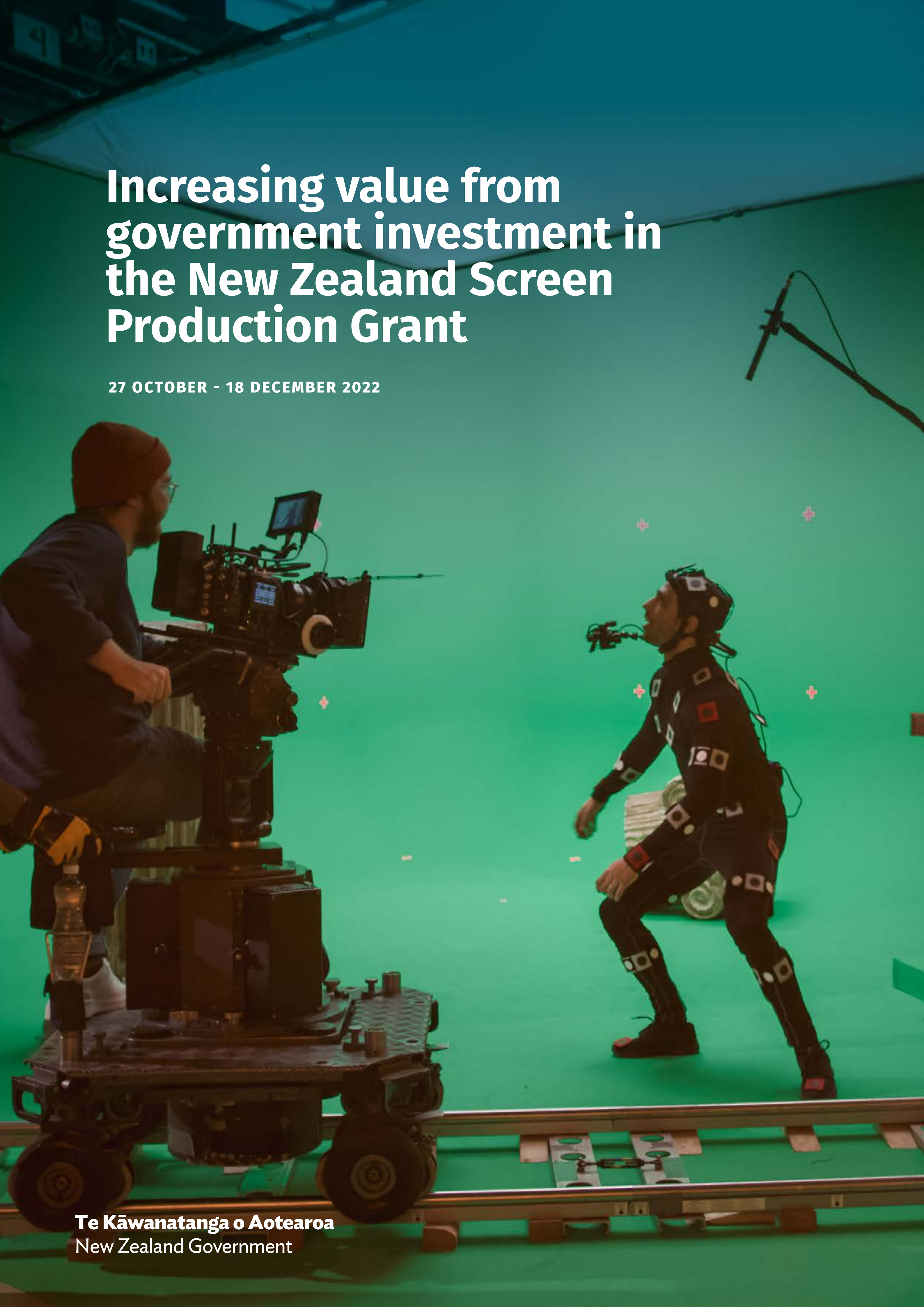
Increasing value from government investment in the New Zealand Screen Production Grant

27 OCTOBER - 18 DECEMBER 2022



Te Kāwanatanga o Aotearoa
New Zealand Government

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Manatū Taonga | Ministry for Culture & Heritage

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Ministers’ foreword

We are incredibly proud of the achievements of the New Zealand screen sector and its contribution to Aotearoa New Zealand. This public consultation document is an important step in seeking feedback from the sector and the wider public on the options we’re putting forward for further enhancing the New Zealand Screen Production Grant settings, and the value it provides to our screen sector, our wider economy, and to all New Zealanders.

The industry itself contributes more than $3.5 billion to the economy each year, and directly employs more than 13,900 people. The sector also creates benefits for other industries, such as hospitality, construction and tourism. It’s important we ensure it continues to thrive and deliver even greater benefits across New Zealand as we aspire to become a high wage, low emissions economy that provides security for all.

Accelerated by the government’s support, New Zealand is now a part of the international screen industry, with our jaw-dropping scenery, state-of-the-art post-production facilities and skilled screen workforce attracting major international productions such as *Sweet Tooth*, *Cowboy Beebop* and *Avatar*. A brilliant and increasingly diverse range of New Zealand’s creative talent and stories – such as *The Power of the Dog*, *Savage* and *Cousins* – are reaching local and global audiences and trailblazing the way to critical acclaim.

The proposed options for updating the New Zealand Screen Production Grant settings are designed to help to unleash business potential in the screen sector, enhance the sector’s growth and resilience, support Māori and Pacific aspirations in the sector, and bring wider benefits to all of Aotearoa New Zealand.

The options aim to encourage a steady pipeline of screen productions, enhance screen sector skills and career pathways for Kiwi talent on and off the screen, and support the development of high-quality, homegrown content that reflects the cultural diversity of New Zealand. We anticipate the proposals will improve how we attract productions to New Zealand and promote ourselves as a world class screen sector.

We want to hear from the sector and the wider public what they think about the proposals we’re putting forward as part of this consultation process. We remain committed to attracting international productions to New Zealand, to nurturing compelling local screen content for New Zealanders to enjoy, and to taking New Zealand’s stories to the world through screen.

New Zealand’s screen sector has a bright and exciting future ahead of it, and we’re fully committed to securing its long-term success. Your feedback will help inform how we do this. Thank you in advance for your contribution and we look forward to hearing your views.

Hon Carmel Sepuloni
Minister for Arts, Culture and Heritage

Hon Stuart Nash
Minister for Economic and Regional Development

How to have your say

We want to hear your views on how the New Zealand Screen Production Grant settings could be updated to help increase the value of government investment.

SUBMISSION PROCESS

The Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Culture and Heritage (Manatū Taonga) are seeking written submissions on the issues raised in this document by 11:59pm on 18 December 2022.

This document includes a number of questions to guide submissions. Your submission may respond to any or all of these questions. We also encourage your input on any other relevant issues. There are multiple ways to make a submission.

HOW TO MAKE YOUR SUBMISSION

1. If you want to make a detailed submission addressing the questions in the consultation document you can download the Submission Form from our webpage and either:
   - send your submission as a Microsoft Word document to screenenquiries@mbie.govt.nz
   - mail your submission to:

     Industry Policy
     Ministry of Business, Innovation & Employment
     PO Box 1473 Wellington 6140

     Arts Policy
     Ministry for Culture and Heritage
     PO Box 5364 Wellington 6140
2. If you want to make a shorter submission, you can complete our online survey which will be available from early November 2022.

If you have any questions about the submissions process, please direct these to screenenquiries@mbie.govt.nz

USE AND SHARING OF INFORMATION

We will use the information you provide in submissions to inform the MBIE and Manatū Taonga policy development process, and to inform advice to government about any proposed changes to the New Zealand Screen Production Grant. We may contact you directly if we want to clarify any matters you raise.

Submissions remain subject to requests under the Official Information Act 1982. Please clearly indicate in the cover letter or e-mail accompanying your submission if you have any objection to the release of any information in the submission, and which parts you consider should be withheld, together with the reasons for withholding the information. MBIE and Manatū Taonga will take such objections into account and will consult with submitters when responding to requests under the Official Information Act 1982.

The Privacy Act 2020 applies to submissions. Any personal information you supply to MBIE or Manatū Taonga in the course of making a submission will be used only for the purpose of assisting in the development of policy advice in relation to this review. Please clearly indicate in the cover letter or e-mail accompanying your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that MBIE and Manatū Taonga may publish.

Why are we consulting on government investment in the New Zealand Screen Production Grant?

The Government invests in a mix of international productions, domestic productions and official co-productions through the **New Zealand Screen Production Grant (NZSPG)**. The NZSPG has helped support screen production activity to grow in New Zealand. This has helped to create a globally competitive screen sector with established infrastructure, technology and labour force. Global shifts in the way productions are filmed, edited and watched are now creating challenges as well as opportunities for the sector.

Our spending on the New Zealand Screen Production Grant has been increasing over time.[1] Given the dynamic and fast-changing environment, we want to ensure the policy settings driving our investment in the screen sector are fit for purpose and generate the greatest amount of value for New Zealand and New Zealanders.

In December 2021, we as joint Ministers responsible for the NZSPG, announced a review of government funding to the screen sector to be undertaken by MBIE and Manatū Taonga. Terms of Reference were published to outline the purpose and scope of the review and the assumptions underlying it (see figure 1). This review is consistent with the direction of the Government's economic plan for a productive, sustainable and inclusive economy. Screen has been recognised as a growing sector with potential to contribute to New Zealand's GDP, employment and economic diversification.

We will also continue to coordinate with several significant pieces of work currently impacting the broader screen sector, including the Māori Media Sector Shift, establishment of the new Aotearoa New Zealand Public Media Entity, the Lotteries Funding Review, and the Screen Industry Workers Act. This also applies to significant shifts taking place in relation to skills and workforce development, including the formation of the Regional Skills Leadership Group, Workforce Development Councils and the Reform of Vocational Education.

WHAT IS THIS CONSULTATION ABOUT?

Through this consultation, we are seeking public input on how NZSPG settings could be updated to respond better to challenges and opportunities facing the screen sector. We also want public input on how the settings could be changed to increase the economic and cultural value returned to New Zealand through our investment.

We want to hear your views about the proposals to address some of the issues found by the review and to improve government investment in the screen sector more generally. Particular areas of focus include:

- Increasing the value generated from our investment in the NZSPG
- Improving how we attract productions to New Zealand and how we promote New Zealand as an internationally regarded screen sector.

1 Crown spending from the NZSPG-International and NZSPG-New Zealand appropriations has increased from $133.9m in 2015/16 to $218.2m in 2020/21

FINDINGS FROM THE REVIEW OF GOVERNMENT INVESTMENT IN THE SCREEN SECTOR

MBIE and Manatū Taonga have undertaken research and analysis, and have been informed by stakeholders, to support the development of this consultation document. This work has identified several issues in the NZSPG and the wider screen-sector funding landscape. The review also identified a range of opportunities. These findings have shaped the options for change put forward in this consultation document.

Annex 1 includes a summary of review findings and themes from engagement with stakeholders.

BOX 1: OBJECTIVES AND SCOPE OF THE REVIEW

To guide the review, the Government has developed a set of objectives aimed at maximising economic and cultural benefits from its investment in the screen sector. The objectives seek to:

- support the development of a more resilient and sustainable New Zealand screen sector;
- support improved conditions, pay and career pathways for New Zealanders in the screen sector;
- improve social cohesion by supporting the development of New Zealand cultural content that reflects the diversity of New Zealand and reaches a broad audience; and,
- maximise the benefits generated to the wider New Zealand economy from the screen sector.

The NZSPG is the focal point for the review. However, other screen funding streams (specifically within the Arts, Culture and Heritage and Economic and Regional Development portfolios) have been considered to ensure that the options proposed take the broader funding landscape into account.

Out of scope of the review:

- Operational funding to the New Zealand Film Commission
- Lotteries funding to the New Zealand Film Commission
- Government funding from the Broadcasting and Media and Māori Development portfolios.

While the review acknowledges the links between the screen and gaming sectors, the development of the interactive media sector (including gaming) in New Zealand will continue to be considered through the Digital Technologies Industry Transformation Plan.

We recognise that structural issues related to the wider screen-sector funding landscape may require further discussion. However, we want to keep the scope of the consultation limited to areas where we think immediate improvements can be made.

WHAT DO WE WANT CHANGES TO THE NZSPG TO DO?

The Government wants to increase the value generated from its investment in the NZSPG. To do this, we propose changes to the NZSPG to incentivise more directly a steady pipeline of screen productions to support business growth, sustainable careers and sector resilience. We also want to incentivise more directly improved screen-sector skills and support the development of compelling and ambitious New Zealand content.

We expect that directly targeting sector-level benefits, such as skills and career development, and business growth, through changes to the NZSPG will go on to generate wider economic and cultural benefits for New Zealand and New Zealanders over time. For example, through deepening our connections with global centres of knowledge and innovation, enhancing capital flows and attracting and supporting skills that work for New Zealand.

Glossary of Terms

Co-production
Official co-productions are film and television projects made in accordance with treaties or other formal agreements between New Zealand and other countries.

Creative talent
Those employed in a production who provide creative input or material, sometimes referred to as 'above the Line personnel' e.g., writers, lead cast, directors, producers.

Ireland Section 481 Film Tax Credit
An incentive scheme designed by Irish Revenue to promote investment in film by granting individual investors tax relief on their investment.

Māori culture
The arts, beliefs, customs and cultural practices of Māori, the indigenous peoples of Aotearoa New Zealand.

Māori Media Sector Shift
Work undertaken by Te Puni Kōkiri, the Ministry for Māori Development to explore how Māori media can continue its long-term success.

Multi-Year Appropriation
Multi-year appropriations give authority to Ministers to incur expenses and capital expenditure for a maximum of 5 financial years.

NZFC
The New Zealand Film Commission

NZSPG
The New Zealand Screen Production Grant

PDV
Post, Digital and Visual Effects

Post-production
All stages of production occurring after shooting of a production, including editing content, adding visual effects, sound design and subtitling

QNZPE
Qualifying New Zealand Production Expenditure. This refers to the eligible spend incurred by the NZSPG applicant on production in New Zealand.

Significant Economic Benefits Test
The criteria for assessing international productions' eligibility for an additional 5% funding uplift.

Significant New Zealand Content Test
An aspect of the criteria for assessing domestic productions' eligibility for the New Zealand Screen Production Grant.

Te Puna Kairangi Premium Productions for International Audiences Fund
A fund that supports the Aotearoa New Zealand production sector recovery from COVID-19 by supporting high-quality productions that tell New Zealand stories for global audiences. This fund is now closed.

