical creative and commercial realm of 'social art cinema' during the previous decade, including such films as *My Beautiful Laundrette* (1985), *Wish You Were Here* (1987) and *Edward II* (1991). One version of the Working Title story involves a consideration of the company's output over time as an evolving collection of texts. Indeed, the films listed above provide rich and diverse examples of the ways in which Working Title has presented versions of Britain and Britishness for consumption as popular culture. A second version of the Working Title story involves an examination of the parallel and interconnected history of the company as a business. Such an account requires an exploration of the creative and commercial contexts of filmmaking at play within Working Title and, in turn, an understanding of how such determinants were shaped by the company's relationships with other film businesses.

This article takes the latter approach, focussing on the period between 1988 and 1993. During these six years, Working Title was transformed from an independently owned and managed production company which largely produced Channel 4-funded films to a subsidiary 'label' of the nascent film studio, PolyGram Filmed Entertainment (PFE). In turn, PFE was a subsidiary of the major record company, PolyGram, itself a subsidiary of the consumer electronics manufacturer, Philips. Thus, this article considers Working Title's institutional relationship with PFE and the related issue of PolyGram's diversification into the film business during the late 1980s and early 1990s. The period under study has a yet larger significance for two reasons. Firstly, the internal structures and processes developed within Working Title remained in place throughout the company's years as a PFE label, and have endured with only minor alteration under its present parent company, Universal. Secondly, the creative and commercial filter which PFE developed for making production decisions (the so-called 'control sheet') has also continued in various modified forms within the Hollywood film industry at large. The result is a study of the evolving media ecology of a newly devised studio system which simultaneously worked within and without the established Hollywood order. Charting the development of such business structures and practices has only been possible thanks to a wealth

of previously unpublished archival material and interviews with current and former personnel at both Working Title and PFE.

A strategy of Diversification: PolyGram Pictures and PolyGram Media Division (1980-1988)

For PolyGram, the 1980s was a decade of mixed fortunes in which a strategy of diversification into the film industry was attempted at either end. In the previous two decades the company expanded its assets in the record industry by establishing or acquiring artists-and-repertoire (A&R) companies, commonly known as record 'labels' including Polydor, Decca, Mercury and London Records. PolyGram managed its labels as semi-autonomous businesses which developed distinct musical identities. Generic business functions such as financing, manufacturing, publishing, marketing and distribution were, however, centralised within PolyGram¹. The natural synergies between the record and film businesses began to take effect when a disco label, RSO Records, produced a string of successful musical films, including *Jesus Christ Superstar* (1973), *Saturday Night Fever* (1977) and *Grease* (1978). A similar situation evolved at the Los Angeles-based Casablanca Records and FilmWorks which, under the leadership of the producers Peter Guber and Jon Peters, evolved into PolyGram Pictures. Between 1980 and 1983 the venture produced 7 feature films and 24 television episodes at a total cost of over \$80 million. The business, however, proved to be a financial disaster for PolyGram. At the end of the decade, the PolyGram Pictures loss was estimated at \$50 million².

During the same period, Michael Kuhn, a lawyer by training, was working his way up the executive ranks at PolyGram's international headquarters in London. In 1982, while acting as PolyGram's Director of Legal and Business Affairs, Kuhn had been given the task of establishing and managing PolyGram Music Video Ltd. Responding to the demands of MTV, the company commissioned independent music video companies to produce content for the acts of PolyGram's various UK-based labels. Over the years that followed, Kuhn gradually gained approval to make 'long-form music videos' which featured PolyGram artists and played heavily on the link between music and film. PolyGram's slowly reviving interest in film was given an official home with the creation of the Media Division in February 1987. Kuhn was promoted to the position of Vice President of PolyGram and appointed CEO and President of the Media Division. Simultaneously, Malcolm Ritchie, a chartered accountant, was recruited to the division and appointed CFO. Over the course of the 1990s, the two men became the chief architects of PolyGram's diversification into film for the second time, with Kuhn assuming responsibility for the overall vision and strategy of the company and Ritchie implementing the business structures and processes through which the company would operate.

The legacy of PolyGram Pictures, however, cast a long shadow over the development of the Media Division. Each business plan that the new venture produced contained a section dedicated to explaining the reasons for the failure of PolyGram Pictures. One such example noted that, 'leaving aside bad management and wanton extravagance', the collapse had been the result of six interlocking factors. Three related to the lack of ancillary markets for films. Both the home video and pay television markets were virtually non-existent, while the dominance of state broadcasting monopolies diminished the price of product in the international market. Two further problems were structural. Firstly, the lack of an established back catalogue of films meant that failure at the box office could not be absorbed by other income streams. Secondly, there was no 'efficient tax arrangements' with which the cost of production could be sheltered. Finally, the 20 percent rise in interest rates during the period had conspired to make the overall enterprise yet more difficult³. Significantly, by the late 1980s several of the conditions that had been disadvantageous to PolyGram Pictures had become advantages for the Media Division. Just as the market introduction of the CD - a technology developed by Philips and Sony - had changed PolyGram's fortunes in the music business, it was hoped that home video would prove a similar spur in the film business. As Kuhn explained:

The management at PolyGram saw a time when everyone had bought a CD player and renewed their entire catalogue, and as we became a public company, albeit only 20 percent, they were all saying, 'well, what's your next trick? What are you going to do next?' They'd all got used to 15 percent year on year growth in profits throughout the 1980s. That's where the plan for a film division came from, simply because 50 percent of the revenues from film came from video. Videos were bits of plastic being distributed around the world through retail shops, which is what we did on the record side. We had the infrastructure in 40 countries and we knew that we were quite good at financial control of creative business, which is what the film industry is as well. So, what we'd have to do is get a supply line of films and then learn how to market them⁴.

Making progress with such a plan was, however, further dampened by personnel changes at the top of the company. Having masterminded the company's revival during the 1980s, PolyGram's CEO, Jan Timmer, accepted a position on the Group Management Committee at Philips at the end of 1987. He was replaced by David Fine, the former CEO of PolyGram's UK operations. 'David Fine had been, under Jan Timmer, the guy who'd had to be the nuts and bolts manager. He wasn't a visionary, but the guy who had to deliver the results and make the numbers work', Kuhn explained. 'He was a fantastic manager in that regard, but anything that looked risky and dangerous like the launch of CD in the first place and certainly films later, he inherently felt - probably quite rightly - resistant to and nervous about⁵. Accordingly, the investments made by the Media Division were both modest and keenly observed in its first years of operation. Nonetheless, Kuhn and Ritchie began considering the

foundations of a film company which, like the existing PolyGram 'label system', would be created by acquiring or establishing independent production companies.

Immediately prior to the establishment of the Media Division, Kuhn had used funds made available through PolyGram Music Video to begin investing in low-budget feature films. The first of these efforts, *Private Investigations* (1987), was produced by Steve Golin and Sigurjon 'Joni' Sighvatsson, the owners of the LA-based music video production company, Propaganda Films. In January 1988 PolyGram acquired a 49 percent stake in Propaganda for \$3.25 million⁶. On paper, Propaganda's flourishing success as a producer of music videos represented a natural fit with PolyGram's existing business interests. Significantly, however, Golin and Sighvatsson were more interested in producing feature films, with early efforts *The Blue Iguana* (1988) and *Fear Anxiety and Depression* (1989) funded through a combination of equity investment from Media Division and domestic and international pre-sales organised by Propaganda. Similarly, Kuhn's relationship with Working Title's founding partners, Tim Bevan and Sarah Radclyffe, was initially predicated on the music video business. In May 1983, the pair established Aldabra Ltd., a music video production company based on New Oxford Street. Producing videos for acts signed to the A&R labels of the major record companies, Aldabra received commissions from, amongst others, PolyGram Music Video. The following year Bevan and Radclyffe incorporated Working Title Ltd. to accommodate their feature filmmaking activities. Housed in a one room office on the nearby Little Russell Street, the new company soon became immersed in a filmmaking landscape dominated by the nascent 'social art cinema' of Channel 4.

Working Title Films, Channel 4, and 'social art cinema' (1984-1988)

Like the majority of independent production companies in 1980s Britain, Working Title would receive most of its feature film funding from Channel 4, the first television broadcaster to challenge the BBC/ITV duopoly. The channel's output was guided by a clear public service remit as defined in the 1980 Broadcasting Act. Firstly, it had to broadcast a 'suitable proportion of matter calculated to appeal to tastes not generally catered for by ITV'. Secondly, a 'suitable proportion' of programmes had to be of an 'educational nature', and thirdly, the channel was required to 'encourage innovation and experiment in the form and content of programmes'. Finally, and perhaps most significantly for the changing structure of the industry in Britain, Channel 4 would act as a 'publishing house' by commissioning independent producers or the existing ITV companies⁷. Channel 4's mandate to be different was channelled, most notably, through David Rose, the channel's first Senior Commissioning Editor for Fiction and his team which jointly assumed responsibility for Film on Four,

a title applied to both the filmmaking sub-section of the Channel and the slot in the broadcasting schedule which would host its produce.