TMP
Te Māngai Pāho

TPK
Te Puni Kōkiri

Underrepresented communities
Based on a review of existing research, the NZFC has identified underrepresented communities in the screen sector as Māori, Pacific peoples, Asian communities, Middle Eastern, Latin American and African, women, gender diverse, LGBTQIA+ communities, people with a disability, regional communities (defined for the purposes of the New Zealand screen sector as those outside of Auckland and Wellington), people below the age of 30 and people above the age of 60.[1]

1 Source: The NZFC's Definition of Underrepresented Communities in the NZ Film Industry

Part One: Background to this consultation

Background to the screen sector and the New Zealand Screen Production Grant

This section outlines:

- Background information on the Aotearoa New Zealand screen sector
- How the screen sector is funded, including government investment
- Information on the current New Zealand Screen Production Grant

ABOUT THE AOTEAROA NEW ZEALAND SCREEN SECTOR

Screen has been recognised as a growing sector with potential to contribute to New Zealand's GDP, employment and economic diversification. As an internationally oriented high-value sector, screen can attract international investment and highly skilled workers. These can help to build New Zealand's international connections, brand and reputation, and deliver value to the wider economy through innovation, technology transfer, tourism and infrastructure. New Zealand productions provide opportunities for telling New Zealand stories on screen and showcasing New Zealand cast, crew and culture.

Driven by new technologies, increased globalisation, evolving audience preferences and behaviour, the screen sector is rapidly changing. Key shifts include changing audience consumption and distribution patterns and trends; a trend away from feature films towards television series; the rise of streaming services; and the decline of cinematic releases accelerated by the Covid-19 pandemic. Digital technologies are also enabling businesses involved in screen production to engage in other areas, such as interactive entertainment (i.e. gaming) and to change methods of production and distribution (e.g. interactive entertainment).

Gross screen-sector revenue in New Zealand is estimated to be about $3.5 billion per annum.[1] As of 2020, there are 4,098 firms in the screen sector.[2] The average annual growth in the number of firms in the sector has been 8.3 per cent since 2015 – much higher than the national average of 1.9 per cent over the same period.[3] This growth has been almost entirely driven by an increase in sole traders or contractors.[4]

It is estimated that around 13,900 people are working in the screen sector.[5] The New Zealand screen sector continues to be structured around temporary working arrangements and project-based contracts.[6] Most new workers in the screen sector are contractors or self-employed, working mainly in post-production in Wellington. Auckland and Wellington are New Zealand's main centres for screen production and post-production work.[7] The number of individuals employed in the screen sector in Auckland has remained roughly stable since 2010 and employment rates in the post-production sub-sector in Wellington peaked in 2012 and have remained static for most of the past decade.[8]

1 The benefits of the New Zealand screen industry
2 Economic Trends in the New Zealand Screen Sector, Firms and Employment, MBIE, 2021.
3 Ibid
4 Ibid
5 Ibid
6 92% of all screen sector firms were sole traders and 6.6% had between 1 and 9 employees, compared with the average across all New Zealand industries of 72% sole traders and 22% with 1 to 9 employees, sourced from Economic Trends in the New Zealand Screen Sector, Firms and Employment, MBIE, 2021
7 Ibid
8 Ibid.

Based on weightless exports, the screen sector is not constrained by natural resources and supply-chain disruptions to the extent other sectors are. It does, however, rely on a highly mobile labour force, access to high-quality talent, facilities and technology. All of this is underpinned globally by financial incentives.[1]

THE AOTEAROA NEW ZEALAND SCREEN SECTOR STRATEGY 2030

In August 2020, the Screen Sector Strategy Facilitation Group developed the Aotearoa New Zealand Screen Sector Strategy 2030[2] in response to a call from the then Minister for Arts, Culture and Heritage in 2017. The 2030 Strategy sets out a vision for 'a thriving screen sector reflecting and enriching Aotearoa New Zealand for all our people'. The Strategy notes a number of issues facing the sector:

› It remains reliant at every level on some form of government support, with limited opportunities for sustainable growth.

› Developing the capacity, sustainability and resilience of the sector by building companies with the scale to compete globally is a key challenge.

› There is a need to enhance the capacity, skills and career opportunities of screenwriters, actors, directors, producers and other key sector roles vital to the development of intellectual property.

› It must strive to become more diverse and inclusive at all levels, including promoting greater use of Te Reo and Tikanga Māori in the sector's practices and processes, and ensuring the sector successfully reflects New Zealand's unique and diverse cultural landscape.

The review of government investment in the screen sector responds to the action proposed in the 2030 Strategy of exploring funding options. The review objectives also align with aspirations of the industry for more domestic companies at scale, greater commercial success, better jobs and creation of unique intellectual property.

GROWTH IN FILM AND TELEVISION SPENDING INTERNATIONALLY

International spending on film and television has increased from US$189b in 2019 to US$220b in 2020. The international media and entertainment sector is set to continue year on year growth, with revenue predicted to approach US$3tn by 2026 off a base of US$2.5tn in 2022.[3]

The global growth in film and television spending is being driven by new entrant streaming platforms based in the USA with increasing and large subscription bases.[4] While there are a range of film and television production centres across the world (e.g., India, the United Kingdom and increasingly China and the African continent), the USA and European production centres are the largest. Productions from these centres are likely to consider alternative production locations and use of the international screen incentives offered.[5]

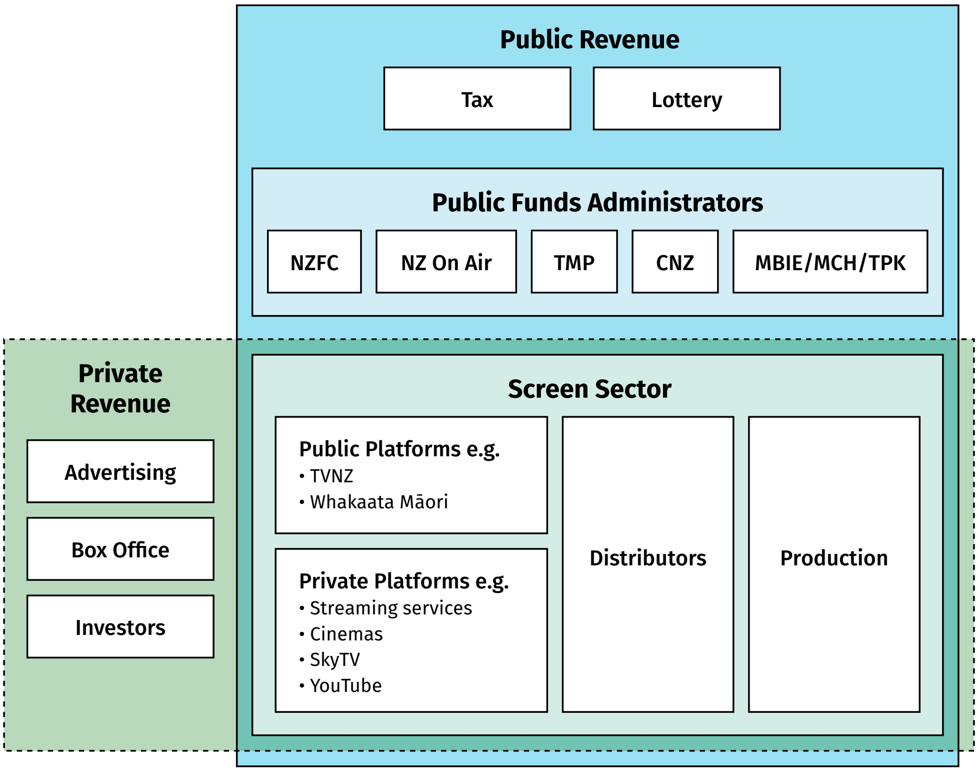
As audience numbers grow and more competition enters the market, the need to maintain or build audience share is becoming more important for content providers. To stay competitive, production budgets have risen significantly over recent years, especially for television series.

1 Ibid.
2 Strategy 2030 is an industry vision for the future of the screen sector. The Strategy outlines a 10-year framework and a 3-year plan consisting of 10 initiatives to move the sector towards the 10-year vision. One of the initiatives centres on funding and investment opportunities, including changes to the NZSPG.
3 Global Entertainment & Media 2022–2026 Perspectives Report (pwc.com)
4 2019: 642m subscribers, 2020: 1.1b subscribers, 2025: 1.6b subscribers predicted
5 The US & Canada market = $149b spending in 2020 and Europe (including UK) = $32.6b spending in 2020.

HOW NEW ZEALAND'S SCREEN SECTOR IS FUNDED

The screen sector is a mixture of private and public platforms, distributors and production facilities and studios (both production and post-production). Private sources of funding a production might access include advertising revenue, box-office revenue, financing or investment firms, and individual investors. An overview of funding and investment in the screen sector is outlined in Figure 1.

Figure 1: Current landscape of funding and investment in the screen sector



HOW THE GOVERNMENT INVESTS IN THE NEW ZEALAND SCREEN SECTOR

There are seven different public funding administrators supporting the screen sector. They are a mix of central government agencies - MBIE, Manatū Taonga, and Te Puni Kōkiri, and crown entities – the New Zealand Film Commission, NZ On Air, Te Māngai Pāho and Creative New Zealand. There are three government-funded broadcasters/platforms: Whakaata Māori, TVNZ and Radio NZ.[1]

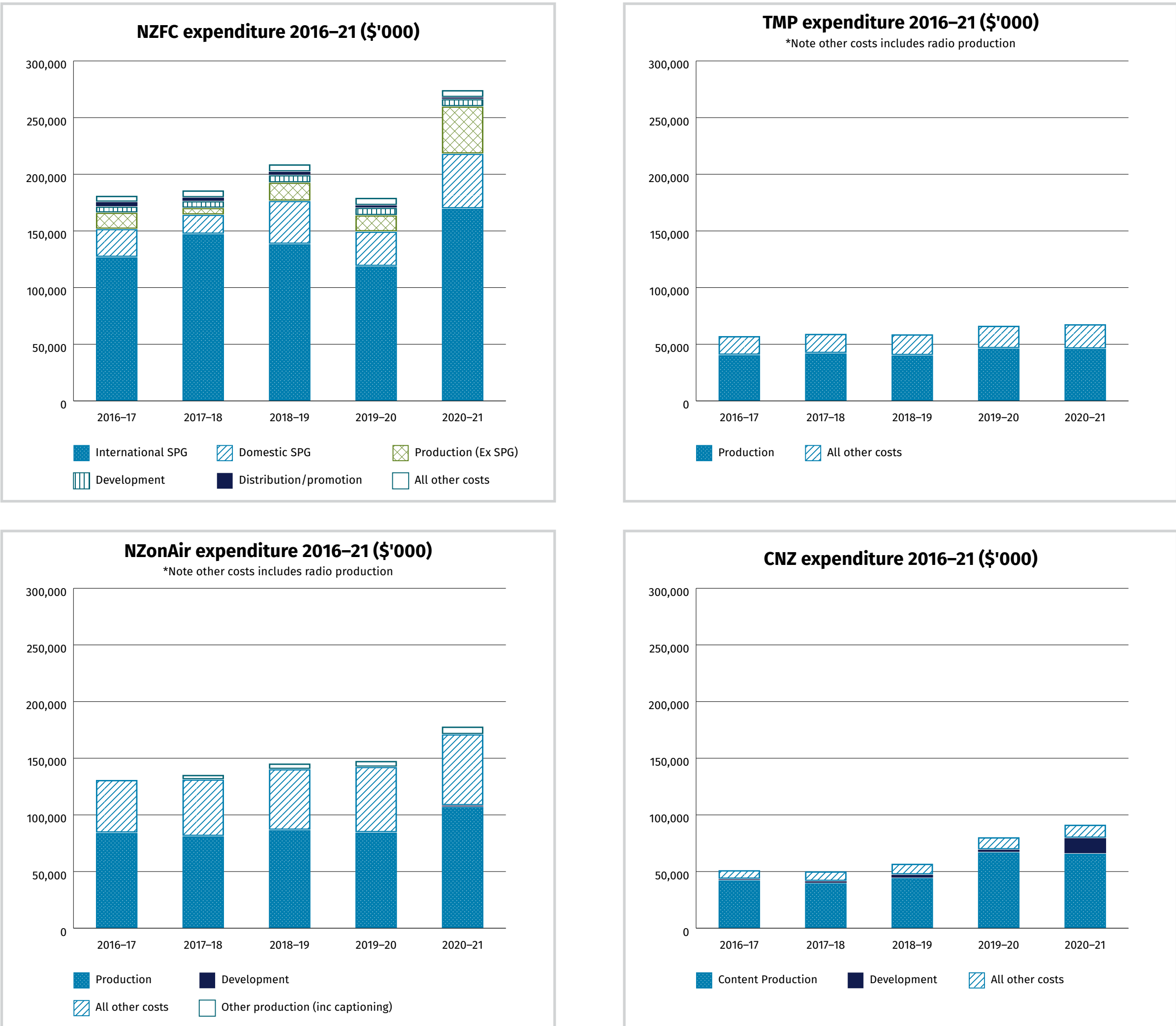
Funding can be accessed for all stages of the production process. The bulk of funding to the sector is committed to principal photography (i.e. live-shooting) and post-production over capability and development or distribution and sales.

1 The Aotearoa New Zealand Public Media Entity legislation introduced in June 2022 will establish a new public media entity. TVNZ and RNZ will transition to the new entity once the legislation is enacted.

In 2021, international productions received funding from the NZSPG totalling $169.8m and New Zealand productions received $48.4m. New Zealand productions received a further $301.6m in 2021 from other government screen funding sources. TVNZ and Māori TV also contribute to production funding through purchasing programme content, with around $150m additional funds spent in 2021.

Other mechanisms to support the sector include NZFC skills and talent incubator programmes, and NZFC, NZ On Air and Creative New Zealand grants to assist in developing a script or story. Awards and scholarships are also available to provide development/career opportunities for young creatives.

Figure 2: Screen expenditure-content producers 2016-21



THE NEW ZEALAND SCREEN PRODUCTION GRANT

The New Zealand Screen Production Grant (NZSPG) is one of the major sources of public funding for the screen sector in New Zealand and our investment in the NZSPG is growing.[1]

The NZSPG was introduced on 1 April 2014 with the objective of supporting the development of a sustainable and resilient domestic screen industry, providing economic and industry development and cultural benefits to New Zealanders and increasing the competitiveness of our incentives for international productions. It was preceded by the Large Budget Screen Production Grant and Screen Production Incentive Fund.

1 In 2015/16, crown spending on the NZSPG-International appropriation totalled $118.5m, this increased to $169.8m in 2020/21. Crown spending on the NZSPG-New Zealand appropriation totalled $15.4m in 2015/16, increasing to $48.4m in 2020/21.

The budget for NZSPG is supported through MBIE and Manatū Taonga demand-driven Multi Year Appropriations. The NZSPG criteria determine eligibility and changes to the criteria require Cabinet level decision making.

The NZSPG is made up of four different components administered by the NZFC. Information specific to the each of the respective NZSPG components is hyperlinked below.

- NZSPG-International supports large scale (mainly international) productions to undertake live production in New Zealand, with a 20% incentive on Qualifying New Zealand Production Expenditure (QNZPE).[1] This investment is intended to provide economic and industry development benefits to New Zealand. The funding is overseen by MBIE.
- 5% Uplift provides productions that deliver significant economic benefits to New Zealand an additional 5% incentive on their QNZPE. The Uplift is intended to incentivise a range of spill-over benefits from international productions locating in New Zealand, including raising New Zealand's profile internationally, attracting high-value tourists, investment in infrastructure and profiling our creativity and innovative people. It is a subset of the NZSPG-International.
- NZSPG-PDV supports post-production and digital effects (PDV) activity. It supports a 20% incentive on QNZPE up to $25m and 18% over $25m. The investment is intended to foster New Zealand's PDV capacity and new business development. It is a subset of the NZSPG-International.
- NZSPG-New Zealand supports the domestic film industry and the development of New Zealand creatives. Official co-productions[2] can access the NZSPG-New Zealand. Eligible productions can access an incentive equivalent to 40% QNZPE. This is capped at $6m per production unless the production qualifies for an Additional Grant, which is available to productions that meet additional criteria and have QNZPE from $15m to $50m. The funding is overseen by Manatū Taonga.

An applicant cannot receive the NZSPG-International and NZSPG-New Zealand for the same production.

Within the NZSPG-International, productions can apply for either the NZSPG-International or the NZSPG-PDV. If a production is eligible for the NZSPG-International and meets specific criteria and tests they may also receive the 5% Uplift.

Applicants receiving the NZSPG-International are not eligible for any other New Zealand Government finance or tax incentives in relation to the production. Applicants receiving the NZSPG-New Zealand can receive other government funding to support their production.[3]

1 QNZPE is eligible spend incurred by the applicant on a production in New Zealand. In general, this means: services provided in New Zealand; the use of land located in New Zealand; goods purchased, hired or leased in New Zealand, provided they are sourced from within New Zealand; and goods sourced from overseas, provided those goods are not otherwise available in New Zealand, are located in New Zealand during the making of the production and are purchased, hired or leased from a New Zealand business that typically supplies that type of good. QNZPE also includes the fees and expenses of non-New Zealanders who work on the production in New Zealand, provided (in the case of non-cast members) they work on the production for at least 14 days in total.

2 Official co-productions are film and television projects made in accordance with treaties or other formal agreements between New Zealand and other countries

3 A feature film, animation production and children's drama can receive both production and non-production funding from other government agencies (including NZ On Air and TMP). TV series can only receive non-production funding from government agencies.

QUALIFYING NEW ZEALAND PRODUCTION EXPENDITURE (QNZPE):

QNZPE is expenditure incurred by a production in New Zealand. Productions must submit an audited expenditure statement with their application. The audit assesses what has been claimed is legitimate and meets the criteria set out by the NZSPG.

As expenditure must be incurred in New Zealand, the entire budge of a production may not be eligible to receive a payment if some of it does not meet the QNZPE criteria.

For example, a production applying for the NZSPG-International has a budget totaling NZD$50m. Only NZD$40m is eligible QNZPE. That would mean the final payment is NZD$8m (i.e. 20% of NZD$40m).

NZSPG-New Zealand

Depending on a production achieving certain criteria, it is eligible for either

- A 40% rebate towards QNZPE totaling $15 million New Zealand Dollars, or
- A 40% rebate towards QNZPE totaling $50 million New Zealand Dollars

NZSPG-International

International productions are eligible for a 20% rebate on QNZPE. There is no cap on productions for the funding they can receive.

5% Uplift

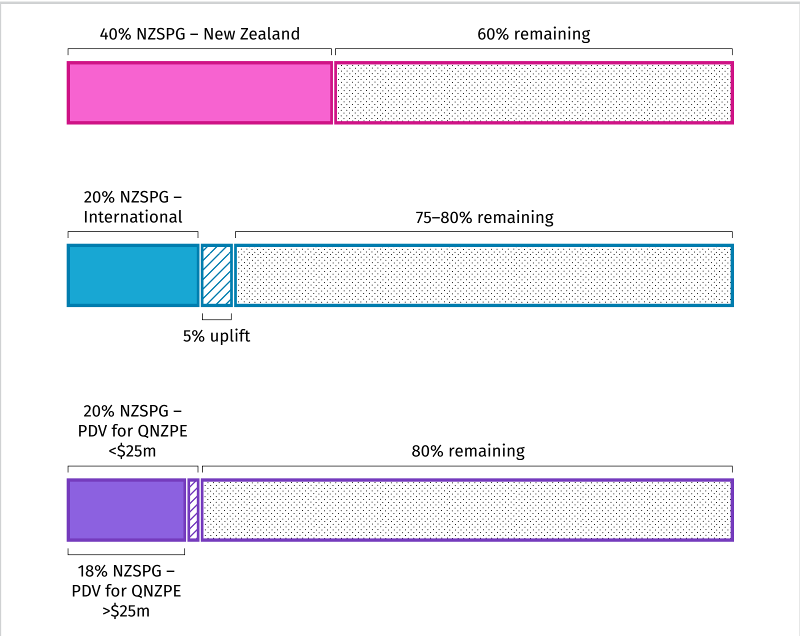
- Productions receiving the NZSPG-International may be eligible to be invited by NZFC and MBIE to receive an additional 5% rebate (25% in total).
- Has a high threshold for productions to meet.

NZSPG-PDV

Depending on the amount of QNZPE for an International PDV production, it is eligible for

- A 20% rebate towards QNZPE of up to $25 million New Zealand Dollars, or
- An 18% rebate towards QNZPE over $25 million New Zealand Dollars

Figure 3 provides an illustration of the current NZSPG structure and criteria in relation to QNZPE.



PROMOTING NEW ZEALAND AS A SCREEN PRODUCTION DESTINATION

MBIE provides $1.3m annually to the NZFC to attract and promote New Zealand as a filming destination. These activities include:

- Advertising and public relations activity across international and New Zealand publications, such as direct marketing of available studio and facility space
- Monitoring and reporting on international production activity happening in New Zealand
- Building relationships with international studios to support productions to locate in New Zealand
- Assisting and accompanying trade visits by New Zealand representatives and government officials
- Assisting in the arrangement of trips for international studios to visit New Zealand and scout locations.

The case for change

This section outlines:

- Issues identified with current NZSPG settings
- Improvements the Government wants to target through its investment
- Consultation questions

IMPROVEMENTS WE WANT TO TARGET THROUGH OUR INVESTMENT

The current settings of the NZSPG have successfully developed the New Zealand screen sector into a globally recognised screen production centre with established infrastructure, technology and skilled workers. However, this review has identified some areas for improvement in the NZSPG that could support a strengthened skill base, more resilient businesses and stronger economic and cultural outcomes for New Zealand from our investment in the screen sector. The key issues to be addressed are:

- Smoothing the current peaks of production work
- Providing better support for skills development and improving career pathways
- More directly targeting outcomes through changes to the NZSPG structure and criteria
- Strengthening the cultural content test to improve cultural benefits.

This consultation provides an opportunity to help shape refreshed settings for the NZSPG to address these issues and better reflect the changes that have occurred in how screen content is created, distributed and watched since the NZSPG was introduced.

This section has been developed from analysis, a summary of which is included in **Annex 1**.

TAILORING NZSPG SETTINGS TO INCENTIVISE BUSINESS GROWTH AND STABLE EMPLOYMENT IN THE SECTOR

Continuity of work was identified through the review as a key issue for workers in the screen industry. Work in the sector is project-based and driven by studio and production company demand, which can make it difficult for the sector to attract, retain and develop skilled workers.

Between 2016 and 2021, New Zealand attracted significantly large productions (over $100m in budget) mainly through the Uplift.[1] Arguably, this is at the expense of high-quality mid-sized productions (over $50m-$99m in budget). Since 2016, only one production was attracted to New Zealand at this budget. The majority of productions attracted to New Zealand tend to be under $25m in budget.

These large international productions attracted by the 5% Uplift tend to draw in large numbers of workers leading to worker shortages in some skill areas and for domestic productions, which compete for the same labour pool.

Against this backdrop we have considered ways to amend the NZSPG settings to help support a consistent pipeline of screen-sector work. The way the 5% Uplift is currently structured appears to favour large one-off feature films. Some high-end drama seasons may be less likely to meet the 5% Uplift eligibility criteria.[2]

1 Since 2016, NZ has attracted five productions over $100m in size by production budget. All of these productions received the 5% Uplift – *Meg*, *Mulan*, *Ghost in the Shell*, *Pete's Dragon*, *Mortal Engines*.

2 Minimum eligibility requirements include: the current production must have a NZ$30million QNZPE and the applicant must have incurred NZ$100million QNZPE in the previous five years prior to the date of application.

With the increasing use of streaming platforms to access content and increasing consumer demand for high-end TV drama seasons, there is an opportunity to target both films and high-end TV drama seasons.

The current structure of the Post, Digital and Visual Effects (PDV) Grant may favour larger PDV businesses over smaller ones, as smaller businesses may find it difficult to compete for projects requiring a minimum QNZPE spend of $500,000 to be eligible for funding. While these projects are relatively small internationally, they are potentially very meaningful for a small PDV company in terms of their business development.

In 2017, the PDV rate was reduced from 20% down to 18% for production spending over a QNZPE $25m threshold. The change was made as part of a general review of NZSPG settings to control the fiscal costs. Since 2017, there has been a decrease in applications for NZSPG-PDV, particularly for high-value projects. This could potentially indicate a decrease in New Zealand's competitive advantage in comparison to other countries' support for PDV activity.

Review findings:

- Smoothing out the peaks of production work through incentivising a steady pipeline of productions could help support business growth and career opportunities for the New Zealand screen sector
- Improving the competitiveness of NZSPG-PDV may help generate more economic benefits for New Zealand

NZSPG SETTINGS COULD BETTER INCENTIVISE SKILLS DEVELOPMENT AND CAREER OPPORTUNITIES IN THE SECTOR

The review has identified skill development for screen-sector workers as a factor to target more directly via the NZSPG. There are currently limited settings in the NZSPG that explicitly address skills development, increasing the quantity and diversity of New Zealand creative personnel or crew or enhancing Māori participation and career pathways within the sector.

Clearly defining and supporting skills development and career pathways offers an opportunity to address some concerns identified by screen-sector workers during the review. Employment can be variable and uncertain due to the project-based nature of the sector. Low pay, difficulties with staff retention, and barriers to entry into the screen sector have also been identified as issues.[1]

Attracting international productions to New Zealand has helped grow New Zealand's crew base. There are opportunities to build and enhance New Zealand's creative talent (e.g., directors, producers, writers and lead cast) and wider personnel and crew to be employed or contracted by international productions.

Domestic productions play an important role in building the knowledge, skills and craft of local screen-sector workers, and can provide a career pathway for those wanting to move to international productions. They also increase capability and build strength in our domestic storytelling and can provide a strong contribution to the expression of cultural identity, showcasing unique voices and stories that are from and of Aotearoa New Zealand. We also want to harness growing opportunities to boost the export of ambitious and compelling New Zealand content to global audiences.

Review findings:

- Supporting skills, training and career development through targeted measures could help the strengthen outcomes for the sector

1 Perceptions of Careers in the Screen Sector, 2021

THE NZSPG STRUCTURE AND CRITERIA COULD BE MORE DIRECTLY TARGETED AT THE OUTCOMES WE SEEK WHILE REMAINING INTERNATIONALLY COMPETITIVE

Currently, the NZSPG is designed to achieve a range of outcomes, including spill-over economic benefits, cultural benefits and sector-level benefits. To reflect these different outcomes, the current settings of NZSPG offer different headline rates, eligibility criteria and cultural and economic tests.

Achieving greater cultural benefits

The current Significant New Zealand Content Test aims to induce cultural benefits from domestic productions through a points test targeting production activity, crew and content. Analysis shows that productions receiving NZSPG-New Zealand funding tend to have significant New Zealand personnel rather than being about a New Zealand subject matter. An independent evaluation concluded that this does not appear to be consistent with the principle outlined in the guidelines.[1] Official co-productions receiving the NZSPG for New Zealand Productions do not have to meet the Significant New Zealand Content Test, which means New Zealand content is often not included in these productions.

The overarching aim of the cultural objective in the current NZSPG-New Zealand is to provide cultural benefits to New Zealand by supporting the creation of New Zealand content and stories. While the current Significant New Zealand Content Test allocates points across four key areas (subject matter, production activity, personnel, and New Zealand businesses), it does not directly and deliberately target specific cultural and creative objectives that the Government seeks to incentivise through its investment. Current criteria also do not give clear expression to the Government's overarching cultural goal for this review of NZSPG settings, which is to support the development of compelling and ambitious New Zealand content.

Under current settings, NZSPG-New Zealand is structured to focus domestic content at domestic audiences. According to some stakeholders, this may limit New Zealand producers' ability to target New Zealand content at international markets and enable global audiences to connect with unique, high-quality stories that are from and of this place.

Achieving greater economic benefits

The 5% Uplift incentive is attractive to international studios and brings very large productions to New Zealand, but the application process and meeting the significant economic benefit test has been described by stakeholders as a significant barrier. Analysis has indicated that while productions receiving the 5% Uplift receive the highest proportion of NZSPG-International funding, there is no quantitative evidence showing that New Zealand is getting spill-over economic benefits commensurate with this level of investment.

When looking internationally, we see that other countries structure their screen incentives to target specific outcomes more directly:

› Canada offers a targeted screen incentive for international screen productions, subsidising Canadian labour expenditure only.

› Ireland makes no distinction between international and domestic productions with their 37.5% screen incentive. However, all productions are required to meet a cultural content test with specific requirements around Irish and European culture, and all productions are required to contribute to skills development.

› To attract large (over $100m in budget) international screen productions, Australia offers a 13.5% location incentive in addition to its 16.5% location offset. In order for productions to be awarded the location incentive they must demonstrate investment in skills and training of Australian screen workers, Australian businesses, infrastructure, R&D and/or tourism activities. Australia's application process for the location incentive offers greater certainty and timeliness around decision making.

1 Based on findings from Sapere Evaluation of the New Zealand Screen Production Grant Report 2018

Review findings:

- Improving the structure and targeting of the NZSPG could unlock greater cultural and economic benefits for New Zealand

LIFTING THE CULTURAL VALUE OF INVESTMENT THROUGH TARGETING SPECIFIC CULTURAL AND CREATIVE OBJECTIVES

Culture and creativity are complex. We think cultural and creative outcomes could be better achieved by clearly focusing NZSPG cultural criteria to align with the Government's investment goal of supporting the development of compelling and ambitious New Zealand content. This could be done through introducing a range of specific and targeted objectives, such as building, enhancing and showcasing New Zealand creative talent; telling high-quality New Zealand stories; and amplifying and celebrating diverse cultural perspectives including Aotearoa's unique indigenous Māori culture and stories. These objectives could be incentivised through recalibrating the settings to tie NZSPG cultural requirements to key cultural and creative attributes of a production.

There are no clear provisions in the current Significant NZ content test for increasing the quality and diversity of New Zealand creative personnel, or for enhancing Māori participation and Māori career pathways within the sector. Under current settings, and in an environment of low unemployment, the screen sector is likely to struggle to attract and retain workers, particularly if it does not connect with the growing population of working-age Māori and Pacific people who do not have existing connections into the sector. Demand is also increasing for content relating to Māori, Pacific and Asian populations, which are all growing as a proportion of New Zealand's population.