After completing its first Channel 4-funded film, *My Beautiful Laundrette*, a third partner, Graham Bradstreet, joined Working Title as Finance Director. His arrival prompted the dissolution of original company and a new company, Working Title Films Ltd., was incorporated in July 1986. In several cases, including *Sammy and Rosie Get Laid* (1987) and *A World Apart* (1988) additional funding for Working Title's films came from British Screen Finance Ltd., another publicly owned institution, partially funded by Channel 4 throughout the 1980s. Such support served to insulate the filmmaking process, to a greater or lesser extent, from the commercial pressures of the free market. As Radclyffe explained:

There weren't so many voices on the creative side. That was partly because there weren't so many investors and partly because the investors tended not to have conflicting voices. If there were only two – Channel 4 and British Screen – that was easy. The trouble with too many voices is that it's too easy to go down to the lowest common denominator. What works for one investor doesn't necessarily work for another and that becomes a complex issue. With Channel 4 and British Screen, you didn't have to pre-empt what each individual investor and market would think of a film⁸

In his assessment of Film on Four's creative legacy, Christopher Williams has described the company's output as 'social art cinema'. This form of cinema, he suggests, demonstrates many of the tropes of European art cinema – 'individual identity, sexuality, psychological complexity, anomie, episodiness, interiority, ambiguity, style' – combined with other prominent themes in British cinema, including the depiction of social issues and the use of realism as a representational mode⁹. During this period, the filmmaking culture at Working Title mirrored the sensibilities of social art cinema by embracing attitudes and practices which typically eschewed commercial imperatives. As Radclyffe recalled:

Everyone was given profit participation and I think at Working Title we gave more people profit participation than some of the other companies did. We always gave the heads of department something because then, psychologically, they felt it was theirs too. It sounds rather naïve, but you wanted to have a good time as well. So we fed everybody well and had parties. I don't think it's looking at the past through rose tinted glasses, but it didn't feel nearly as hard as it does now. We were also dealing with people at the beginning of their careers as well and there weren't that many independent films being made. I think everybody did it because they loved it. I never remember going through the agony of trying to persuade somebody to accept a deal to be on a film, whether that was cast or crew. Nobody would ever turn anything down in those days for the money¹⁰

By 1988, Working Title had earned a position at the forefront this wave of creativity by working largely within a filmmaking landscape defined by the influence of Channel 4 while also contributing to its substance. Simultaneously, the company attracted the attention of Michael Kuhn who began to plan the company's integration into PolyGram's Media Division as its second filmmaking 'label'.

PolyGram Media Division, Working Title Films and the beginnings of the PFE 'label system' (1988-1990)

In July 1988 the Media Division established Working Title Television Ltd. (WTTV) as a joint venture with Working Title Films Ltd. PolyGram assumed a 49 percent stake in the venture, while Working Title assumed the remaining 51 percent. PolyGram capitalised the company with an unspecified investment 'up to a maximum limit of £2 million'. Establishing WTTV was, in part, motivated by the prospect of the 1990 Broadcasting Act which would ensure that UK broadcasters had to commission at least 25 percent of their programming from independent producers¹¹. The governing reason for the investment, however, was to forge a relationship with Working Title Films. The prospect of investing in Working Title Films was, for Kuhn, in equal parts pragmatic and personal. 'There wasn't a lot of choice was number one. Number two was we needed to have a company here who knew their way around making low budget or relatively low budget films', he explained. In what would become a recurring theme, PolyGram's early relationship with Working Title rapidly became routed first and foremost through Kuhn's relationship with Tim Bevan. 'We always hit it off from day one and we're still great friends to this day. Like most things in business, personality is a big part of it, and if you can't get on with somebody then it's normally not a good idea' he elaborated¹². Simultaneously, Bevan wrestled with the task of moving Working Title's output into more commercial genres of filmmaking, including the fantasy film, *Paperhouse* (1988), the comedy, *The Tall Guy* (1989) and the thriller, *Diamond Skulls* (1989). Doing so as an undercapitalised independent, however, proved difficult:

We realised that in order to produce movies you need to run an overhead and you also need to develop material and that all costs money, particularly in terms of developing material. You need to get to a point when developing material where if you've spent quite a lot on it, but if it's not going to turn itself into a film, you need to be able to write that off. No independent company can really afford to do that and so the only way to get our money back was to get the film made, by charm and brute force and by all the rest of it. We got a number of films financed which should probably never have been made in order to get our

fees out and in order to get the development money out of it. That was not a sustainable or a sensible model.¹³

With Propaganda and Working Title identified as partners, Kuhn and Ritchie began considering how the companies might be integrated into the Media Division as production labels. A business plan written in August 1988 proposed the creation of a 'Financial Services Division' which outlined five opportunities for investment in the film industry which would avoid the risks of direct investment in production. Options included home video acquisition and distribution, a P&A (prints and advertising) fund, completion bonds, banking services for independent producers and establishing an international sales company. With each option it was envisaged that a 'critical mass of production activities' would be achieved by 'grouping together a number (say 5) independent producers – two of whom would be PolyGram associates – (Propaganda Films and Working Title Films and TV)¹⁴. Operating all aspects of the financial service division concurrently was considered before a more focussed and controlled strategy was proposed in March the following year:

PolyGram and Working Title Films would form a joint venture to finance films taking advantage of tax breaks in Germany. Whilst the intention is to produce some 21 movies over a 5-6 year basis, it should be clearly understood that the venture will be controlled on a movie by movie basis and that the total amount at risk for PolyGram at any one time is unlikely to be more than £1 million (Jan Cook [PolyGram COO] has set a "ceiling" of £2.5 million) The risk to PolyGram is controlled by means of the tax breaks and by use of so-called "cornerstone" deals – whereby an agreed percentage of the production budget of a movie would be guaranteed by a particular distribution (sic) in respect of its media/territory.¹⁵

Once accepted, the plan required the incorporation of two new companies. The first was a German-based vehicle company which could access certain local tax advantages. The idea had originated from the increasingly intertwined business relationship between Working Title and the Media Division since the establishment of WTTV. Graham Bradstreet began developing a tax structure under which a company incorporated in Germany could receive an accelerated tax write-off due to the nation's 'organschaft' corporate tax legislation¹⁶. Once this idea was taken to the Media Division, the result was the incorporation of PolyGram Filmproduktions GmbH. As a subsidiary of PolyGram Germany (rather than the originally envisaged joint venture), PolyGram Filmproduktions fell within the same tax group as its parent company and was thus able to take advantage of the larger company's tax liabilities. While an accountant was employed part time to manage PolyGram Filmproduktions' business affairs in Hamburg, Wingolf Mielke, a German executive at PolyGram's London office, was appointed as Managing Director. Thus, in practice, PolyGram Filmproduktions operated under the operational auspices of PolyGram's Media Division.

By June 1989 Manifesto Film Sales BV was established as subsidiary of the Netherlands-based PolyGram NV, but once again fell within the operational auspices of the Media Division in London. The venture offered a systematic method of raising production finance through pre-selling the distribution rights to the films in development at both Propaganda and Working Title. The initial incarnation of Manifesto was run by Wendy Palmer, former Director of Marketing and Distribution at Handmade Films. The new company's first home was in a shared room at Working Title's Livonia Street offices, before being traded for an office on Wardour Street. As Malcolm Ritchie explained, operating an international film sales company offered several advantages:

If we'd have used a third party sales company we might have paid a 15 or 20 percent fee, but if we had enough throughput the effective cost of Manifesto might have been about five to seven percent. It made sense to do that, plus, an important fact that we had control of the sales process. We could go to the AFM, Cannes and MIFED ourselves and start meeting the buyers, and in doing that we began to get an idea of the sort of product that worked. We became much smarter about the sort of projects that we should be doing. I think both Working Tile and Propaganda felt more empowered as well because they were then closer to the ultimate distributors and began to get a better feel about how their projects might do in the marketplace¹⁷.

An investment in Working Title Films itself had become inevitable by the beginning of 1990. Supporting the financing and selling of Working Title's films made little sense from PolyGram's perspective if Working Title continued to be the sole beneficiary. The percentage of equity which PolyGram acquired in Working Title Films amounted to a strategically determined 49 percent. 'PolyGram didn't want to consolidate a company that was showing losses', Ritchie explained, 'It wanted to invest money and if it lost that money, that was fine, they would write it off, but they didn't want to carry anything more'¹⁸. From Working Title's perspective, the remaining 51 percent equity would ensure, in theory at least, that their three partners retained overall control of the company. For Bevan, the prospect of relinquishing equity in Working Title was an acceptable price to pay to pay for the resources which PolyGram could offer their company in the longer term. The idea of ownership is, of course, inextricably wed to the idea of independent film production and, in turn, the creative and operational autonomy such a label suggests. As Bevan explained, however, the reality of Working Title's years as an independent production company often bore little resemblance to the ideals of the 'independent' label:

If you are asking me now what the three most important things are, I'd say, the capital to run the business - to run my overhead and my development; creative freedom to be able to do whatever I want to do in terms of developing the sorts of films I want to make; and thirdly, when I get a film made, single source worldwide distribution ... In the late 1980s, we didn't have the capital and we certainly didn't have the single source worldwide distribution

because every film was sold off to different companies all around the world. Arguably because of that, we didn't have the creative autonomy either, because our situation was always dictating what we did next, rather than us dictating what we did next¹⁹.

The die was cast, and Working Title entered the Media Division's nascent label system. The transition from independent to subsidiary had begun.

Working Title's integration into the label system and the development of the 'Control Sheet' (1990-1991)

In February 1990, the legal and business affairs department of PolyGram's Media Division drafted a summary paper outlining the overall proposal for investment in Working Title. An 'in principle' agreement was subsequently reached between the two parties over the key areas and conditions of investment. Ultimately, PolyGram invested £1.5 million in a new holding company, Working Title Group Ltd. which acquired 100 percent of Working Title Films Ltd. from its three shareholders. In return, Tim Bevan, Graham Bradstreet and Sarah Radclyffe received a 51 percent stake in the holding company through a separate vehicle company called Passport Film Services Ltd., while the remaining 49 percent of Working Title Group was acquired by PolyGram²⁰.

The business plan which accompanied the proposal outlined in some detail the particulars of PolyGram's investment. While relatively modest in scope, the breakdown of anticipated expenditure covered all the company's principal areas of activity and, for the first time, lifted Working Title out of the hand-to-mouth existence which had defined its history to date. Of the £1.5 million total investment, £900,000 was earmarked for four key areas of investment including £250,000 for pre-production finance, £150,000 for working capital, £100,000 towards new offices and £400,000 for development, distribution and marketing finance. Crucially for Working Title, this recapitalisation allowed the company to arrange overdraft facilities secured on the business itself, rather than the personal finances of directors. Moreover, in specified circumstances, PolyGram could make additional funding available to Working Title of up to £1m in the form of secured, interest bearing loans²¹.