The principles of the Treaty of Waitangi – partnership, participation and protection - are integral to achieving the Government's refreshed objectives for investment in the NZSPG. In effect, this means updating NZSPG settings so that they support existing efforts of screen-funding agencies to ensure Māori can participate in the sector and that Māori language, culture, stories and perspectives are protected and promoted. The Māori Media Sector Shift seeks to strengthen and co-ordinate Māori media, and NZSPG settings could complement the shift by supporting indigenous talent and quality Māori content through new cultural content and creative talent criteria.

Valuing, protecting and exploiting intellectual property (IP) is an important issue for the long-term sustainability of New Zealand's screen sector. Updating NZSPG settings to focus on building New Zealand's creative capabilities and delivery of high-quality, diverse New Zealand content to a broader audience will boost the creation of unique New Zealand IP and the capacity of New Zealand creators to derive value from it. There is an opportunity for changes to NZSPG settings to help ensure New Zealand producers retain IP ownership and benefit from the commercial exploitation of their projects, including ensuring indigenous IP is appropriately protected.

Review findings:

- A clearer and more targeted approach to achieving cultural and creative objectives through the NZSPG could better support high-quality New Zealand content and diverse creative talent

HAVE YOUR SAY – THE CASE FOR CHANGE

1	**Do you agree with the issues identified with current NZSPG settings? Please explain and provide evidence to support your views.**

Part Two: Options for change

Assessment of options and the design choices within them

We provide two options for changes to the NZSPG to meet our goals. These options are discussed in this section and compared to the current NZSPG at Figure 2. Within these options are a range of design choices for the NZSPG settings to support the desired outcomes. The design choices and the options put forward here may be developed further and could be part of any final option pending feedback from this consultation and direction from Ministers and Cabinet. The final option put forward could also include no change to status quo. The final option will also be designed to maintain consistency with New Zealand's international trade obligations.

We want to hear your views on which of these options you think will help to meet our goals, and the strengths and weaknesses of each of these design choices. We also want to hear any other changes you think should be made to increase the value generated from government investment in the screen sector.

HOW WILL WE ASSESS THE RELATIVE MERITS OF DIFFERENT OPTIONS?

We will use the following criteria to assess options. They may help you provide feedback on the options presented or any of the different design choices presented.

This section has been developed from analysis, a summary of which is included in **Annex 1**.

Criteria	Description
Simplicity	Is the option simple to understand, easy to comply with and can its intended purpose and impacts be easily understood and measured?
Certainty	Will the option bring a high level of certainty to business decision making?
Equitable	Does the option provide fair and reasonable treatment to groups accessing NZSPG support and to wider NZ? Does it uphold and progress the principles of the Treaty of Waitangi?
Cost-effective	Will the option provide a greater return on investment compared with the status quo?
Fiscal sustainability	Will the option support the improved fiscal sustainability of the NZSPG over time? i.e. the NZSPG is fiscally neutral or positive where the economic and cultural benefits outweigh the costs involved.

Option 1: changes to policy settings to incentivise careers, skills development and support high-quality New Zealand content and creative talent

We would like to hear what you think about option 1 and the various design choices proposed to enable it.

Key changes to NZSPG settings under this option:

- Retain headline rates and criteria for the NZSPG-International and the NZSPG-New Zealand
- Introduce a skills levy or a skills plan for NZSPG-funded productions (this would apply to all international, domestic and PDV productions)
- Introduce new cultural content and creative talent criteria for New Zealand productions (there is no change to the official co-production process proposed under this option)
- Improve the 5% Uplift by clarifying the eligibility process and criteria
- Remove the sliding scale rates for the NZSPG-PDV grant and offer 20% rate for all sizes of productions applying for the NZSPG-PDV

DEVELOPING SECTOR-LEVEL SKILLS TO ENABLE GROWTH: INTRODUCE A SKILLS LEVY OR A SKILLS PLAN

We are consulting on two mutually exclusive approaches to help develop skills and career pathways in New Zealand's screen sector, through NZSPG settings:

A. A **skills levy** where productions would be required to pay a percentage of their QNZPE to a government-administered fund established to support skills development.

B. A **skills plan** where an organisation would identify and regularly update specific skill gaps in the sector. Productions would be required to develop and implement a skills plan to address these identified skills gaps for New Zealanders as part of their production.

Quota requirements were considered as a potential third option. These could be designed to ensure New Zealand-based creative and technical talent have opportunities to develop skills through mentoring and paid internships on international productions. This option was discarded as incompatible with New Zealand's international treaty and trade obligations.

A. Skills levy

A skills levy would require productions to pay a percentage of their qualifying production expenditure into a workforce development fund. The levy would direct funding into relevant training and development initiatives. The United Kingdom has taken this approach, having first established a levy for a Film Skills Fund in 1999.

Similar to the approach taken in the United Kingdom, it is proposed that a skills levy could be:

- Required from both domestic and international and PDV productions to claim the NZSPG.
- Set at a rate agreed with industry. The rate would likely be a percentage of QNZPE and may be differentiated to reflect the relative size of productions, for example the levy could be in the range of 0.2-0.5% of QNZPE.
- Applied up to a cap agreed by government and industry, which might vary for different types of productions.
- Collected by government as part of the administration of the NZSPG.

If this approach were included in any final proposal put forward, further work would be undertaken on how the levy might be administered.

Possible benefits of introducing a skills levy are that it would be clear and simple for productions to understand, and equitable across productions, as all would be paying the set percentage. It would also be simple to administer the financial deduction. As a levy on QNZPE, the amount of funding generated would remain proportionate to the size of the industry and number of workers participating, and industry would have a key role in determining how the levy was spent, ensuring a direct link from those paying the levy to those benefiting from the levy.

There would be some new administration costs for government associated with the levy, and the implementation of this approach would likely be complex and require elements of discretion in terms of how the levy was spent. Potential market distortions might need to be identified, for example, the impact on skills transferable to other sectors such as game development, or costume, hair and make-up.

B. Skills plan

Under a skills plan, a regular screen skills audit would be undertaken by an organisation/s with the required expertise to identify skill gaps and development needs in the sector. NZSPG-funded productions in their initial application would be required to submit a plan detailing how they would contribute to meeting these needs. Prior to receiving NZSPG funds, the production would need to show how the plan had been implemented. Requirements could differ by size of productions, acknowledging the differing training and development opportunities. The Screen Sector Strategy 2030 proposed that projects benefitting from the Screen Production Grant engage local creatives to provide work opportunities for screenwriters, producers, actors and directors.

This approach has been adopted in Ireland. To have an application approved under Ireland's screen incentive (the Section 481 Film Tax Credit), international productions must submit a Skills Development Plan outlining how they will provide opportunities and learning experiences to inexperienced workers in the sector. A similar approach has been used in Georgia USA, where the Georgia Film Academy in Atlanta works with government and industry to help build a screen-sector workforce.

The skills plan proposed would be similar to the approach taken in Ireland. It could:

› Consist of a screen skills audit to be developed and regularly updated by a relevant organisation. In addition, guidance would be provided on the types of roles and activities being targeted, informed by the screen skills audit.

› Identify specific, current and anticipated future skill gaps for the sector as well as opportunities to upskill and develop the workforce.

› Be publicly available and open to feedback from industry.

› Require productions applying to the NZSPG to develop a skills plan demonstrating how they will contribute to addressing the needs that have been identified while they are in New Zealand.

› Require productions to report on skills plan initiatives and outcomes before a final NZSPG payment is approved.

› Include a plan to monitor and evaluate the outcomes over time.

The skills-plan approach would help provide a much clearer understanding of the current makeup of industry skills, and current and future skills needs, which would benefit industry, government and training establishments. The onus would be on productions, which are closest to the skills needs of the sector, to describe how they would address those needs.

The requirement itself would be easy to understand, but there would be significant costs to both industry and government associated with preparing the plan and undertaking an annual skills audit. Also, the implementation of a skills plan might be relatively complex and require discretion around the types of skills to target. It is likely any skills plan would need to be assessed to ensure it met the required standard.

HAVE YOUR SAY – SKILLS LEVY OR SKILLS PLAN

2.	**What are the strengths and weaknesses of the skills levy in this option?**
3.	**What are the strengths and weaknesses of the skills plan in this option?**
4.	**Which approach do you feel would be more beneficial and why?**
5.	**Do you have any ideas for alternative approaches that would help to develop sector-level skills and enable growth?**

SUPPORTING CULTURAL CONTENT AND CREATIVE TALENT: INTRODUCING NEW CULTURAL CONTENT AND CREATIVE TALENT CRITERIA FOR DOMESTIC PRODUCTIONS

There are opportunities to change the criteria of the Significant New Zealand Content Test to enhance the cultural value of government investment in the screen sector. As New Zealand's population and communities change, the value of diverse content increases. Strengthening the cultural content and creative talent criteria to incentivise stories that reflect a wide range of New Zealand perspectives and culture could mean that more New Zealanders see themselves reflected in the films and television series produced. Supporting high-quality productions that tell a diversity of New Zealand stories also opens opportunities for global audiences to experience unique and compelling New Zealand content.

We are consulting on three potential approaches to target cultural content and creative talent. These are intended to be high-level approaches and therefore do not yet have specific detailed criteria or an assessment framework. We are seeking feedback on which aspects of cultural content and creative talent would be most beneficial to target with new criteria.

The three potential approaches are:

A. Targeting cultural content directly through a range of content-based criteria.

B. Targeting cultural content indirectly through focusing on the quality, quantity and diversity of New Zealand creative personnel involved in the production.

C. Targeting a mix of both content and personnel.

Annex 2 presents a comparison of the status quo (the Significant New Zealand Content Test) against the three potential approaches.

A. TARGETING CULTURAL CONTENT DIRECTLY THROUGH A RANGE OF CONTENT-BASED CRITERIA

Criteria focusing on content would include direct provisions to create a clear line of sight between cultural objectives such as telling New Zealand stories and expressing New Zealand's unique culture, including authentic representation of our indigenous Māori culture.

However, determining what can be considered a culturally significant or a uniquely New Zealand story can be a challenge. New Zealand producers and other creatives have previously expressed a view that it is important that New Zealand content encompass stories that are from here but not necessarily overtly Kiwi or relevant to New Zealanders.

It is relatively common internationally for screen incentives to include a content test aimed at achieving cultural outcomes, though the criteria within these are often broad and generally applicants are not required to meet all criteria. The table below outlines criteria that could be included in the design of cultural and creative provisions directly focused on content.

To ensure we incentivise a range of storytelling showcasing broad New Zealand cultural perspectives not all aspects of the criteria would need to be met.

Table 1: Possible criteria to achieve cultural and creative objectives by focusing on content

Cultural and creative objectives	Telling New Zealand Stories	Building, enhancing and showcasing New Zealand creative talent	Expressing Māori culture or wider cultural perspectives
Focus criteria on content	Stories will have a New Zealand setting, or NZ principal characters, or reflect New Zealand culture	The project is an effective stimulus to the promotion, development and enhancement of creativity and New Zealand culture	Use of Te Reo Māori, or telling a story that amplifies Māori culture Telling a story that amplifies cultural perspectives of underrepresented communities e.g. Pacific, Asian

Depending on how the criteria are applied under this approach, productions set in New Zealand or with New Zealand principal characters or stories are more likely to be supported. However, reality TV productions or other productions that are produced locally but are not set in New Zealand or do not tell a New Zealand story are more likely to find it difficult to meet the criteria.

An advantage of pursuing cultural and creative objectives through targeting NZSPG criteria towards specific elements and attributes of production content would be the ability to connect the criteria directly to the Government's investment goal to support the development of high-quality and compelling New Zealand content.

A possible concern with this approach is that it may not be seen as appropriate for government to determine what counts as cultural content in this way, however this risk can be reduced by designing a test that retains flexibility to respond to cultural values and shifts over time.

B. TARGETING CULTURAL CONTENT INDIRECTLY THROUGH NEW ZEALAND CREATIVE PERSONNEL

Cultural content and creative talent criteria could be used to build the quality, quantity and diversity of New Zealand personnel in key roles in order to support indirectly the development of high-quality and compelling New Zealand content. This could generate a range of additional benefits including enabling more New Zealanders to take on skilled and higher-paid roles on and off screen; upholding the principles of the Treaty of Waitangi by supporting Māori to achieve their aspirations; and ultimately developing a more vibrant, resilient and sustainable screen sector.

To ensure we incentivise a range of storytelling showcasing broad New Zealand cultural perspectives not all aspects of the criteria would need to be met.

Table 2: Possible criteria to achieve cultural and creative objectives by focusing on personnel

Cultural and creative objectives	Telling New Zealand Stories	Building, enhancing and showcasing New Zealand creative talent	Expressing Māori culture or wider cultural perspectives
Focus criteria on personnel	The screenplay, underlying material, or textual basis from which the story is derived was created by a New Zealander	Key creative roles are held by New Zealanders e.g., writers, directors, editors, lead cast members, composers	Key creative roles (e.g., writers, directors, editors, cast, composers) are held by Māori or other underrepresented communities such as Pacific, Asian

Under this approach the incentive is agnostic on content depending on how the criteria are weighted. Films, TV and documentary productions are likely to meet the criteria if they have New Zealanders in key creative roles.

A focus on personnel rather than content indirectly targets the objective of supporting the development of high-quality and compelling New Zealand content. This approach might produce some of the same outcomes as the current NZ Significant Content Test. For example, under current settings, reality TV productions are ultimately treated the same way in terms of meeting content test requirements and accessing NZSPG as other more culturally distinctive or unique stories and content. This is not solely a function of the current NZ Significant Content Test criteria; it also reflects wider NZSPG settings. Reality TV is an approved format in current NZSPG criteria whereas in some other countries it is specifically excluded.

A new approach to achieving cultural and creative objectives that focused specifically on personnel would need to consider carefully the definition of who qualified under different criteria in order to access the incentive.

A potential benefit of this approach is that it would remove the need for government to define what culture was in a screen context, and instead focus government investment on developing the strength and diversity of the system, by empowering creatives to do what they do best, with government taking more of a supporting and enabling role. This systems approach would be more in line with government's role in other parts of the arts and cultural sector.

C. TARGETING A MIX OF BOTH CONTENT AND PERSONNEL

Simultaneously targeting New Zealand content and New Zealand personnel could have the greatest likelihood of achieving wide-ranging cultural and creative objectives. It could also present the greatest opportunity to achieve some of the other goals of the review, such as supporting business growth, sustainable careers and sector resilience through providing opportunities for both New Zealand creative talent and New Zealand stories being told.

This approach would be somewhat unusual in terms of the wider international context; while incentives in other jurisdictions contain criteria to target cultural content and personnel (sometimes through quotas), they are rarely combined in this way to achieve multiple benefits.

To ensure we incentivise a range of storytelling showcasing wide New Zealand cultural perspectives not all aspects of the criteria would need to be met.