Under the new regime, Bevan, Bradstreet and Radclyffe were contracted exclusively to Working Title and responsible for day-to-day running of the company. Working Title's new board of directors was, however, composed of the three original partners and three representatives from PolyGram. The matters which would require approval at board level included major project initiation, employee hiring and firing and approval of accounts, forecasts, cash flows and loans²². Predictably, the underlying clauses which structured the nature of PolyGram's investment entailed a

firm shift towards filmmaking on an emphatically commercial basis. Based on a 1990-94 business plan prepared by Working Title, projected annual profit figures ranged between £2,720,000 (1991) and £3,056,000 (1992). PolyGram concluded that their annual return on investment would average 77.9 percent over the period, based on their retention of 49 percent of the £900,000 direct investment. Inevitably, substantial amounts of optimism had been massaged into these figures, with the report noting that a return at half the projected level would still be attractive for PolyGram²³. Crucially, the new partnership was subject to an initial period of two and a half years with any extension likely to be based on performance-related criteria. As the proposal document explained:

The new venture will run for an initial period from 1-6-90 to 31-12-92, after which time PolyGram may elect to extend for at least a further 2 years. Termination by PolyGram alone may be sought after 31-12-92 in the event that the audited results up to that period are significantly below the business plan estimates. If the agreement is terminated after 31-12-92, or at a later date, various buy-out options for PolyGram and/or Passport come into play²⁴

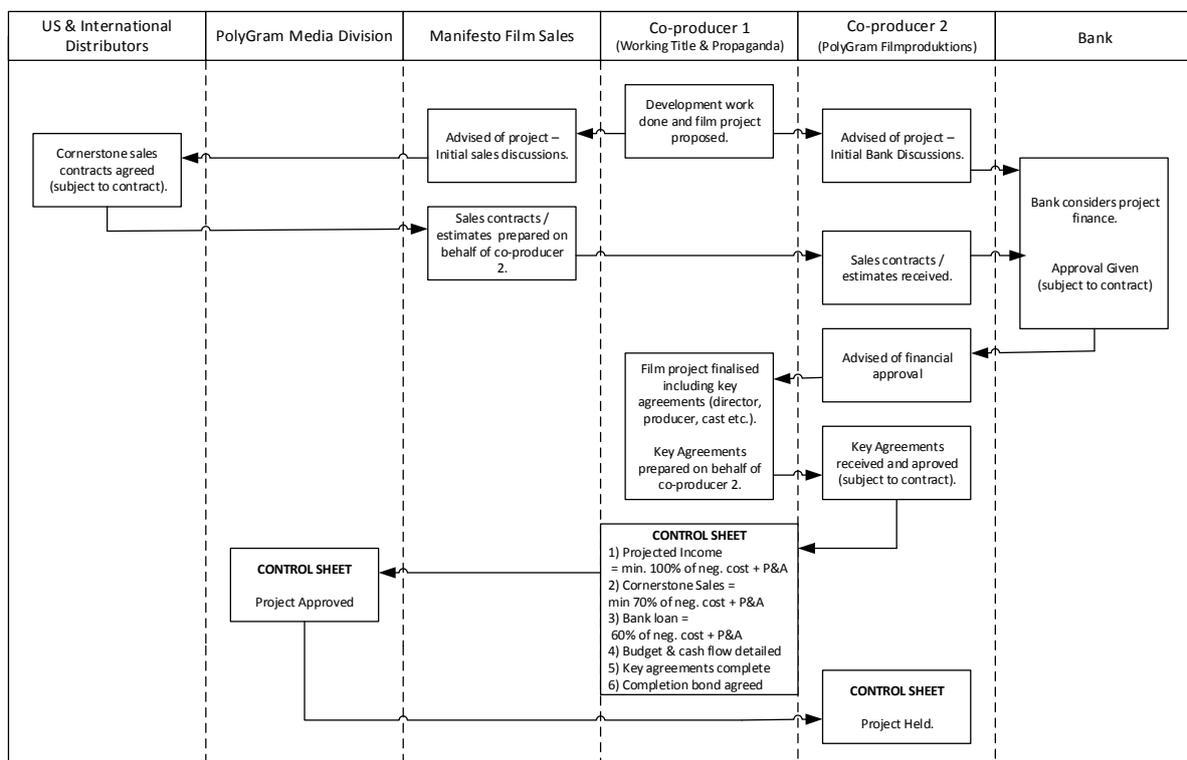
While the agreement was clearly designed to allow both parties to test run the new partnership within a defined time frame, the precise level of 'significantly below' business plan estimates was less apparent. It was, however, abundantly clear to everyone at Working Title that a new era of filmmaking had dawned. In August 1990, the company moved into a three storey office building on Water Lane in Camden and was once again reunited with Manifesto Film Sales. The Manifesto team quickly multiplied to include dedicated sales and marketing staff with contracts, paralegal and accountancy personnel soon to follow. The most alarming realisation was the disparity between the operating procedures of an independent film production company and those of a multinational entertainment conglomerate. As Ritchie recalled:

Creatively they had a lot of talent but their finance and business affairs were almost non-existent. The way we had been brought up within the PolyGram ethos was to run things in a fairly organised way with monthly reporting and balance sheets. If we were going to invest in something, we knew what potential return we could expect. They had nothing like that at all, they were very much hand-to-mouth. I'm not necessarily blaming them because that's the way they had grown up, and clearly they had learned a lot along the way and had their successes. From a PolyGram point of view it was very clear, very quickly, that they couldn't continue with an operation like that²⁵.

While Working Title's historical business affairs were put in order, the company was integrated into a dynamic system of PolyGram owned companies which together constituted the Media Division's Film Fund. With pre-sales financing generated by Manifesto on the one hand, and equity financing raised by PolyGram Filmproduktions on the other, Working Title and Propaganda became

filmmaking ‘labels’ positioned between the two companies. Rather than merely generating production funding on an ad hoc basis, however, the processes of the film business - development, financing, green-lighting, production, marketing and sales - were encompassed by and systematised within the Media Division. This was achieved by directly linking the labels’ filmmaking activities with those of Manifesto and PolyGram Filmproduktions which, in turn, linked the labels with independent distribution companies and banking services, respectively. Figure 1 shows the development, financing and greenlighting procedures of PolyGram’s Media Division in the form of a flowchart.

Fig 1: PolyGram Film Fund Procedures Flowchart: Development and Green-lighting



Source: ²⁶

The green-lighting procedure began when a label developed a film project, a stage at which each label maintained creative autonomy. The proposed film package – script, preliminary budget and attached talent including producer, director and cast – was subsequently distributed to both Manifesto and PolyGram Filmproduktions. The former opened initial sales discussions with international distributors based on the package, while the latter initiated loan discussions with investment banks. As Wendy Palmer, president of Manifesto explained, ‘for a film to get green-lit we had to draw-down from a bank, so we had to have sufficient signed sales, and sufficient sales estimates for the bank to start advancing production funding. I had to get a certain percentage of my estimates as signed contracts and then they would advance money against the remaining countries,

based on what I had estimated them being worth²⁷. Beginning in the UK, the company began to forge 'cornerstone' output deals with various distribution companies which oiled the wheels of the system:

I eventually set up deals where we segregated the rights, so we sold theatrical, video, pay TV and free TV separately. I had what we call output deals. I had an output deal with the BBC, an output deal with Sky, an output deal with Rank and CBS/Fox were doing video ... I set up output deals in a lot of other countries in Europe too. If you do an output deal you can get a discountable contract really quickly which was a much more efficient and effective way of getting the bank finance drawn-down ... It was really important to keep the term as low as possible, five to seven years was ideal, because that was time to give two years theatrical, 12 months video, two to four years on TV and then the rights would revert back to Manifesto. That was a big selling point for PolyGram because they were big on building up catalogues, that's where they had made all their money with music²⁸.

In contrast, films sales in the 'domestic' US market were typically led by Working Title or Propaganda directly. Stable banking relationships soon emerged with investment banks which specialised in financing film and television production, including Pierson, Heldring & Pierson and Guinness Mahon & Co. While Ritchie and Will Evans, the Media Division's Head of Business Affairs, led the bank discussions on behalf of PolyGram Filmproduktions, their case for securing a loan depended on Manifesto's ability to secure cornerstone sales contracts and viable sales estimates for the remaining territories. In all cases, secured sales would be 'subject to contract' agreements which were payable by the distributor upon receipt of the completed feature film. When presented to the bank, however, the total income guaranteed by signed sales and suggested by estimated sales amounted to figure which could be lent against. Once this figure was established, the contractual elements of the film project itself could be finalised by the production label, before being reviewed by the Media Division (Figure 2). Significantly, the contracts of above-the-line personnel (writers, directors, producers, cast) had the potential to affect the overall return on investment for PolyGram if they included clauses relating to profit participation.

Fig. 2: Working Title and PolyGram's Media Division



From Left to Right: Michael Kuhn, Graham Bradstreet, Will Evans, Sarah Radclyffe, Tim Bevan, Tim Read (also of the Media Division) and Malcolm Ritchie.

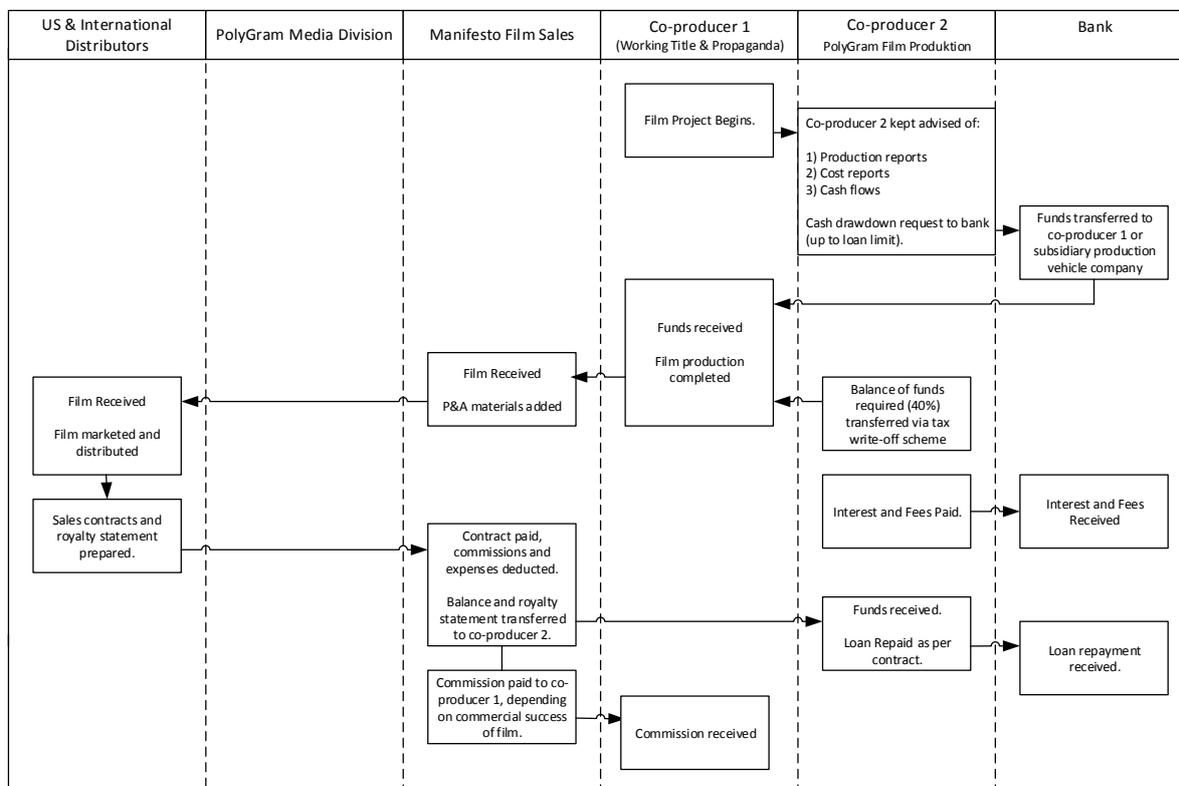
The final stage of the green-lighting process entailed filtering the amassed contractual detail through a centralised creative and financial filter known as the 'control sheet'. The control sheet laid out the terms for the green-light decision in six stages, the first three of which involved an examination of project income and expenditure. Firstly the entire projected income of the project had to equal a minimum of 100 percent of 'neg. cost + P&A', or rather negative cost (the cost of production and post-production up to the printing of the first film negative) and prints and advertising (the cost of additional prints and advertising materials supplied to the distributor). Within this overall figure, the cornerstone sales had to equal a minimum of 70 percent of neg. cost + P&A, against which the bank would loan 60 percent of neg. cost plus P&A. The disparity of at least 10 percent between the income of the cornerstone sales and the bank loan acted as both a contingency and a buffer to cover the cost of the interest and fees payable on the bank loan. Finally, the control sheet required that the production label had completed key production agreements, produced a

detailed budget and cash flow and secured a completion bond. Reflecting on the development of the control sheet, Ritchie explained:

The control sheet came about because, not long after we set up and started making films in 1987 and 1988, Michael said to me: 'as part of this whole venture, we've got to keep the PolyGram board happy. They've got to see that we're managing the process, they've got to see that we know what the risks are and that they're manageable risks. How best can we present this?' I came up with the idea for what became the control sheet. The concept was simple, it was to try to project how well a film would do in terms of its pre-sales and ultimately, when we were in direct distribution, what the actual sales in particular territories might be. The whole goal of it was to try to come up with projects that were commercial, that would make money, or at least we wouldn't lose money.²⁹

Once a film project had successfully passed through the control sheet, the processes of production, sales and revenue collection began. As figure 3 illustrates, the labels kept PolyGram Filmproduktions advised of the financial requirements of the production, which were then transferred from the bank directly to the production label, or the subsidiary vehicle company incorporated for the purpose of the particular production. The gap in financing, which amounted to approximately 40 percent of neg. cost + P&A, was then funded by PolyGram Germany via PolyGram Filmproduktions. The associated tax-write off which sheltered PolyGram's direct investment would then come into effect when PolyGram Germany completed its annual tax return. With the requisite funding in place, the production label completed production and post production on the film, before delivering the master negative to Manifesto. Manifesto subsequently arranged duplicate prints and produced advertising materials which would accompany the prints when delivered to the distributor. Upon receipt of the film, the terms of the signed sales contract would come into effect, triggering payment and the preparation of a royalty statement by the distributor. Manifesto subsequently deducted its commission and expenses from the sales contract, before the balance and royalty statement were transferred to PolyGram Filmproduktions. In turn, PolyGram Filmproduktions repaid the bank loan and accrued any profit yielded. In cases of commercial success from the distribution of a film, the production labels would receive a commission from Manifesto in addition to their production fee, which was factored into the original production budget.

Fig 3: PolyGram Film Fund Procedures Flowchart: Production, Sales and Revenue



Source: ³⁰

The reorientation of Working Title's output towards a more commercial market was not, however, a seamless operation. Several of the films which Working Title had in various stages of development were supported by filmmaking institutions with public service remits and typically continued Working Title's established trend towards social art cinema. 'From a very early stage Tim and I agreed that we almost had to start afresh on development and aim it at a more commercial market', Kuhn explained. 'In the meantime they had to do what they had to do. They didn't have anything else in the hopper except what they had from the past'³¹. Renewing the company's slate was partially achieved by establishing a presence in Hollywood for the first time. Paul Webster, a producer on previous Working Title films relocated to an office on Taft Avenue and began developing and producing films with LA-based filmmakers. In practice, however, the films which Working Title produced between 1990 and 1992 fell into two categories business: those which passed the rigours of the control sheet and were subsequently funded by Manifesto and PolyGram Filmproduktions, and those which were funded with third-party finance. Figure 5 illustrates the former case, noting the financial positions of the six films which Working Title produced using

PolyGram's film fund by the end of the 1992 tax year. Significantly, the figures show the positions of the films before the PolyGram Filmproduktions tax write-off was applied, indicating a loss making position in five out of six cases from pre-sales alone, ranging from \$3,279,000 for *Chicago Joe and the Showgirl* (1990) to \$243,000 for *Map of the Human Heart* (1992).

Fig. 5: Working Title films funded by PolyGram's Film Fund 1990-1992 (USD\$ 000's)

Film	Chicago Joe & the Showgirl	Fools of Fortune	Drop Dead Fred	London Kills Me	Map of the Human Heart	Bob Roberts	Total
Income	5,534	4,554	12,818	3,495	19,218	4,750	50,369
Direct costs:							
Production	-5,749	-5063	-6,414	-2765	-16,700	-4172	-40,863
P&A	-1,227	-687	-4500	-631	-1500	-500	-9,045
Finance/ other	-1,314	-842	-540	-239	-750	-240	-3,925
Amortisation	-8,338	-6,591	-11,454	-3,635	-18,950	-4,912	-53,880
Expenses	-406	-396	-527	-318	-442	-221	-2,310
Operting result	-3,210	-2,432	837	-457	-174	-383	-5,819
Interest / Exchange	-69	5	134	-93	-69	-74	-166
Result before tax	-3,279	-2,427	971	-551	-243	-457	-5,986

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Working Title's transition between social art cinema and more commercially oriented cinema was underlined by the continued importance of funding from Channel 4 which contributed \$1.1 million to *Fools of Fortune* (1990) and \$0.9 million *London Kills Me* (1991)³³. Similarly, a number of the Working Title films which did not emerge from the Film Fund continued to be partially or wholly funded by state supported institutions, such as *Edward II* (1991) and *Dakota Road* (1992) were respectively supported by BBC Films and British Screen. Imposing the control sheet on Working Title's activities, however, proved to be the most effective means of realigning the company.

Kuhn and Ritchie's plans for expanding PolyGram's interest in film took a decisive turn in January 1991. David Fine stepped down as CEO of PolyGram to be replaced by Alain Levy, a rising star within the Polygram executive strata who had previously been CEO of PolyGram France. Levy had been hand-picked by Timmer, who had been appointed President and CEO of Philips the previous year. Significantly, Levy was widely believed to possess the 'visionary' status his predecessor lacked. Levy's arrival gave Kuhn and Ritchie renewed hope that the progress made under the auspices of the Media Division would lead to a more substantial commitment to film. In August Kuhn and Levy, with the help of financial expertise from Malcolm Ritchie, and PolyGram's COO, Jan Cook, presented a paper entitled 'PolyGram and Films' to the board of Philips. With the support of Timmer, the board passed the proposal, and the paper effectively became the

foundational document for PolyGram Filmed Entertainment. Its major objectives were summarised as follows:

Stage One – Establishment of an organisation which has a well-capitalised production unit – envisaged is a ‘label’ system of production companies achieved by the buy-out of the non-PolyGram shares in Propaganda and Working Title together with the addition of A&M and a further ‘mainstream’ established producer. The production units should eventually be capable of producing between 8 and 15 ‘A’ movies a year. Establishment of a marketing and sales organisation that allows our production entities to access the distribution margin in each income flow.

Stage Two – Medium/long term development of PolyGram’s own national film production with distribution worldwide through its own video, theatrical and TV distribution systems. Medium/long term development of a significant movie catalogue by the prudent acquisition and consolidation of quality movie and TV libraries³⁴.

The 1991 plan, which was set in motion immediately, would be realised over the year that followed with a remarkable degree of fidelity to its original intentions. PolyGram announced their \$200 million capitalisation of PFE to the trade press the following month along with more immediate concerns. The conglomerate would increase its stake in both Working Title and Propaganda from 49 to 100 percent and escalate the combined rate of film production to a minimum of eight films per year - four in the \$15-\$25m range and four in the \$7- \$10m range³⁵. The flourishing of PolyGram Filmed Entertainment had some immediate implications for Working Title. The first repercussion was a restructuring exercise which attempted to serve the needs of PFE without abandoning Working Title’s roots. Alison Owen, an independent producer, was recruited in October 1991 to oversee the creation of a low budget division at Working Title³⁶.

With the approval of Philips secured, the Media Division was subsumed within the new PolyGram Filmed Entertainment in January 1992. More than merely a change in title, the funding now available to PFE enabled the company to directly invest in film production and establish in-house distribution and marketing divisions in key international territories. The project of creating a major film studio was finally underway.