Table 3: Possible criteria to achieve cultural and creative objectives by focusing on personnel and content

Cultural and creative objectives	Telling New Zealand Stories	Building, enhancing and showcasing New Zealand creative talent	Expressing Māori culture or wider cultural perspectives
Focus criteria on personnel	Significant involvement by New Zealanders in the creative development of the project Story is distinctively from and of New Zealand	Key creative roles are held by New Zealanders The project is an effective stimulus to the promotion, development and enhancement of creativity and New Zealand culture	Use of Te Reo Māori, or telling a story that amplifies Māori culture Stories that amplify cultural perspectives of other underrepresented communities e.g. Pacific, Asian

Depending on how the criteria were weighted under this approach, productions with a mix of both New Zealand content and creative crew would be more likely to find it easier to meet the cultural content and creative talent test.

HOW MIGHT NEW CULTURAL CONTENT AND CREATIVE TALENT CRITERIA BE APPLIED?

Under any of the three proposed approaches, a points test could be applied. This is the case under the current Significant New Zealand Content test criteria, with applicants required to meet a minimum level of points in order to access the incentive. Awarding of points would be cumulative and would be based on meeting a minimum number of criteria such as those proposed in the above table. The strength of the test would come from which parts or sections were mandatory and how each section was weighted.

The design of cultural content and creative talent criteria could retain flexiblity to determine on a case-by-case basis if provisions were met. This could include devolving decision making to a group of people and/or organisations with the cultural competency and screen sector expertise to assess if a production met the criteria. Developing protocols to assess productions with Māori content, stories and characters, alongside Māori, would be a key part of this approach and build from the work done by the NZFC in its Te Rautaki (Māori strategy).

Mechanisms to strengthen protections for unique intellectual property could also be explored as part of the development of the new cultural content and creative provisions.

HAVE YOUR SAY – CULTURAL CONTENT AND CREATIVE TALENT CRITERIA

6.	**What are the strengths and weaknesses of the approaches A, B or C in this option?**
7.	**Which approach do you think would be most beneficial and why? Please share any feedback on the proposed criteria and how it might be implemented.**
8.	**Do you have any ideas for alternative approaches that would help support cultural content and creative talent?**
9.	**What measures do you think would most effectively boost the creation of unique New Zealand intellectual property and support creators to gain value from it?**

OFFER 20% RATE FOR THE NZSPG-PDV

The competitiveness of the NZSPG-PDV could be improved by removing the 18% sliding scale and offering a 20% rate for all productions. Sector stakeholders have noted that the sliding scale is counter-productive, dissuades studios from bringing PDV projects to New Zealand, and has studios locating work elsewhere if a project gets close to the cap.

PDV work is globalised and the market to attract this work is competitive. Currently, Australia offers an offset of 30% supporting work on post-production, digital and visual effects production. This can be combined with up to 15% from state and territory government incentives. British Colombia offers an additional 16% for PDV activity on top of the basic Production Services Tax Credit rate of 28%. California offers an additional 5% Uplift for visual effects on top of the 20% base offering, while Louisiana offers 5% on top of the 25% base for visual effects.

There is a growing demand for PDV work that has been boosted by the growth in streaming content and high-budget TV series. The types of jobs that support this work are typically higher-paying than the national average and require some form of tertiary education. Attracting PDV work to New Zealand supports the Government's objective for a high-wage and low-emission economy.

HAVE YOUR SAY – OFFER A 20% RATE FOR THE NZSPG-PDV

10.	**What are the strengths and weaknesses of this approach to PDV in this option?**
11.	**Do you have any ideas for alternative approaches to support PDV activity?**

CLARIFYING THE 5% UPLIFT ELIGIBILITY PROCESS

The 5% Uplift provides an additional 5% rebate on QNZPE on top of the 20% base rebate rate offered under the NZSPG-International. If a production is approved for the Uplift, they will be eligible for 25% rebate on all QNZPE for the production.

The 5% Uplift was introduced in 2014 as part of the NZSPG-International to incentivise a range of spill-over benefits from international productions locating in New Zealand. Targeted spill-over benefits include raising New Zealand's profile internationally, attracting high-value tourists, exposure to knowledge, opportunties for technology transfer, and profiling our creativity and innovative people. Currently, there is no quantitative evidence to suggest New Zealand is realising these potential benefits from our investment in the 5% Uplift.

The Uplift process comprises four steps: invitation, assessment, decision and agreement. MBIE and the New Zealand Film Commission (NZFC) have sole discretion to issue an invitation for a production to apply formally for the Uplift.

Once an invitation is issued and an application is received, the Significant Economic Benefits panel assesses whether the application meets the Significant Economic Benefits test (SEB test). This requires the SEB panel to determine whether the value (including economic benefit and industry development) to New Zealand of the activities to be undertaken by the applicant and production meets or exceeds the value of the 5% Uplift applied for.

Since the NZSPG was introduced, seven productions have entered into MOUs to receive the 5% Uplift, with five productions receiving funds so far.

While the additional 5% Uplift is attractive to international studios, stakeholders consistently inform us that the application process is a significant barrier to choosing New Zealand as a location for large productions. The current process carries a high level of uncertainty for productions around whether they will be invited to apply formally for the Uplift, and a lack of clarity around the specific additional activities that the production would be required to deliver to receive the 5% Uplift.

In its current form, the 5% Uplift process appears to be a disincentive for live productions locating in New Zealand, as it does not provide the necessary assurances to producers considering New Zealand during the development or pre-production phases of a project when location decisions are being made.

To add certainty and reliability to the 5% Uplift, we propose removing the invitation process and introducing a clearer criteria-based process. This would support certainty for studios and may help to ensure the spill-over benefits that 5% Uplift targets are equal to, or greater than, the additional rebate payment made by government via the Uplift. Some options for improving the certainty and clarity of the 5% Uplift process are as follows:

A. The introduction of a clearer points test that awards points values for specified and measurable actions. These actions could still broadly align with the types of activities considered within the current Uplift criteria (e.g. skills development, tourism benefit, infrastructure, innovation), but the test would be more specific and prescriptive about what type and scale of activity must be delivered to receive these points. A minimum threshold points value would need to be met.

B. The introduction of a requirement for the production to invest a specific amount in each category in order to obtain the 5% Uplift (this could either be as a percentage of the final Uplift amount received or it could be by specified investment thresholds). This approach would be similar to the above but would require reaching specific levels of investment rather than a points system to access the Uplift.

HAVE YOUR SAY – IMPROVING THE 5% UPLIFT PROCESS

12.	**What are the strengths and weaknesses of the approaches A or B this option?**
13.	**Which approach do you think would be most beneficial and why?**
14.	**Do you have any ideas for alternative approaches that would help improve the 5% Uplift process?**

How we see Option 1 proposals changing policy settings for the NZSPG

Table 4: Summary of changes under Option 1 and their effect for the NZSPG

NZSPG-NZ	The Significant New Zealand Content Test would be removed from existing criteria. Domestic productions receiving the NZSPG-NZ would be required to meet new cultural content and creative talent criteria (approach A, B or C) explicitly targeting cultural and creative outcomes. Productions getting support through the NZSPG-NZ would be required to support the skills and career development of New Zealand cast, crew and businesses. To achieve this, additional requirements would be included in the NZSPG-NZ criteria. Skills and career development requirements could be directed at the whole of the sector, or at supporting the development of creative talent more specifically. All other aspects of the NZSPG-NZ remain the same.
NZSPG-International	Productions getting support through the NZSPG-International would be required to support the skills and career development of New Zealand cast, crew and businesses. To achieve this, additional requirements would be included in the NZSPG-International criteria. Skills and career development requirements could be directed at the whole of the sector, or at supporting the development of creative talent more specifically. An improved 5% Uplift process. All other aspects of the NZSPG-Int would remain the same, including the 5% Uplift aimed at attracting significantly large productions for spill-over benefits.
NZSPG-PDV	To support PDV activity remaining internationally competitive, this option could remove the sliding scale for NZSPG-PDV, so that any production work would receive the same 20% of QNZPE. All other aspects of the NZSPG-PDV would remain the same.
Attraction and promotion	Attraction and promotion activities would be tailored to support this option and could include engaging key studios so they are aware of and plan for skills development as part of any production locating in New Zealand.

HAVE YOUR SAY – OPTION 1 CHANGES TO POLICY SETTINGS TO INCENTIVISE CAREERS, SKILLS AND SUPPORT NEW ZEALAND CULTURAL CONTENT AND CREATIVE TALENT

15.	**What are the strengths and weaknesses of Option 1?**
16.	**Do you agree with our assessment of Option 1? Why/why not?**
17.	**Do you have any ideas for alternative approaches to support the outcomes being targeted under Option 1?**

Option 2: changes to policy settings to incentivise a steady pipeline of productions to support business growth, careers and skills, support high-quality New Zealand content and creative talent

We would like to hear what you think about Option 2 and the various design choices put forward to enable it.

Key changes to NZSPG settings under this option:

All changes described under Option 1 (refer above), plus

› Introduce a Repeat Activity Incentive in place of the current 5% Uplift for international productions targeting wider economic benefits

And/or

› Introduce a QNZPE cap per project for international productions

And

› Restructure the current NZSPG-NZ grant (for both New Zealand productions and official co-productions) into two parts:

- A 20% NZSPG-NZ base incentive
- Up to 20% in stackable incentives based on cultural content and creative talent criteria (as in Option 1, but offered in four 5% increments)

And

› Reduce minimum QNZPE threshold for PDV from $0.5m to $0.25m

SUPPORTING A STEADY PIPELINE OF PRODUCTIONS

There are opportunities to address the issues with continuity of work. We are consulting on two approaches that could work separately or together to support a steady pipeline of productions:

A. A Repeat Activity Incentive to encourage studios to undertake consecutive production activity in New Zealand

B. A per-project cap on QNZPE to help target specific segments of the international production market

A. REPEAT ACTIVITY INCENTIVE TO ENCOURAGE STUDIOS TO PRODUCE FURTHER WORK IN NEW ZEALAND IN CONSECUTIVE YEARS

A 5% Repeat Activity incentive would provide the opportunity to capture the greater benefits that might flow from multi-season, high-end screen productions, which are currently experiencing rapid growth. An implication of this shift in NZSPG settings is the potential for a more consistent pipeline of production and greater continuity of work, as well as enhanced career development and training opportunities,. Over time this might result in a more sustainable and resilient sector.

A 5% Repeat Activity incentive could be applied when a production house or studio has repeat projects undertaken in New Zealand. Rules could ensure that the additional incentive is unlocked only when the second production is completed within a specified timeframe. Criteria could be introduced to ensure production activity from project to project remains relatively constant. E.g. a minimum level of QNZPE spending on each production to be eligible, or subsquent production activity remains a similar proportion to previous activity.

The incentive would be available to eligible studios that completed more than one of any kind of production work in New Zealand within the specified timeframe. The incentive would not be aimed solely at multi-season productions and would also apply to any NZSPG eligible productions produced by the same studio. We know that projects are often planned and budgeted individually and might not involve the same financing parties across productions (including individual seasons of a multi-season production). Any criteria introduced to implement a Repeat Activity Incentive would need to take account of this context.

By way of example, a studio producing a series and an unrelated feature film within the specified timeframe in New Zealand would be eligible for the incentive as outlined below.

Example of a studio accessing the repeat activity incentive

Camberley Studios[1] produces TV Series 'Petherickshire' in New Zealand in 2023. Petherickshire has QNZPE of $50m. In 2024 Camberley Studios returns and produces feature film 'Southridge' in New Zealand. Southridge has QNZPE of $45m. When Camberley Studios has completed production of Southridge, Camberley Studios is eligible to receive a 5% Repeat Activity Incentive of $2.5m for their work on 'Petherickshire' in 2023.

If Camberley Studios returns to New Zealand in 2025 and produces feature film 'Fennell Road' with QNZPE of $47m, Camberley Studios is eligible to receive a 5% Repeat Activity Incentive of $2.25m for their work on Southridge in 2024.

If Camberley Studios do not return to New Zealand in 2026, they are not eligible to receive the Repeat Activity Incentive for their work on documentary Fennell Road.

Analysis indicates an incentive of this kind has not yet been pursued internationally. California has recently introduced a Relocating TV Series incentive to entice productions back to California, but the incentive requires productions to have had a prior season filmed outside of California. The incentive offers studios an initial 25%, which reduces to 20% after the first season has been filmed in California.

B. QNZPE CAP PER PROJECT TO TARGET SPECIFIC MARKET SEGMENTS

Very large international productions can exacerbate the fluctuations in the sector's pipeline of work by taking up a disproportionate share of skills and infrastructure.

An option to address this could be the introduction of a QNZPE cap per project. This cap could be used as a 'hard' measure to ensure productions of a certain size locate in New Zealand to be used as an alternative (or alongside) measure to the Repeat Activity incentive. This might prevent local workforce and infrastructure being consumed by disproportionally large international productions. Additionally, it could be used as a way to target specific market segments, which might help New Zealand differentiate itself from its closest competitors. A project cap could be applied to both live productions and PDV activity.

A range of potential project cap levels are discussed below:

› **$75m QNZPE cap per production** might prevent us attracting higher-quality productions linked to bigger budgets and reduce our ability to attract a range of production sizes. However, it would clearly differentiate us from Australia. A cap at this level would exclude 9% of NZSPG-funded productions.[2]

› **$100m QNZPE cap per production** would again clearly differentiate ourselves from Australia. A cap at this level might support New Zealand to attract medium to large productions ($50m-$100m in budget), of which we currently have a gap. A cap at this level would exclude 5% of NZSPG-funded productions.[3]

1 Camberley Studios is a fictional studio. This example is to illustrate how the repeat activity incentive could be applied.
2 NZSPG-International and NZSPG-PDV funding data for productions receiving NZSPG payment between 2016-2021.
3 Ibid.

› **$150m QNZPE cap per production** would allow a wider range of production sizes to locate in New Zealand, which might help to support a steady pipeline of productions. However, it could lead us to compete head on with Australia for productions over $100m. A cap at this level would exclude 5% of NZSPG-funded productions.[1]

There is a precedent for per-project caps amongst New Zealand's competitors. Some examples include Ireland, which caps projects at the lower of 70 million euros or 80% of the total production budget; France at US$33m; South Africa at US$3.4m and California at the first US$100m for non-independent feature films and TV projects.[2]

We want to understand the impact a cap could have on the sector, and what level of cap would be most suitable to support a steady pipeline of international productions.

HAVE YOUR SAY – REPEAT ACTIVITY INCENTIVE AND A CAP ON QNZPE

18.	**What are the strengths and weaknesses of the Repeat Activity Incentive and the QNZPE cap in this option?**
19.	**With respect to the proposed QNZPE cap per project, what level cap is most likely to support a steady pipeline of production activity, and why?**
20.	**Are there types of international productions that New Zealand should look to attract to support a steady pipeline of production activity? Please explain**
21.	**What is the benefit in having both a Repeat Activity Incentive and a QNZPE cap per project? Do you prefer one approach over the other? How could these proposals be improved?**
22.	**What alternative approaches can you think of for government investment to support a steady pipeline of productions in New Zealand?**

1 Ibid.
2 Global Incentives Index, Olsberg SPI, 2022

A RESTRUCTURED NZSPG-NZ COMPRISING A BASE INCENTIVE, PLUS STACKABLE TARGETED INCENTIVES

When comparing NZSPG with other countries' screen incentives, we have an opportunity to target more directly specific cultural outcomes through our NZSPG-NZ investment.

We are consulting on taking a similar approach in New Zealand by removing the headline rate and criteria for the NZSPG-NZ and replacing it with two components: a base incentive and a series of additional stackable incentives, targeting additional support towards specific outcomes.

This means that all eligible domestic productions and official co- productions would get a base rate (20%) and would then be able to apply for additional stackable incentives based on the cultural content and creative talent criteria outlined in Option 1. The key difference is that under this option, the Cultural Content and Creative Talent incentives would be offered in four 5% increments, further described below. This means that overall, eligible productions could access a maximum total rebate of 40%.

Most of the current criteria for the NZSPG-NZ would carry over to the new NZSPG-NZ base incentive criteria, including qualifying production expenditure definitions. However, the base incentive would not require the current Significant New Zealand Content Test (as this would be superseded by the criteria for the stackable incentives). There may also be other exceptions where the new NZSPG-NZ base incentive criteria should be different to the current criteria for the NZSPG-NZ in order to work well alongside the additional stackable incentives or to support the wider objectives of the Review.

APPLYING THE CULTURAL CONTENT AND CREATIVE TALENT STACKABLE INCENTIVES

Applicants would be able to access the cultural content and creative talent incentive in 5% increments, up to a maximum of 20%.

For example, a production that met two of the proposed key criteria (e.g. key creative roles are held by New Zealanders, and the story has a New Zealand setting, or NZ principal characters, or reflects New Zealand culture) could be eligible for 2 x 5% increments of the Cultural Content and Creative Talent incentive. A production that met four of the proposed key criteria could be eligible for the full 20% Cultural Content and Creative Talent Incentive (4 x 5% increments). In order to receive the full 20% incentive, productions would need to meet at least one criterion from each of the three objectives described below.

Cultural and creative objectives

- Telling New Zealand Stories
- Building, enhancing and showcasing New Zealand creative talent
- Expressing Māori culture or wider cultural perspectives

As outlined in the previous options, the design of the Cultural Content and Creative Talent incentive could retain flexiblity to determine on a case-by-case basis if criteria have been met. This could include devolving decision making to a group of people and/or organisations with the cultural competency and screen sector expertise to assess if a production meets the criteria of the test. Developing protocols to assess films with Māori content, stories and characters, alongside Māori, would be a key part of this approach and build from the work done by the NZFC in its Te Rautaki (Māori strategy).

HAVE YOUR SAY – A RESTRUCTURED NZSPG-NZ COMPRISING A BASE INCENTIVE, PLUS STACKABLE TARGETED INCENTIVES

23.	**What are the strengths and weaknesses of the proposed stackable incentives?**
24.	**How do you see stackable incentives interacting with the base incentive?**
25.	**Are there ways in which you think the current NZSPG-NZ criteria should change for the base incentive to work well alongside the stackable incentives, or to further incentivise ambitious New Zealand content and business development?**

APPLYING THE CULTURAL CONTENT AND CREATIVE TALENT STACKABLE INCENTIVES TO OFFICIAL CO-PRODUCTIONS

Under Option Two, both domestic and official co-productions would need to apply for the Cultural Content and Creative Talent stackable incentives in order to reach a total maximum rebate of 40% of QNZPE.

Introducing cultural content and creative talent criteria for official co-productions that wish to access the maximum total 40% rebate would be a significant change from status quo, as current co-productions are not required to meet any cultural content provisions. The rationale for change would be to ensure that our investment in co-productions delivered more cultural value by reflecting Aotearoa New Zealand's unique and diverse cultural context and building and showcasing our creative talent. It would also mean co-productions would be treated similarly to domestic productions in terms of accessing the maximum incentive.

Since being established in 2014, the NZSPG, and associated criteria for co-productions, has been accommodated within the current scope of co-production agreements, which are agnostic on content. These agreements allow for flexibility regarding specific criteria for each party and would likely accommodate any changes to meet a new cultural content and creative talent criteria.

HAVE YOUR SAY – CULTURAL CONTENT AND CREATIVE TALENT CRITERIA FOR CO-PRODUCTIONS

26.	**Please share your views on introducing the cultural content and creative talent criteria for official co-productions to apply to the stackable incentives**

SUPPORTING NEW AND EMERGING PDV ACTIVITY: REDUCING THE MINIMUM QUALIFYING QNZPE FOR PDV FROM $0.5M TO $0.25M

A key objective of the review is ensuring that sector is resilient and sustainable in future. One way to support this is enabling businesses to grow and broaden what they can do.

The current structure of the PDV requires a minimum QNZPE spend of $0.5m in order to apply for funding. Contracts of this size may be outside of the capacity of smaller and emerging PDV businesses. Stakeholders have highlighted that lower thresholds for QNZPE might give productions the confidence to commit to undertaking PDV in New Zealand.

We are consulting on reducing the minimum expenditure threshold to $0.25m. This might help smaller and emerging businesses attract smaller parts of PDV-activity that would otherwise be out of reach. It might also assist in providing smaller projects to enable a steady stream of work. The impact of doing this could help businesses build their capacity to scale over time. However, this would be balanced by the costs of preparing and submitting a PDV application (e.g. audit costs).

HAVE YOUR SAY – SUPPORTING NEW AND EMERGING PDV ACTIVITY

27.	**What are your views on reducing the minimum production expenditure threshold from $0.5m to $0.25m? What do you see as the advantages and disadvantages of this approach?ons**
28.	**What alternative approaches can you think of for government investment to support PDV activity in New Zealand?**

How we see Option 2 proposals changing the NZSPG

Table 5: Summary of changes under Option 2 and their effect for the NZSPG

NZSPG-NZ	The current NZSPG-NZ (for both New Zealand productions and official co-productions) would be restructured into two parts: › A 20% NZSPG-NZ base incentive (largely based on existing NZSPG-NZ criteria) › Up to 20% in stackable incentives based on cultural content and creative talent criteria (as in Option 1, but offered in four 5% increments) Stackable targeted incentives: › To access the incentives, productions would first need to be eligible for the base incentive and then meet the additional targeted incentive criteria. › For the Cultural Content and Creative Talent incentive, productions could access part, or all of the incentive based on which elements of the proposed Cultural Content and Creative Talent criteria they met. › Official co-productions would also be required to meet new cultural content and creative talent criteria to access the stackable incentives. Enabling this change might require further adjustments to individual co-production treaties.
NZSPG-International	All changes described under Option 1 above. The 5% Uplift supporting significant economic benefits would be removed and replaced with an incentive targeting repeat production activity. The 5% Repeat Activity incentive would be stacked onto the existing 20% incentive and applied to QNZPE when a production has serial work undertaken in New Zealand. The 5% Repeat Activity incentive would be implemented through rules-based requirements around repeat activity and paid out only once the repeat activity had occurred. Repeat activity would be expected to be in the range of, or greater than, the budget for the initial production. To further smooth out the peaks of production activity and to differentiate New Zealand from Australia, under this option we're proposing to introduce a QNZPE cap per project.
NZSPG-PDV	All changes described under Option 1 above. To allow new and emerging productions and businesses to access NZSPG-PDV, this option would reduce the minimum qualifying production expenditure threshold for PDV activity from $0.5m to $0.25m.
Attraction and promotion	All changes described under Option 1 above. Attraction and promotion activities would be tailored to support this option and could include building strong and enduring relationships with key studios and creatives involved in location decision making for high-end drama series or building strong and enduring relationships with high-tech international studios to support potential growth in emerging PDV technologies.

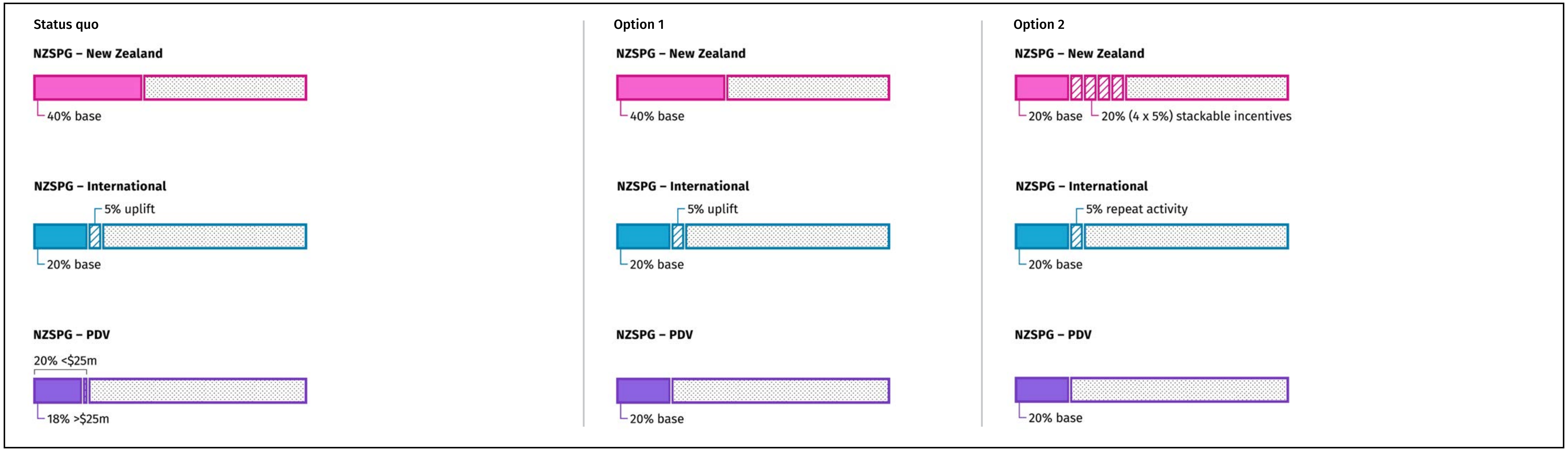
HAVE YOUR SAY – OPTION 2 CHANGES TO POLICY SETTINGS TO INCENTIVISE A STEADY PIPELINE OF PRODUCTIONS TO SUPPORT BUSINESS GROWTH, CAREERS AND SKILLS AND TO SUPPORT A STRENGTHENED CULTURAL TEST FOR ALL ELIGIBLE PRODUCTIONS

29.	What are the strengths and weaknesses of Option 2?
30.	Do you agree with our assessment of Option 2? Why/why not?
31.	Do you have any ideas for alternative approaches to support the outcomes being targeted under Option 2?

Figure 4: Comparison of the two new options against the current NZSPG settings

STATUS QUO	OPTION 1	OPTION 2
NZSPG-New Zealand		
Depending on a production achieving certain criteria, it can be eligible for either: › 40% incentive towards QNZPE totalling $15m, or › 40% incentive towards QNZPE totalling $50m.	Replace the Significant New Zealand Content Test with Cultural Content and Creative Talent criteria for domestic productions, and introduce a skills levy or skills plan requirement for productions.	Restructure the current NZSPG-NZ into two parts: › A base NZSPG-NZ incentive of 20% of QNZPE › Up to 20% in Cultural Content and Creative Talent incentives (offered in 4 5% increments) Productions would need to be eligible for the base incentive before applying for any of the additional incentives
NZSPG-International		
International productions are eligible for a 20% incentive payment on QNZPE. There is no cap on the amount of funding a production can receive.	Introduce a skills levy or a skills plan requirement for productions.	In addition to option 1, potentially introducing a QNZPE cap.
5% Uplift		**NZPSG-Repeat Activity Incentive**
A production receiving the NZSPG-International may be eligible to be invited by NZFC and MBIE to receive an additional 5% grant on QNZPE (this would be a 25% incentive payment).	Removing the current invitation and Significant Economic Benefits Panel process and replacing it with a criteria-based test.	Introduce a Repeat Activity Incentive in place of the 5% Uplift for international productions. Potentially introducing a QNZPE cap.
NZSPG-PDV		
Depending on the amount of QNZPE for an international PDV production, it is eligible for a › 20% incentive payment towards QNZPE of up to $25m, and › 18% incentive payment towards QNZPE over $25m.	Removing the current eligibility scaling and allowing PDV productions to receive a flat 20% incentive payment on QNZPE.	In addition to option 1, reduce the minimum QNZPE threshold for PDV productions from $0.5m to $0.25m.

Status quo and options illustrated



The potential impacts of the options proposed

Option 1: incentivising incomes, skills and New Zealand content

This option reflects the least amount of change to current settings and may improve skills development in the sector. However, it would require productions to pay an additional production cost by way of a levy or skills development plan, which might have an impact on New Zealand's attractiveness as a film location.

This option might have greater impact on NZSPG-NZ domestic productions. Domestic productions, excluding co-productions would need to satisfy new cultural content and creative talent criteria that seek to achieve cultural and creative objectives in a clear and targeted way. Some domestic productions, depending on how the settings of the criteria are finalised, might not receive funding. However, the opportunity to recalibrate the settings for the Significant New Zealand Content test would better align with our objective to support the development of high-quality, compelling New Zealand content and build and showcase creative talent.

Option 2: Incentivising business growth, incomes, skills and New Zealand content

This option involves a more substantive level of change and might result in more significant impact. In addition to the impacts identified under Option 1, the repeat activity uplift and/or cap could support a more consistent pipeline of production work for the sector which in turn might support growth in firms and careers.

It is difficult to know at this stage how international productions would be impacted by this change. On one hand they would continue to be eligible for the 20% NZSPG-Int. However, the introduction of a project cap might mean that significantly large productions would no longer come to New Zealand. Opening an additional 5% to repeat activity would give more opportunity for international productions to access additional incentives.

New cultural content and creative talent criteria might have a significant impact on official co-productions and could reduce the number applying for the NZSPG-NZ. Official co-productions that chose to apply and meet the new cultural content and creative talent criteria would be more likely to provide cultural benefits than under the status quo.

HAVE YOUR SAY – POTENTIAL IMPACTS OF OPTIONS

32.	**What do you see as the impacts on you or the screen sector under Options 1 and 2?**
33.	**Do you have a preference for Option 1 or 2? If so, why?** **Please provide details to support your views.**

Other matters we seek feedback on

ADMINISTRATION OF THE NZSPG

There is a range of ways the NZSPG could be administered. Broadly speaking, the NZSPG could be managed through the tax system or through direct funding (as is the current arrangement for the NZSPG).

Administering funding to the sector via the tax system would provide a high level of government commitment and a corresponding high level of certainty for those operating within the sector. However, a sector-specific tax intervention like this might not be conducive to supporting the integrity of our tax system. It would also be a significant departure from the current approach to administering the NZSPG.