1992: The establishment of PolyGram Filmed Entertainment and new leadership at Working Title

From the moment of its incorporation, PFE located its two operational hubs in the US and the UK, or more precisely, Los Angeles and London. Michael Kuhn was appointed President of PFE and relocated to the company’s headquarters on North Maple Drive in Beverly Hills, working alongside Malcolm Ritchie who became COO. Kuhn assumed responsibility for English-language production

and 'domestic' distribution and marketing. In line with the lexicon of the Hollywood majors, 'domestic' distribution meant the US and Canadian markets. On the other side of the Atlantic, PolyGram Filmed Entertainment International (PFEI) was simultaneously established in London. Kuhn appointed Stewart Till, an experienced executive who had worked at CBS Fox Video and Sky Television, as President of PFEI. Working from PolyGram's headquarters in Berkeley Square, Till's responsibilities included overseeing the development of 'foreign language' (non-English) production and 'international' distribution and marketing (that is, all territories outside the US and Canada).

The US represented the largest national market in the world and was historically considered the 'shop window' which could prompt success in international territories. The expense involved in establishing a US distribution company, however, made it a high risk strategy. 'To open up distribution in America is a huge decision and many people, great people, had tried and failed dismally. It was perceived as a black hole money pit, so it was an extremely nervous-making beginning' Kuhn explained. 'We decided insofar as we had big pictures that we'd keep distributing through the studios, but the smaller ones we'd start on our own'³⁷. The groundwork for PFE's entry into the US market had begun the previous year with the acquisition of an ongoing output deal from the financially troubled Nelson Entertainment. Nelson was unable to honour its contractual commitments to Columbia, Showtime and Viacom which were respectively due theatrical, pay-television and syndicated television rights to the company's output³⁸. Significantly, access to such comprehensive distribution in the US would not otherwise have been possible for PFE at that point in the company's development.

In establishing PFE's own distribution company, Kuhn was determined to proceed as cautiously as possible. The result was the incorporation of Gramercy Pictures, a 50/50 joint venture between PFE and Universal in May. Located on Alden Drive, just minutes away from PFE's headquarters, Gramercy offered an effective way of entering the market while also mitigating risk. On one hand, a joint venture ensured that the costs involved in establishing and running the company were halved, and on the other, that the supply line of films was doubled. Russell Schwartz, a former executive at Island and Miramax, was appointed President of Gramercy and granted day-to-day operational autonomy from both parent companies. In practice, Gramercy had the remit of distributing and marketing the medium and low budget 'specialty' releases of both of its parent companies, with PFE or Universal approving the P&A spend of each release on a film-by-film basis. As Schwartz explained, the distribution and marketing of specialty films was significantly different to that of major studio releases:

The movies don't go out wide, they go out in a smaller release pattern and reviews and publicity are very important to engaging an audience. It wasn't about a big TV spend or a big

outdoor campaign, or some big commercial idea. Most of these films were not overtly commercial. We have a phrase called POW, which is 'Pay their Own Way'. If they don't work in the beginning you're able to pull back and not spend any more money, whereas with a wide release you're committed from day one and you're spending 90 to 95 percent of your advertising budget before you even open. With a platform release you can gauge how much money you want to spend to support it depending on how the previous weekend has done³⁹

On the other side of the Atlantic, Stewart Till was simultaneously concentrating on establishing PFEI's distribution and marketing capacity. While the Media Division's pre-sales and equity financing business model had begun to build a catalogue of film titles for exploitation in perpetuity, the most valuable rights in each film's product lifecycle were exploited by other companies. 'Box office then, and still, is the single biggest corollary with all the secondary windows' Till explained. 'It's not the only factor, but it's the most important factor. If a film is huge at the box office then it's going to do well in secondary windows and if a film dies at the box office, then it's not going to do well in secondary windows'⁴⁰. Thus, for PFEI, the need to establish companies which would handle the marketing and distribution of PFE's films across the platforms of theatrical, video and eventually television in key national territories was paramount. As Till went on to explain:

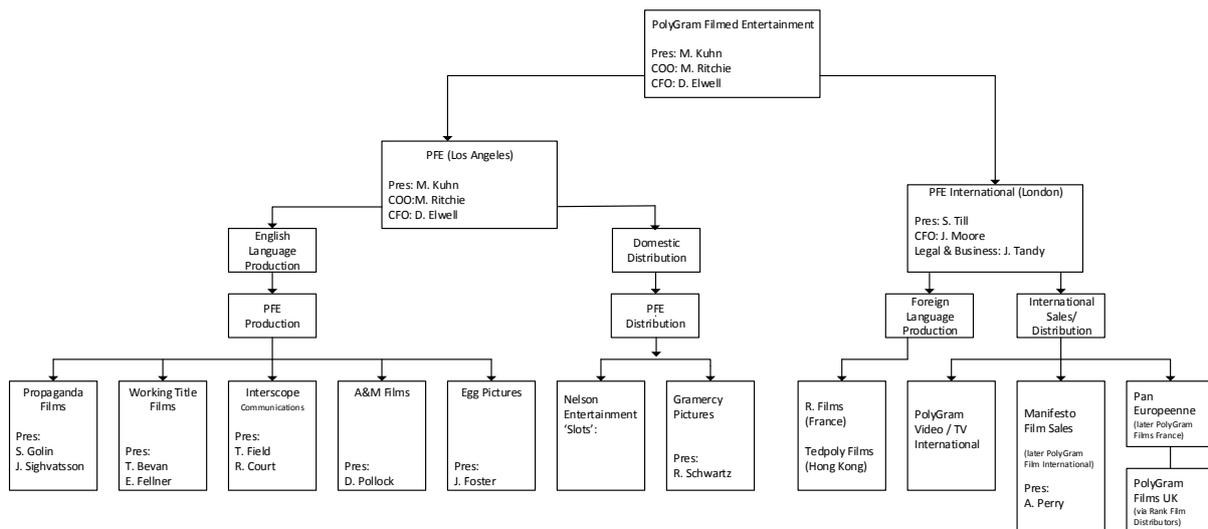
We said at the time, slightly tongue in cheek, if you made good films, then you should be in distribution and if you made bad films, you should be in presales. If they turned out to be bad films, then the company who bought them bore the risk but, of course, if they were hits, then they kept all the margins and profits. The presales route was untenable in the long term because if you made a film for \$10 million, you could sell it for \$11 million, but you never sold it for \$15 million or \$20 million and occasionally you'd sell it for £7 million or \$8 million. So, there was no upside, you didn't have the benefit of the hits.⁴¹

Till began to oversee the establishment of PFEI's operating companies, or 'OP COs' as they became known, in the larger international markets. PolyGram's existing music companies proved to be a mixed blessing in helping to establish PFEI. 'When you arrived there was some infrastructure, some knowledge of the marketplace and some people who could perhaps set up meetings. That was the good news' Till explained. 'The bad news was that Alain Levy's vision was to create integrated film and music companies. The reality was that none of the music companies ... knew anything about film but they wanted to be in film, who doesn't?'⁴². In establishing PFEI's first OP COs in France and the UK, Till initially pursued a strategy which involved either directly investing in existing distribution companies, including Pan Europeenne in France, or forming strategic partnerships with others, such as Rank Film Distributors in the UK. As operating companies came on line, the role of Manifesto, which was later rebranded PolyGram Film International (PFI), began to change. As Till explained:

PolyGram Film International did two things. They were the sales company which sold the rights to the territories where we didn't have distribution. Originally that was everywhere except France, then that was everywhere except France and the UK, then everywhere except France the UK and Benelux. So, as we set up more territories the sales company shrank. They also oversaw the theatrical release, provided the marketing materials, coordinated and had some oversight ... The Hollywood studios had a culture that head office knew best. We had a saying that Hamburg knew best or Rome knew best, and if it didn't know best about the local market, you had the wrong person in there. PFI did more than coordinate, because they could challenge decisions, but they didn't control the territories.⁴³

One consequence of PFE's rapidly expanding operating companies was the need for more product than Propaganda and Working Title could supply. PolyGram's acquisition of A&M Records included the LA-based subsidiary A&M Films, run by Dale Pollock. In August, PFE acquired a 51 percent controlling interest in the LA-based production company Interscope Communications for \$35 million which was run by founder and chairman, Ted Field, and its president, Bob Court. The mainstream orientation of Interscope and A&M's production policies was complimented by a three-year deal with Jodie Foster's newly established production company, Egg Pictures in October. Conversely, foreign-language production was also co-ordinated through investments in the Paris-based R Films and the Hong Kong-based Tedpoly Films⁴⁴. PFE's overall production strategy, however, remained largely Anglophone. Figure 6 illustrates PFE's operating framework at the end of 1992, which effectively divided the operation of the company hubs in between London and Los Angeles, with Working Title reporting to Kuhn in the latter location.