The review has indicated that clarity, consistency and certainty of government funding required for business planning and decision making can be successfully achieved with the current approach of providing NZSPG funding through the Budget process via on-demand multi-year appropriations. On this basis we are not considering administering the NZSPG through the tax system at this stage.

Currently the NZFC-administered NZSPG process is criteria-based, with applications assessed by a panel comprised of members from the NZFC, relevant government agencies and industry representatives. The rules-based approach to NZSPG decision-making via a clear and established set of assessment criteria helps to enable fairness, transparency and consistency of process, which can enhance business certainty and support firm-level planning.

However, there may be some aspects of the proposed options put forward that could benefit from a more flexible approach to decision-making, to ensure each application is considered on its own merits and the assessment criteria are applied in a way that takes account of the specific elements of the proposed project as well as wider contextual factors. The proposed cultural content and creative talent test is the main example that would benefit from a more flexible approach.

Through the review process, stakeholders have emphasised the importance of maintaining flexibility to determine cultural value on a case-by-case basis and avoiding an overly prescribed or tick-the-box approach. This type of selective assessment approach is not uncommon and is used in a range of international screen funding contexts, as well as in the assessment processes of New Zealand's other screen funding entities, for example NZ on Air. The NZFC also takes a selective assessment approach to discretionary decision making for cultural funds.

HAVE YOUR SAY – NZSPG ADMINISTRATION

34.	**What changes, if any, would you make to the current the NZSPG administration and assessment process?**
35.	**How do you think cultural content should be assessed and by whom, to enhance the cultural value of government investment in screen?**

MONITORING, EVALUATION AND REPORTING

Robust monitoring and evaluation mechanisms are critical to ensure maximum value is being generated by public funding to the screen sector, as well as helping government remain agile and responsive with its investment settings. Meaningful and timely reporting provides clear information to those in the sector to help support business and workforce planning and to identify trends. Transparency of decision-making in relation to government investments ensures accountability for public funds.

The multiple pathways for accessing government funding and investment, the different public funding administrators, and the mix of public and private funding presents challenges for accurate and meaningful monitoring and reporting on the screen sector. Data and information making up the 'whole picture' for the sector is held across multiple agencies and organisations, and collected, stored and reported in different ways.

In recognition of the gap left by Statistics NZ ceasing its Screen Industry Survey after 2018, MBIE developed the Economic Trends in the Screen Sector report (published in 2021), and intends to continue and evolve this reporting. There is opportunity for this monitoring and reporting to target specific public and sector stakeholder needs as well as informing government investment and policy decisions. This ongoing programme of work will be responsive to any changes in policy settings made through the review.

When making policy changes, it is important to track progress and evaluate whether the policy intent of changes has been achieved. To measure the impacts of any changes to the NZSPG arising from this review, we will be developing a robust monitoring and evaluation programme to monitor the outcomes intended to be achieved through this investment.

HAVE YOUR SAY – MONITORING, EVALUATION AND REPORTING

36.	**What monitoring arrangements or reporting measures would improve transparency of decision-making in relation to NZSPG expenditure?**

RENAMING THE NZSPG

The structure of this scheme fits closely to that of a rebate, where funds are credited to a production studio upon completion of their qualifying production expenditure. On this basis, we intend to rename the NZSPG as part of any final advice on changes to the NZSPG. It will be called the New Zealand Screen Production Rebate (NZSPR) from 2023 onwards.

Next steps and timing

The feedback we receive in this consultation will help us develop policy advice about what changes should be made to the NZSPG.

We expect any changes will begin being introduced through 2023-24. Longer timeframes may be applied to some changes, where producers and others may be required to make changes to their current policies and practices.

The below table outlines the key stages of the review and indicative timing for decisions.

Review phase	Indicative timing
Determining facts and building evidence	January – May 2022
Developing options for change	June – September 2022
Public consultation on proposed options	October – December 2022
Final report to Ministers and Cabinet	By June 2023
Implementation of policy decisions	From June 2023

TRANSITIONAL ARRANGEMENTS

The Government recognises investors and productions need to be able to make decisions with confidence throughout the course of the Review of Government Investment in the Screen Sector and appreciates the strategic nature of these investment decisions.

The New Zealand Screen Production Grant is still available and eligible international and domestic productions can still apply for funding under the NZSPG while the Review is taking place.

The Terms of Reference for the Review signals the Government's objectives, and the scope of matters that may be considered under the review. No changes to the New Zealand Screen Production Grant will be made until after Cabinet decisions in the first half of 2023.

Any transitional period may vary depending on the level of change involved. Any changes would be well signalled in advance and would apply only after an appropriate transition period to enable productions and investors to make informed decisions. Productions registered as part of the NZSPG application process will be neither disadvantaged nor advantaged through the transitional period.

Annex 1: Summary of review findings and stakeholder engagement themes

REVIEW METHODOLOGY

Four streams of analysis were undertaken to understand the case for change and to support the development of options:

Stream one: Building out the context

A review of recent literature[1] on government investment in the screen sector was undertaken, with a focus on the different types of incentives offered internationally. This analysis considered the context for screen sector incentives, including why they were introduced, what they are meant to achieve and level of success, and the different incentive types and structures.

Stream two: Future trends analysis

Consideration was given to likely and potential future trends for the screen sector and what the implications might be for New Zealand. Analysis included what these trends might mean for the New Zealand screen sector and identification of future opportunities and problems that could be addressed through existing or new policy settings.

Stream three: Review of the current funding landscape

A review of the current funding available for productions, the strengths and weaknesses of the current approach and the key issues and opportunities. This analysis covered the New Zealand Screen Production Grant and other funding administered by the New Zealand Film Commission, NZ On Air and Te Māngai Pāho.

Stream four: Competitor analysis

This work sought to identify which countries are New Zealand's direct competitors and what the New Zealand screen sector's competitive and/or comparative advantage is. This work included engagement with screen policy officials in other jurisdictions, detailed analysis of international screen incentive settings, insights and evidence gathered through engagement with sector stakeholders, an analysis of NZSPG funding between 2016 and 2021, and any other relevant publications.

FINDINGS

International literature review

Screen incentives are common internationally. These incentives are becoming increasingly generous to entice international business.

Few academic studies have generated clear evidence about the economic impacts of screen incentives through direct measurement and analysis of data. Many publications discuss the cultural value of screen content at a theoretical level, but few use quantitative or qualitative research methods to define and assess cultural benefits and how they are generated and distributed. The literature highlights the difficulty of measuring effects of screen incentives across different outcomes. Researchers suggest more tools for monitoring and evaluation would be useful to better understand the impact incentives have in cultural as well as economic terms.

1 The review included academic studies, commissioned reports, and other literature on government incentives for the screen sector published in the last decade.

Studies commissioned by entities responsible for funding or administering incentive programmes tend to focus on the economic impacts of incentive schemes. Benefits are broken down into direct, indirect and induced impacts. Methods used generally include input-output models, with Gross Value Added as the main economic measure. The review demonstrates that commissioned studies tend not to examine counterfactuals or fiscal sustainability, or estimate opportunity costs, or costs associated with outcomes attributed to incentives, such as the cost per job created. Generally, commissioned studies have a much stronger emphasis on the benefits generated by stimulating screen industry activity through incentives, while academic studies tend also to model the costs of such investments.

In New Zealand, three recent commissioned reports have estimated the impact of the screen sector on the New Zealand economy:

› A New Zealand Institute of Economic Research (NZIER) report in 2017 assessed that the screen industry added $1.015b to GDP in 2016, and highlighted that the screen sector provides highly productive employment for New Zealand's workforce. The report found that the typical postproduction/visual effects worker earns a median hourly rate of $65 compared to the national median for all industries at $23 per hour.[1]

› In March 2018 a report by the Sapere Research Group put the indicative net economic benefit of the screen sector at $361.1m. The report identified tourism benefits, export earnings, and the attraction of international students as key ways the screen sector contributes to the New Zealand economy. The application of screen sector knowledge, technology and assets to other high-tech industries is another key contribution.

› A 2022 report by Olsberg SPI added support to the assessment of the screen sector as valuable for the New Zealand economy, indicating that screen production has generated significant and increasing expenditure within New Zealand.[2]

Attracting international productions is important for supporting a domestic sector as international productions provide valuable opportunities for the domestic workforce in New Zealand, including highly paid positions, notable credits, and training and development opportunities.[3] However, this can have a dampening effect on domestic productions, as it has been observed internationally that in some cases the volume of service production overall may soar, but the volume of domestic production can decline, in part because labour and infrastructure resources are stretched.[4]

1 The economic contribution of the screen industry, NZIER, 2017
2 Economic Impact of the New Zealand Screen Production Sector, Olsberg SPI, 2022
3 Ibid
4 Ibid

For those productions supported by the NZSPG, average earnings are as follows:[1]

NZSPG-New Zealand	Film	TV
Average earnings per job[2]	$13,552	$17,665
% of jobs done by NZ residents	92.5%	97.6%

NZSPG-International	Film	TV
Average earnings per job[3]	$13,552	$17,665
% of jobs done by NZ residents	92.5%	97.6%

Studies indicate that when choosing where to locate, large studios make decisions based on production budgets (including exchange rates, incentives and labour costs) and creative attachments (the actors, directors and producers). However, infrastructure and availability of local crew also play a key role in influencing decisions.

Much of the literature on screen incentives focuses on the film industry rather than on investment in the screen sector more broadly. This may be significant given the recent global trend towards much greater investment in the production of high-end television series versus feature films, as it could alter the cost/benefit ratio of incentives, particularly in relation to factors such as training and career development opportunities and consistency of work. There may be different benefits that flow from big productions (such as big-budget feature films) when compared with long productions (such as multi-season television productions).

FUTURE TRENDS

Research indicates that audience preferences for content and platforms are difficult to predict, but ease of access and the ability for individuals to curate their own diverse, high-quality screen content across all their devices will be important.

Technological change in the screen sector is constant. Major technological developments are transforming the screen production process, modes of consumption of content, and content itself. Screen-sector policy will need to change to accommodate these changes and any policy changes resulting from the review will need to provide certainty to support long-term industry planning and investment, as well as flexibility to enable industry to adapt to rapid ongoing change.

More content than ever is being produced,[4] and it is available globally, across many different platforms rather than only traditional linear television or cinema release. The screen sector has seen rapid change in audience behaviour, enabled by technological change, and an increased digital convergence within the broader entertainment sector.

At the same time, finance available from traditional sources, such as advertising, is reducing. Broadcasters, online services, and film exhibitors are all competing for fracturing audience share and revenue. To combat fracturing

1 Sapere, "Evaluating the New Zealand Screen Production Grant", March 2018, pages 36 and 38. This is for grants during the period from 1 April 2014 to 1 July 2017.

2 These figures are for each job on a production supported by the NZSPG during the period from 1 April 2014 to 1 July 2017

3 These figures are for each job on a production supported by the NZSPG during the period from 1 April 2014 to 1 July 2017

4 The international media and entertainment sector has experienced strong growth, with revenue predicated to approach US$3tn by 2026 off a base of US$2.5tn in 2022. Spending on film and TV has increased from US$189b in 2019 to US$220b in 2020.

audiences, content producers have shifted their focus towards global audiences. Overall, consumer spending on content is increasing significantly.[1]

Traditionally, film and TV shows are developed, financed, produced and promoted project by project. This means most workers are contracted to work on a specific production only for the duration of that production, impacting long-term career development and training. In NZ, 92.4% of workers – or 3,756 of 4,098 firms - were self-employed contractors in 2020.[2]

Virtually all job growth in New Zealand's screen sector in the ten years to 2020 was in post-production, which has a focus on digital skills[3]. We expect demand for digital skills to continue to grow in the screen sector due to increasing consumer expectations for digital effects and new technologies to be used in productions.

THE CURRENT FUNDING LANDSCAPE

A number of different business models underpin the screen sector internationally:

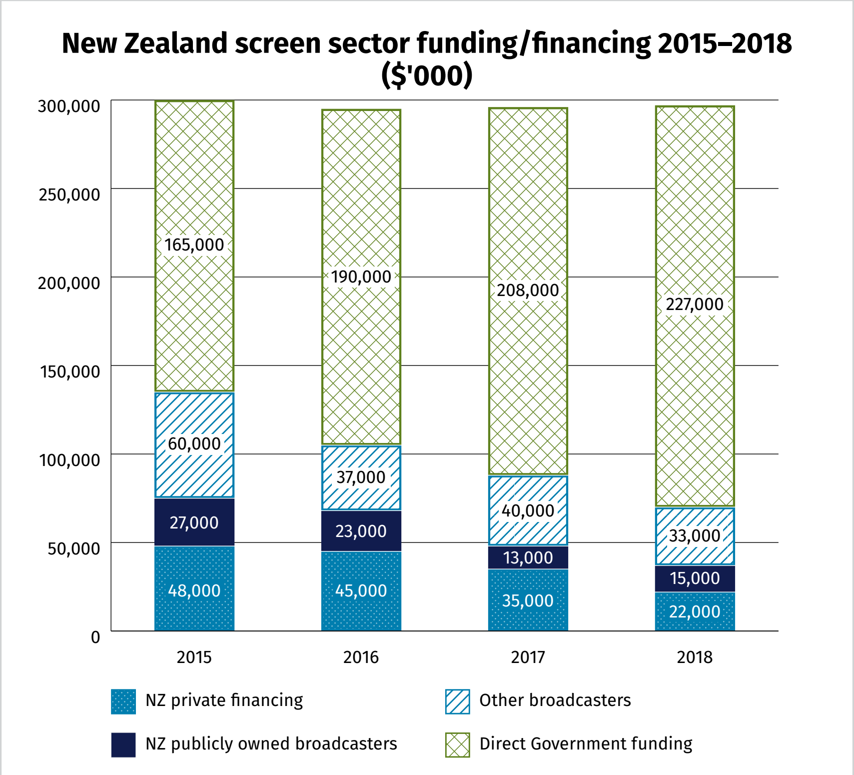
- Studio-financed productions, where the screen content is financed, developed, produced and distributed by the studio. As a result, control over the film production and IP resides with the studio, distributors and promoters. Large production studios often use this model.
- Content development outsourced to an independent producer. The producer is paid a fixed fee for their film, covering the creative development, production to final release. The fixed fee includes ownership of the IP for a certain length of time. Streaming platforms often use this model.
- Independent productions where producers/writers develop a concept and take it through to final production and release. Financing is sourced from a range of avenues, including private investors, banks, governments, distributors and promoters. Stakeholders have indicated that under this model, producers give away their equity share or creative control in the production to attract financing to fund the production budget.

The New Zealand domestic screen sector is part of this global production system and productions often use the independent production model to raise financing, including as official co-productions to access government support across a range of jurisdictions or to unlock broadcasting funding in other jurisdictions.

1 Consumer video streaming behaviour, PwC, 2020
2 Business Demography Statistics 2020.
3 Economic Trends in the New Zealand Screen Sector, Firms and Employment, MBIE, 2021

Since the introduction of the NZSPG, direct government investment to the screen sector has increased year-on-year, but overall financing has remained the same, as is demonstrated in Figure 5 below. This is notable given that the increase has occurred at the same time as an increase of consumer spending on film and TV internationally.