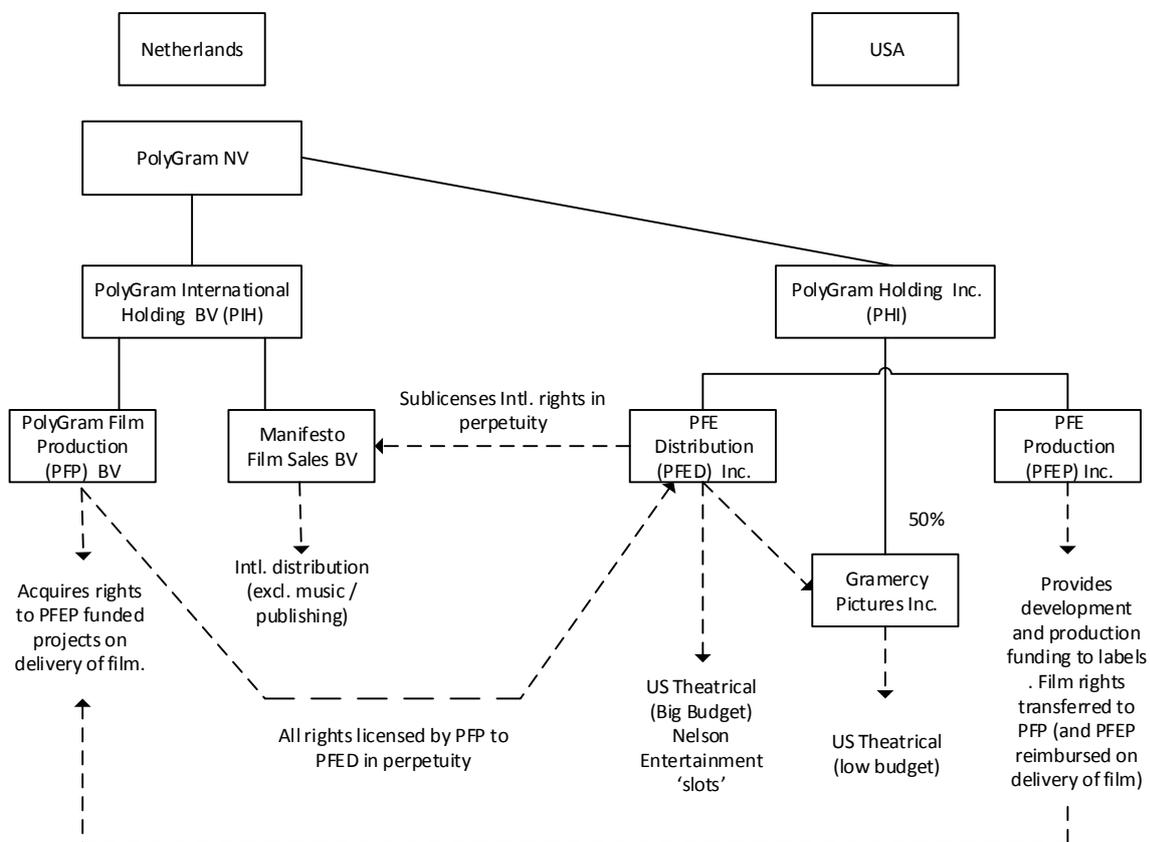
Fig 6: PFE Operating Framework 1992



Source: ⁴⁵

Significantly, the establishment of PFE also meant that the company would begin directly financing film production for the first time. As Figure 7 illustrates, the corporate structure of PFE involved the Netherlands-based parent company, PolyGram NV, operating through two existing subsidiary companies, PolyGram International Holding BV (PIH) in the Netherlands, and PolyGram Holding Inc. (PHI) in the US. PIH was the parent of the existing Manifesto Film Sales and the newly established PolyGram Film Production BV (PFP). Similarly, PHI incorporated two new subsidiaries PFE Distribution Inc. (PFED) and PFE Production Inc. (PFEP), as well as acting as the parent company for PFE's stake in Gramercy. The interaction between this network of companies began when the US-based PFEP provided an agreed annual overhead and development budget to the production labels in addition to production funding for all films green-lit through the control sheet. Once completed, the film rights were transferred to the Netherlands-based PFP which remained the ultimate copyright owner. PFP subsequently licensed the rights to the films in perpetuity to the US-based PFED. In turn, PFED sub-licensed international right to Manifesto, US rights to 'low budget' titles to Gramercy and US rights to 'big budget' films to Columbia, Showtime and Viacom via the acquired Nelson Entertainment deal.

Fig 7: PFE Corporate Framework 1992



Source: ⁴⁶

The rapid expansion of PFE's nascent studio system coincided with changes in Working Title's management. Bradstreet was the first to jump, citing the change in the culture of the company as the primary reasons for his exit⁴⁷. In January Bradstreet incorporated his own film finance company, Bradstreet Media, relocating to Dean Street. His disentanglement from Working Title would, however, be extended over the course of the year, coinciding with the termination of the company's original agreement with PolyGram. The regime change at Working Title was also actively induced by PFE management. In the early months of 1992, Kuhn approached Eric Fellner, the co-director of the London-based Initial Film and Television, with the offer of joining Working Title. One of the few overtly commercially oriented producers in Britain, Fellner had produced films in the UK such *Sid and Nancy* (1986) and *The Rachel Papers* (1989) as well Hollywood genre pictures such as *A Kiss Before Dying* (1991) and *Liebestraum* (1991). Convinced by the PFE plan, and the opportunities which working as part of a film studio suggested, Fellner began working with Bevan almost immediately.

The impact of Working Title's two year-long integration into PFE had, however, taken its toll on Radclyffe. The creative and commercial imperatives of the control sheet had effectively extinguished the Working Title of the 1980s. 'It was certainly becoming more corporate as a company, and that was the side of it that I found difficult', she explained. 'It was all changing. Michael was really running it, and then Tim and Eric started working closely together. I wanted to run the low budget division, and then Michael didn't want a low-budget division, and I didn't want to go backwards and forwards to board meetings'⁴⁸ In August Radclyffe took her share of Working Title's development slate as the basis for a new company, Sarah Radclyffe Productions (SRP). SRP took up residence in Berwick Street while a 'first look' deal was negotiated with PFE. Radclyffe's departure and Fellner's arrival marked the beginning of a new chapter in Working Title's history which would see the implementation of yet more profound changes in the following year.

1993: Restructuring Working Title and the refinement of the 'control sheet'

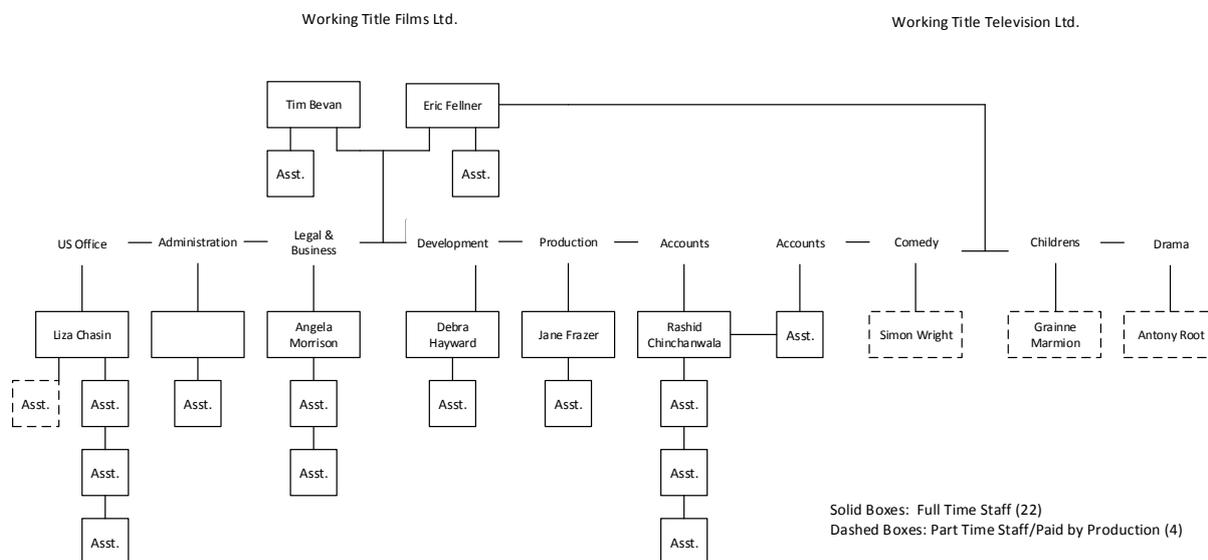
In February 1993, it was finally announced that PolyGram Filmed Entertainment had acquired 100 percent of Working Title and that Eric Fellner had been appointed as co-chairman of the company alongside Tim Bevan⁴⁹. The reality of Working Title's corporate integration was, however, a little more subtle. In October the previous year a new company, Working Title Ltd., had been incorporated as a wholly owned subsidiary of PFE. Bevan and Fellner were appointed as directors alongside three senior PFE representatives. Simultaneously, Working Title Films Ltd. became

dormant, holding the assets and liabilities which the production company had accrued between 1986 and 1992⁵⁰. The new company was formed to provide a clean slate for the films that Working Title greenlit from that moment onwards, each of which would be entirely and directly funded by PFE. A second unifying factor in every film which Working Title produced would be the agency of Bevan and Fellner in selecting projects and successfully guiding them through the processes of development, green-lighting, production, post-production and marketing. In dividing the labour of running the company, Bevan and Fellner made all of the major decisions jointly, including selecting which projects to develop. Thereafter, however, the slate was divided between them, with each film project managed separately. The role of the producer, and by extension the production company, is perhaps best characterised as the intermediary between creativity and commerce. As Fellner explained:

A producer is like the chief executive of any business. He has to build the business, come up with the ideas, come up with the money to support those ideas and find the creative and technical talent to make those ideas into reality. He has to finance the business going forward, run the business to a schedule and a budget, and ensure that every single person employed is doing absolutely everything that he or she ought to be doing and support them, in all the ways that you can support them, so they can do their best work. Then, when they've made their product, he ensures that that product is as good as it possibly can be and that it gets to market, that it's properly marketed and distributed⁵¹

The identity of the new Working Title lay not only in the influence of its new producers-in-chief, but in the filmmaking processes and structures which the company established and the key personnel responsible for creating, maintaining and developing them. During the course of 1993, Working Title's 22 full-time staff were organised into six lean departments: administration, accounts, development, production, the US office and legal and business affairs (see figure 8). In keeping with the approach of PolyGram's label system, the generic functions – administration and accounts – were reshaped to mirror PolyGram's established corporate templates. The four departments directly involved in filmmaking – development, production, the US office and legal and business affairs – were respectively run by Debra Hayward, Jane Frazer, Liza Chasin and Angela Morrison, all of whom were promoted from within⁵². This team formed the backbone of Working Title for the remainder of the 1990s and, in most cases, well beyond. In contrast, Working Title Television functioned much like any other independent company by gaining commissions from a combination of UK and US broadcasters. In turn, PFE acquired the international distribution rights to WTTV's output, which typically closed the financing gap and allowed production to commence⁵³. Television production, however, would remain a secondary activity for Working Title with all of WTTV's staff paid either part time or on commission.

Fig 8: Working Title Operating Framework 1993



Source: ⁵⁴

The compelling factor for Working Title become ensuring that its ongoing development slate would satisfy the requirements of PFE's burgeoning distribution pipeline. An examination of Working Title's 1994 budget, for example, gives an indication of the anticipated annual output of the production label and of the cost of maintaining its development department. A total development budget of £2,922,000 (\$4.5 million) allowed for up to £324,500 (\$500,000) each for two 'larger star driven' projects, up to of up to £162,250 (\$250,000) each for 12 'larger idea driven' projects and a further £324,500 (\$500,000) for the acquisition of spec scripts. With four films a year required for the PFE distribution and sales pipeline, this amounted to a conversion ratio of 2:1 for 'star driven' projects and 4:1 for 'idea driven' projects. In the same year, Working Title's overheads were budgeted at £2.4 million, with a projected development write-off of £1.2 million. This combined figure of £3.6 million was set against an anticipated production fee and 'rent and other' income figure of £1.9 million⁵⁵. Significantly, Working Title and PFE's other labels had profit and loss accounts which comprised only expenditure (overheads and development) and income (production fees). Fees were charged for every film that was greenlit through the control sheet and calculated as a set percentage of the production budget. As Ritchie went on to explain, the practice applied to all of the PFE production, distribution and sales subsidiaries:

We let the producers take a production fee and the local PFE distributors and PFI take distribution and sales fees. Ideally they would get enough fees in a year to cover their overheads. They were not the ones making the big bucks – this was the ultimate centre of PFE where the film rights are owned and where the profit from a successful film slate sits. From a management point of view, the production companies had to try to break even but we did not want to greenlight films and let them earn a production fee so that they could do just this – that would be bad business practice. They had to get good films greenlit and hopefully make a small profit in so doing.⁵⁶

While Working Title's internal structure was formalised, so too was the means by which the company would interact with PFE in relation to green-lighting decisions. Each project was assessed through a more sophisticated version of the control sheet which became a single-page document containing the necessary information to determine the risk and reward profile of each film in development at PFE's subsidiary labels. As the sample control sheet in figure 9 illustrates, the collective activities of Working Title's development, production and legal and business affairs departments populated the data in the 'Film Details', 'Production Budget' sections. As well as summarising the key above-the-line talent associated with the project, the 'Film Details' section also outlines the various 'participations' of these personnel in relation to the net or gross box office revenue of the film. The acronyms 'BO', 'CBE' and 'IAB' stand for Box Office, Cash Break Even and Initial Actual Break Even. The 'Production Budget' section gives a summary of the budget including above-the-line and below-the-line costs as well as contingency, completion bond and financing costs, before listing the production label and PFE's central fee, charged at 15 percent and 2.5 percent respectively. The 'Residuals' section, on the other hand, lists the various trade guilds, indicating where the film has been produced under agreement which has consequences for residual benefit payments.

Fig 9. The Control Sheet (Sample)

FILM DETAILS		PRODUCTION BUDGET (\$000)				DRAFT NOTES		
Director	A. Smith	Above-the-Line		\$3,600				
Cast	A. Starr	Below-the-Line		7,200				
Producer	A. Producer	Sub-Total		10,800				
Start Date	01-Jan-98	Contingence	0.0%	0				
Estimated Release Date	01-Mar-99	Completion	1.3%	140				
Distributor	Studio	Sub-Total		10,940				
Pay TV Deal?	High	RESIDUALS						
Network TV Sale?	Yes	Guilds: SAG Y						
Participations:		Label Fee	15.0%	1,500				
A. Starr: \$5M against 5% of 1st Dollar Gross; BO kick		PFE Fee	2.5%	250				
A. Smith: 5% of CBE w/10% fee; esc. to 7.5% of CB		Finance Costs		453				
esc. to 10% @ IAB.		Total Negative Cost		\$13,143				
SUMMARY (\$000)		LOW		MEDIUM		HIGH		
U.S. Gross Box Office		\$20,000	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
Non U.S. Box Office		85,524	99,446	113,367	127,289	137,546	147,803	158,061
% of U.S. Box Office		427.6%	397.8%	377.9%	363.7%	343.9%	328.5%	316.1%
Income before Fee Contribution		\$23,324	\$27,300	\$30,613	\$23,324	\$38,805	\$43,068	\$46,886
Fee Contribution		15,838	17,462	19,045	20,591	21,970	23,464	24,957
Income after Fee Contribution		\$39,162	\$44,763	\$49,658	\$43,914	\$60,775	\$66,531	\$71,842
Return before Fee Contribution		68.4%	74.2%	76.6%	55.8%	89.3%	95.5%	100.4%
Return after Fee Contribution		114.8%	121.7%	124.3%	105.0%	139.9%	147.6%	153.8%
NET INCOME ANALYSIS (\$000)		LOW		MEDIUM		HIGH		
Domestic Gross Box Office		\$22,000	\$27,000	\$33,000	\$38,000	\$43,000	\$49,000	\$54,000
U.S. Gross Box Office		\$20,000	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
Rental Rate		40.0%	41.0%	42.5%	42.5%	42.5%	44.0%	45.0%
U.S. Home Video Units - Rental		180	200	215	230	245	260	275
U.S. Home Video Units - Sell-Thru		20	25	30	40	60	80	120
Rental Income		\$8,000	\$10,250	\$12,750	\$14,875	\$17,000	\$19,800	\$22,500
Net Home Video Receipts - \$41.00		7,380	8,200	8,815	9,430	10,045	10,660	11,275
Net Home Video Receipts - \$4.00		80	100	120	160	240	320	480
Pay TV Gross Receipts		4,450	5,643	6,568	7,354	7,840	8,456	9,050
PPV Gross Receipts		156	204	252	288	324	352	379
Network Gross Receipts		1,000	1,250	1,500	2,000	2,500	2,750	3,000
Basic Cable Gross Receipts		450	500	550	600	650	825	1,000
Syndication Gross Receipts		185	195	205	213	225	238	248
Non-Theatrical Receipts		0	0	0	0	0	0	0
Merchandising Receipts		0	0	0	0	0	0	0
International Advances		21,009	21,009	21,009	21,009	21,009	21,009	21,009
International Direct Income		28,270	31,484	34,698	37,911	40,443	42,975	45,507
Total Receipts		70,980	78,834	86,466	93,840	100,276	107,385	114,448
Negative Costs		13,143	13,143	13,143	13,143	13,143	13,143	13,143
U.S. P&A Costs		13,780	15,900	18,550	19,875	21,200	22,525	23,850
International P&A Costs		7,187	7,726	8,264	8,803	9,111	9,419	9,726
Theatrical Distribution Fee 15.0%		1,200	1,538	1,913	2,231	2,550	2,970	3,375
Home Video Distribution F 20.0%		1,431	1,592	1,714	1,841	1,978	2,114	2,270
TV Fees (15% except 25% on synd & ba		1,000	1,238	1,437	1,650	1,818	1,999	2,176
PFI Fee (5% on Direct/15% on Subs)		4,205	4,339	4,473	4,607	4,718	4,829	4,940
PFI Sales Costs		600	600	600	600	600	600	600
Residuals		5,109	5,457	5,759	6,075	6,353	6,615	6,880
Participations		0	0	0	0	0	103	601
Total Disbursements		47,656	51,533	55,853	58,825	61,471	64,317	67,562
Film Income before Fee Contribution		\$23,324	\$27,300	\$30,613	\$23,324	\$38,805	\$43,068	\$46,886

Source: ⁵⁷

The 'Summary' section presents seven scenarios, based upon the revenue forecasts from US distribution (via Gramercy), international direct distribution (via the PFE OP COS) and international sales to third parties (via PFI). In the given example, the US gross box office estimate ranges from a low case scenario of \$20m to a high case scenario of \$50m. The same range of scenarios is given for non-US box office which ranges from a low of \$85.5m to a high of \$158m⁵⁸. Based on these gross income levels, the net income is then divided to indicate income before fee contribution, fee contribution and income after fee contribution. The income before fee contribution indicates the film's net profit. The 'Fee Contribution' represents the total internal income from all fees charged by PFE production, distribution and sales subsidiaries which, in turn, fund the overheads and margins in these various PFE operations.

The 'Net Income Analysis' section demonstrates how the figures in the summary were calculated by presenting a break-down of receipts and disbursements. As the largest and most diversified entertainment market in the world, the US received the most rigorous breakdown of receipts on the control sheet. The domestic gross box office (US and Canada) is given before the US gross box office is analysed. The rental rate refers to the percentage of box office revenue which is claimed by the distributor, a figure which, in the example, ranges from 40 to 45 percent. Thereafter projected units of rental and sell-thru US home video are given before income from rental, home video and the various forms of television – Pay TV, Pay-per-view, network, basic cable and syndication – are listed. In this summary example, international income is presented in consolidated figures, divided only into 'International Advances' or 'International Direct Income'. The former represents sales to third parties via PFI, while 'International Direct Income' indicates income from PFE operating companies. 'Non-Theatrical' and 'Merchandising' receipts are also listed, but have no bearing on this example. The disbursements section begins with the negative cost of the film, before listing the associated US and international P&A costs. Next, the various distribution fees for the PFE distribution/sales companies are listed across the platforms of US theatrical, US home video, US television, PFE OP COs and PFI. Finally, residuals and participations are listed. The total disbursement costs are deducted from the total receipts to give the film income result. This result line therefore shows the 'profit' (or loss) of the film itself after all relevant costs and fees.

One of the principal strengths of the control sheet was its ability to transcend top-down methods of green-lighting films, instead jointly placing the responsibility in the hands of PFE's production labels, senior management and marketing, distribution and sales divisions. While the control sheet presented the commercial case for a given film in black and white, the figures inevitably prompted frequent debate between the various parties. The control sheet would take shape over a substantial enough time frame to allow for an exchange of views that ultimately contributed to a slate which had been roundly considered from both commercial and creative angles. As Eric Fellner explained:

It went from 'the film will be fantastic, 'x' will be brilliant in the lead, surely you can see how this film will work?' to 'you're just fucking wrong!' So it went from coercion to aggression and sometimes neither worked and sometimes both worked. But it was good because it made us think long and hard about what we were developing and it made them think long and hard about how you can go from the written word to selling the dream. It was a very good, healthy, discourse and it has taught us right up until today - and it's probably ingrained for the rest of our careers - that you have to make a film at the right budget for the type of film that it is. If you don't, you're just asking for trouble⁵⁹.

While business practices resembling the control sheet worked their way into the Hollywood industry at large in due course, the initial response in Hollywood was not without considerable scepticism. 'There was a snippet that I once cut out from *Variety* about the European company that ran its business through a spreadsheet, and they were speaking about the control sheet' Ritchie recalled. 'They thought that this was kind of amusing. In fact, within a very short period of time, that's exactly what the studios started doing. I'm not saying that we were before them, but they didn't do it to the same extent that we were doing it, because their operations were managed completely differently'⁶⁰. Considering the issue of producing British films via the control sheet and distributing through PFE's rapidly developing studio system, Bevan explained:

One of the issues with being a British producer is that, unlike being a French producer or an Italian producer or a German producer, you share your native language with the biggest producer of motion pictures in the world. That brings a set of advantages and a set of disadvantages. The set of advantages it brings is that you will probably get your films distributed around the world easier than your French, Italian or German equivalent. The disadvantage is that you're going to be compared to Hollywood. If you're making movies for a living, the frustration quickly becomes not about getting your film made, but about getting your film seen by as many people as you possibly can. It seemed obvious to me when I was making independent films that the things audiences liked were production values, famous actors and genre – stories that they could relate to. Eric and I decided to apply that to the sorts of films that we made. A piece of luck was that we got our foot in the door, and the door we got our foot into was the international marketplace ... The only single source distributors in the world are the Hollywood studios and in recent years, PolyGram was the one that came closest to emulating that⁶¹

Ultimately, the creative and commercial imperatives of the control sheet shaped Working Title's output which began to embrace the dominant aesthetic and cultural forms of Hollywood filmmaking – production values, star actors and genre – and combining them with British characters, settings and cultural themes. In doing so, the company established itself as the preeminent producer of globally oriented British cinema during the 1990s.

Conclusion

The impact of Working Title's integration into PolyGram's Media Division and subsequently PolyGram Filmed Entertainment resulted in the reorientation of the company, and by extension its output, towards an international commercial market dominated by Hollywood films. Like PFE itself, Working Title proceeded by having one foot in Los Angeles and the other in London, actively combining the industries and filmmaking cultures of Hollywood and Britain. Between 1988 and 1993 Working Title produced a number of films including *Chicago Joe and the Showgirl* (1990), *Fools of Fortune* (1990) and *Map of the Human Heart* (1992) which made little impact critically or

commercially. This period of profound transition was, however, vital in forming the processes and structures through which PFE and Working Title would operate. This resulted in success on an unprecedented scale in 1994 with the release of *Four Weddings and a Funeral*, a film which grossed over £52 million in the domestic market and over \$211m internationally⁶², breaking records for a UK production in the process. Despite the sale of PolyGram to Seagram in 1998, the legacy of PFE continues both in the adoption of control sheet-like business practices by the major Hollywood studios and in the continued success of Working Title as a subsidiary of Universal.

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¹ Gerban Bakker, 'The Making of a Music Multinational: PolyGram's International Businesses, 1945-1998', *Business History Review*, vol. 80, No. 3 (2006), pp. 81-123.

² PolyGram, 'Movies and Profits' (1989), PolyGram Filmed Entertainment Archives, privately held in Stonehaven and London (hereafter 'PFE Archive'). It was noted that the continuing catalogue value of PolyGram Pictures library generated \$2.3m in positive cash flow in 1988.

³ Ibid.

⁴ Michael Kuhn, interview with the author (2013) at Qwerty Films, Portland Mews, London, 4 June.

⁵ Michael Kuhn, interview with the author (2013) at Qwerty Films, Portland Mews, London, 8 February.

⁶ PolyGram, 'PolyGram: New Business Division', (1988), PFE Archive.

⁷ Sylvia Harvey, 'Deregulation, Innovation and Channel Four', *Screen*, vol. 30, No 1-2 (1989), pp. 60-79.

⁸ Sarah Radclyffe, interview with the author (2015) at Sarah Radclyffe Productions, St. George's Mews, London, 26 March.

⁹ Christopher Williams, 'The Social Art Cinema: a Moment in the History of British Film and Television Culture', Christopher Williams (eds), *Cinema: the Beginnings and the Future* (London: University of Westminster Press, 1996) pp. 190-200.

¹⁰ Sarah Radclyffe, interview with the author (2015) at Sarah Radclyffe Productions, St. George's Mews, London, 26 March.

¹¹ PolyGram, 'PolyGram: New Business Division', (1988), PFE Archive.

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- ¹² ¹² Michael Kuhn, interview with the author (2013) at Qwerty Films, Portland Mews, London, 8 February.
- ¹³ Tim Bevan, interview with the author (2013) at Working Title Films, Aybrook Street, London, 6 August.
- ¹⁴ PolyGram, 'Business Plan: An Audio Visual Division'(1988), PFE Archive.
- ¹⁵ PolyGram, 'Movies and Profits', (1989), PFE Archive.
- ¹⁶ Graham Bradstreet, interview with the author (2013) via Skype, 9 October.
- ¹⁷ Ibid. The three major film sales markets during the 1980s and 1990s were the American Film Market (AFM) in Santa Monica, *Le Marche du Film* at the Cannes Film Festival and the *Mercato internazionale filme e documentario* (MIFED) in Milan.
- ¹⁸ Ibid.
- ¹⁹ Tim Bevan, interview with the author (2013) at Working Title Films, Aybrook Street, London, 6 August.
- ²⁰ PolyGram, 'Proposal for Investment in Working Title Films', (1990), PFE Archive.
- ²¹ Ibid.
- ²² Ibid.
- ²³ Ibid.
- ²⁴ Ibid.
- ²⁵ Malcolm Ritchie, interview with the author (2014) via telephone, 10 September.
- ²⁶ PolyGram, 'PolyGram Film Fund Procedures Flowchart'(1989), PFE Archive.
- ²⁷ Wendy Palmer, interview with the author (2013) via Skype, May 22.
- ²⁸ Ibid.
- ²⁹ Malcolm Ritchie, interview with the author (2014) via telephone, 10 September.
- ³⁰ PolyGram, 'PolyGram Film Fund Procedures Flowchart' (1989), PFE Archive.
- ³¹ Michael Kuhn, interview with the author (2013) at Qwerty Films, Portland Mews, London, 8 February.
- ³² PolyGram, 'Media Division: Red Book Consolidated Film Operations Report' (1992), PFE Archive
- ³³ Ibid.
- ³⁴ PolyGram. 'PolyGram and Films' (1991), PFE Archive.
- ³⁵ Scott Ajax, 'PolyGram plans \$200m expansion' *Screen International*, 27 September 1991, p.4.
- ³⁶ Scott Ajax, 'Working Title creates low-dough division'. *Screen International*. 18 October 1991, p. 3.
- ³⁷ Michael Kuhn, interview with the author (2013) at Qwerty Films, Portland Mews, London, 8 February.
- ³⁸ Terry Illott, 'PolyGram buying Nelson's deal'. *Variety*, 7 October 1991, pp. 5 & 29.
- ³⁹ Russell Schwartz, Interview with the author (2014) via telephone, 12 September.
- ⁴⁰ Stewart Till, Interview with the author (2014) at Cavendish Square, London, 24 February.
- ⁴¹ Ibid.
- ⁴² Ibid.
- ⁴³ Ibid.
- ⁴⁴ PolyGram. 'PolyGram Filmed Entertainment' (1993), PFE Archive.
- ⁴⁵ PolyGram. 'PolyGram Filmed Entertainment' (1993), PFE Archive.
- ⁴⁶ Ibid.
- ⁴⁷ Graham Bradstreet, interview with the author (2013) via Skype, 9 October.
- ⁴⁸ Sarah Radclyffe, interview with the author (2015) at Sarah Radclyffe Productions, St. George's Mews, London, 26 March.
- ⁴⁹ Oscar Moore, 'Working Capital' *Screen International*, 12 February 1993, p.1.

⁵⁰ PolyGram, 'Documents relating to the reorganisation of Working Title Films Limited including the sale of certain assets to Working Title Limited: Volume I' (1995), PFE Archive. In February 1995 the dormant assets of Working Title Films Ltd. were valued and sold to the wholly owned PFE subsidiary, Working Title Ltd. The ultimate sale price of £798,393 consisted largely of the 'work-in-progress' slate and to a lesser extent the 'movable plant and equipment'. Having acquired the company, Working Title Ltd. adopted the original company's name, leaving the former Working Title Films Ltd. it to continue as a dormant entity under the title Producer Services Ltd.

⁵¹ Eric Fellner, interview with the author (2014) at Working Title, Aybrook Street, London, 14 March.

⁵² PolyGram, 'Working Title Group: Budget 1994' (1993), PFE Archive.

⁵³ Simon Wright, interview with the author (2014) via telephone, 20 May.

⁵⁴ Ibid.

⁵⁵ PolyGram, 'Working Title Group: Budget 1994' (1993), PFE Archive.

⁵⁶ Malcolm Ritchie, interview with the author (2014) via telephone, 10 September.

⁵⁷ Michael Kuhn, *One Hundred Films and a Funeral* (London: Thorogood, 2002).

⁵⁸ PFE's films in general, and Working Title's films in particular, performed better in the international market than in the domestic market, a fact reflected in the example control sheet. Examples include *Four Weddings and a Funeral* (domestic: \$52,584,880 (19.9%) / international: \$211,818,542 (80.1%)), *Bean* (domestic: \$42,483,393 (12%) / international: \$197,206,904 (88%)), *Elizabeth* (domestic: \$28,859,063 (38.5%) / international: \$45,971,625 (61.5%)). The Motion Picture Association of America (MPAA) data for 1992, for example, indicates that the collective box office revenue of the major Hollywood studios was \$2.14 billion (62%) from domestic and \$1.3 billion (38%) from international. A.D. Murray 'Int'l rentals for '92 totals \$1.44bn' *Daily Variety*, 16 June, 1993, p.1.

⁵⁹ Eric Fellner, interview with the author (2014) at Working Title, Aybrook Street, London, 14 March.

⁶⁰ Malcolm Ritchie, interview with the author (2014) via telephone, 10 September.

⁶¹ Tim Bevan, interview with the author (2013) at Working Title Films, Aybrook Street, London, 6 August.

⁶² PolyGram, 'International Box Office Report' (1999), PFE Archive.

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