Figure 5: New Zealand screen sector funding/ financing 2015-2018 ($ millions)



A review of existing government funding indicates that funds are overwhelmingly directed towards the production of content, rather than other screen industry activities such as development, promotion and distribution. Public funding has steadily increased as a proportion of overall funding for domestic productions since 2015. This indicates an increasing reliance on public funding by domestic productions, but we do not have a good understanding of why private funding has reduced.

The current government funding landscape for the New Zealand screen sector is complex and uncoordinated, making it difficult and inefficient to navigate. Monitoring and evaluation is lacking.

INTERNATIONAL LANDSCAPE (COMPETITOR ANALYSIS)

As of 2022, there are over 100 active screen incentives across the world. Incentive headline rates are generally around 25%-35% of eligible expenditure and play a decisive role in where productions are sited. While the headline rate supports location decision making, other aspects are also important such as the definition of qualifying expenditure, economic and cultural tests and eligible formats and genres.

New Zealand's screen sector is shaped by a number of characteristics that make ensuring our incentive settings are competitive particularly important. New Zealand is a small market, and we are a long way from key screen production markets. We also have a comparatively shallow labour pool and screen-specific infrastructure.

Stakeholders report that while New Zealand is considered a strong production location, our distance from Los Angeles is one of the main factors given for productions choosing not to locate here. Our comparative advantage appears to be a favourable exchange rate and the relatively low cost and conditions of labour. Australia, being equal distance from markets with similar exchange rate and purchasing power parity, is New Zealand's closest competitor.

Table 8: Comparison of international production incentives between New Zealand and other jurisdictions

	New Zealand	Australia			Canada	Ireland	United Kingdom
Scheme	NZSPG-International (direct payment)	Location Offset (tax credit)	Location Incentive (direct payment)	PDV offset (tax credit)	Production Services Tax Credit	Section 481 Film tax credit	Creative Sector Tax Reliefs (tax credit)
Headline rate	20% PDV: 20% <$25m and 18% for >$25m	16.5%	Grant up to 13.5% of qualifying expenditure	30%	16%	32% to 35% depending on meeting certain criteria	up to 25% on 80% of total core costs
Additional incentive	Can be invited for a 5% Uplift	Both Australian incentives can be stacked together if a production meets the criteria. A production may also seek additional state level incentives.		N/A	Can seek additional incentives from cities or provinces.	Can seek a 5% regional uplift	Can seek regional uplifts
Fund or Project Cap (Y/N)	N	N	The fund is capped up to A$540m FY 19/20 to 26/27.	N	N	80% of total production costs, or €70m, whichever is lower.	N
Scheme thresholds	Minimum qualifying expenditure of $15m for Films, $4m for other formats. Minimum of $0.5m for PDV.	Minimum qualifying expenditure of A$15m for Films. An average of at least A$1m per hour (total QPE/duration of series measured in hours) for other formats		Minimum qualifying expenditure of A$0.5m for PDV.	Minimum qualifying expenditure of CA$1m CA$0.1m for single episodes less than 30mins, CA$0.2m for longer anything longer.	Minimum qualifying expenditure of EUR€0.25m for all formats.	Minimum of 10% of the core expenditure must be UK expenditure.
Expenditure definition	Services and goods purchased by a production must be New Zealand based. Overseas goods may qualify depending on meeting certain criteria.	Services and goods purchased by a production must be Australian based. Overseas goods may qualify depending on meeting certain criteria.		Expenditure must have been incurred or attributable to goods and services provided in Australia.	Only Canadian labour expenditure is eligible.	Services and goods used in the production are eligible.	Expenditure is defined as goods and services which are used or consumed in the United Kingdom
Unique Economic or Cultural tests	A production must pass a significant economic benefits test assessed by a panel to receive the 5% Uplift.	N/A	Must be receiving the Location Offset and state level incentive. Incentive they receive must be assessed as efficient, effective, economical and ethical use of public resources. Must demonstrate how the production is supporting Australian jobs, trainings and skill development both screen sector and wider economy.	N/A		Holding company of the production must have 100% shareholding by an Irish resident company. Must submit a skills development plan Must pass the Section 481 Cultural Test (meeting three out of eight set criteria) Must pass the industry development test	A production must be certified as 'British' to be eligible.

The NZSPG package

NZSPG-INTERNATIONAL

Since 2016, NZ has attracted five productions (18%) over $100m in production budget in size (all of these productions received the 5% Uplift – *Meg*, *Mulan*, *Ghost in the Shell*, *Pete's Dragon*, *Mortal Engines*). But the majority of productions attracted to New Zealand are under $25m in production budget size.

NZSPG-International productions by budget size 2016 to 2021

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Over $200m	1	0	1	1	0	3
$100m-$200m	1	1	0	0	0	2
$50-$99m	0	1	0	0	0	1
$25-$49m	1	3	0	1	1	6
$10-$24m	1	2	1	3	0	7
Under $10m	2	4	2	1	0	9
Total	6	11	4	6	1	28

Eighteen of the 28 productions (approximately 64%) accessing the NZSPG-International for live production shoots were one-off productions i.e. did not return to New Zealand between 2016 and 2021.

The 5% Uplift incentive is attractive to international studios, but the application process is a significant barrier. Five productions received the 5% Uplift between 2016 and 2021. By value, the Uplift totaled 68% of the live production NZSPG.

The rules-based administration of the NZSPG-International and the uncapped nature of funding are viewed as strengths by international studios. New Zealand's 20% incentive headline rate plus 5% Uplift is highly competitive, illustrated by our ability to attract very large international productions (over $100m in production budget size) consistently since the NZSPG was introduced.

Since 2019/20, Australia, has offered significantly large productions (over $100m) up to a 30% headline rate through access to an additional location incentive grant. Australia's application process for the additional grant offers greater certainty and timeliness around decision making than the NZSPG 5% Uplift.

The high level of uncertainty around the invitation process for the 5% Uplift and the lack of clarity around the outcomes that need to be achieved by productions is diminishing the competitive advantage of the Uplift.

NZSPG-PDV

In 2017, the NZSPG-PDV rate was reduced from 20% down to 18% for production spending over a $25m threshold. The change to the NZSPG-PDV settings was intended to rein in a significant area of NZSPG expenditure.

New Zealand attracts a significantly higher number of international productions for PDV activity than for location shoots, but the NZSPG-PDV appears to be becoming less competitive internationally, illustrated by a decrease in the number of applications since 2017. The NZSPG-PDV offers a rate of 18-20%, while Australia offers 30-35% for the same activity. Australia has experienced an increase in PDV activity since 2018.

Because of the digital, more mobile nature of PDV work, screen productions are able to shift their visual effect and post-production activity to countries offering the highest incentive rate and relevant available skills. Providing more support to PDV incentives or opening up the PDV incentive to more innovative screen technology activity and/or a wider set of businesses, may be required to retain New Zealand's competitive advantage in PDV activity.

In 2018, a Sapere research paper identified the total economic benefit from the various types of screen activity undertaken in New Zealand. The data indicates that when contract labour is included, PDV activity far outperforms the other types of productions in terms of its economic benefits.

NZSPG-NEW ZEALAND

The NZSPG-NZ has low production expenditure caps by comparison to other countries. Arguably this is incentivising low production budgets, with a potential associated impact on the quality of production. This may be acting as a deterrent for New Zealand content being picked up by international broadcasters or platforms.

The NZSPG-NZ is underpinned by complex criteria and processes, undermining business certainty. It is significantly more complex to navigate than the NZSPG-Int. Interpretation is required of the criteria by the NZSPG panel, making decision making variable and opaque.

New Zealand has a generous headline incentive rate supporting cultural content and/or domestic productions. New Zealand's cultural content test supports a wide range of format types, for example reality TV (which is generally excluded in other countries). There is an opportunity to consider what is meant by cultural benefits and their associated value and rebalance incentive rates and/or criteria in response.

Co-productions

Across the package of NZSPG-incentives, expenditure of domestic productions is growing the fastest. This is underpinned by steady growth of co-productions. Co-productions are a growth segment internationally. Official co-productions can be a useful tool to support New Zealand producers to access international financing and bigger budgets.

In comparison to other countries, New Zealand offers generous domestic incentives. Accordingly, official co-productions are able to access the same generous rates. The NZSPG broadly has limited exclusions, a generous expenditure definition and few requirements for cultural content.

STAKEHOLDER ENGAGEMENT

Since the announcement of the review in December 2021, MBIE and MCH have met with a range of screen-sector stakeholder groups to discuss the review and the current state of government funding in the screen sector. These discussions have given us the opportunity to understand the different perspectives from across the sector. Stakeholder perspectives have informed the development of the options presented here.

Key stakeholder themes can be broken into four main themes: views from the domestic screen sector; views from the international screen sector: themes related to skills; and themes related to infrastructure. A summary of the four themes is included below.

International

- New Zealand is becoming less competitive. Other countries are increasing their incentives
- NZSPG-Int settings are easy to understand and provide international productions with a high level of certainty around funding e.g. rules based and uncomplicated
- The 5% uplift process is complicated and uncertain
- The 5% uplift is too hard for too little benefit
- A lack of certainty around the uplift reduces the likelihood a production will choose to film in New Zealand
- International productions are essential for supporting and growing the domestic side of the sector
- General perception that review = cutting funding. This has spooked the horses
- ‘New Zealand stories’ do not need to be New Zealand sorties. A writer or producer from New Zealand is enough
- Production is global and audiences are global.

Domestic

- International productions can inhibit the capacity of the domestic industry to produce local content because they make it difficult for domestic productions to source crew at affordable rates
- International productions are seen by some as a financial enabler to produce local content
- The NZSPG is too heavily weighted to international productions
- The Terms of Reference for the review is too narrow – it should be expanded out to include a review of the function of NZFC
- Perception that the Government values the domestic industry only in terms of its value as a service provider to international productions
- The current structure directs NZFC resources towards attracting international productions, not advocating for domestic ones
- The 5% uplift is an excellent additional mechanism but could be better utilized
- Need to re-prioritise New Zealand stories and storytelling
- The current design of the NZSPG for international sis well positioned in the global market
- Current incentives might not be creating the right behaviours
- Production is local and audiences are local

Skills

- Career development and continuity of work is an ongoing issue
- Skills shortages reduce the production pipeline. The reduced production pipeline results in skills shortages
- International productions should be required to do more to provide training and ongoing employment for local screen workers
- The funding mechanism should be industry wide and include skills
- Industry groups and the private sector have been working on solutions but there needs to be government support
- Ideally government support would include direct investment but placing more emphasis on skills through the 5% uplift would be an improvement

Infrastructure

- In order to improve the quality of the production pipeline in New Zealand there needs to be proactive capability-building investment in infrastructure growth
- New Zealand lacks significant world-class infrastructure, and this creates an immediate and critical limitation on the consistency, scale and volume of our production pipeline
- Industry groups and the private sector have been working on this but there needs to be government support
- Ideally this support would be direct investment but placing more emphasis on infrastructure through the 5% uplift would be an improvement
- Relies on an on-going supply of international productions to de-risk infrastructure investment and build studio capacity.

Annex 2: Enhancing the cultural value of government investment in the screen sector: comparison of status quo and proposed options

<table>
<tr><th></th><th>Current Significant New Zealand Content Test</th><th>Option 1:

Introduce new cultural content and creative talent criteria for domestic productions</th><th colspan="2">Option 2:

Introduce a series of stackable incentives based on the new cultural content and creative talent criteria for domestic productions and official co-productions</th></tr>
<tr><td colspan="5"></td></tr>
<tr><td>Overarching aim and purpose</td><td>Provide cultural benefits to New Zealand by supporting the creation of New Zealand content and stories.</td><td colspan="3">Support the development of high-quality, compelling New Zealand content and build the quality, quantity and diversity of New Zealand’s creative talent.</td></tr>
<tr><td>Specific cultural and creative objectives</td><td>The current Significant New Zealand Content Test does not identify specific cultural and creative objectives.</td><td colspan="3">› Telling New Zealand stories
› Building, enhancing and showcasing New Zealand creative talent
› Expressing Māori culture or wider cultural perspectives</td></tr>
<tr><td>Who does it apply to?</td><td>New Zealand productions</td><td>New Zealand productions (excluding official co-productions)</td><td>New Zealand productions (including official co-productions)</td><td>New Zealand productions and official co-productions that are eligible for the NZSPG-NZ base incentive (20%) can apply for the stackable incentives, potentially qualifying for an overall maximum of 40%</td></tr>
<tr><td>How does it work?</td><td>All New Zealand Productions (including Official Co-productions) that meet the base eligibility criteria for the NZSPG can access funding equivalent to 40% of Qualifying New Zealand Production Expenditure (QNZPE), up to $15 million QNZPE. New Zealand Productions are those productions that are deemed to have significant New Zealand content, as determined by the Significant New Zealand Content Test. Official Co-productions are deemed to have significant New Zealand content and do not have to pass the test.</td><td colspan="2">New cultural content and creative talent criteria would be introduced for New Zealand productions and would replace the current Significant New Zealand Content Test.

New Zealand productions applying for the rebate of 40% of QNZPE through the NZSPG-NZ would be required to meet the new cultural content and creative talent criteria explicitly targeting key cultural and creative objectives.

Official co-productions would not be required to meet the criteria.</td><td>All New Zealand productions and official co-productions that are eligible for the new base NZSPG-NZ incentive (worth 20%), can also access a series of stackable incentives based on the new cultural content and creative talent criteria.

New Zealand productions applying for the rebate of 40% of QNZPE through the NZSPG-NZ would be required to meet the new cultural content and creative talent criteria explicitly targeting key cultural and creative objectives.</td></tr>
<tr><td>Key components of the criteria</td><td>The Significant New Zealand Content Test has criteria across four key areas:
› New Zealand subject matter
› New Zealand production activity
› New Zealand personnel
› New Zealand businesses.

These broadly reflect provisions in section 18(2) of the New Zealand Film Commission Act 1978</td><td colspan="3">Three proposed approaches for achieving the government’s cultural and creative objectives through new criteria are presented for public feedback:
A. Targeting cultural content directly through a range of content-based criteria,
B. Targeting cultural content indirectly through focusing on the quality, quantity and diversity of New Zealand creative personnel involved in the production,
C. Targeting a mix of both content and personnel.
Proposed content-based criterion that are significantly different from current criteria in the Significant New Zealand Content Test include:
› The project is an effective stimulus to the promotion, development and enhancement of creativity and New Zealand culture
› Use of Te Reo Māori, or telling a story that amplifies Māori culture
› Telling a story that amplifies cultural perspectives of underrepresented communities e.g. Pacific, Asian
Proposed personnel-based criterion that are significantly different from current criteria in the Significant New Zealand Content Test include:
› The screenplay, underlying material, or textual basis from which the story is derived was created by a New Zealander
› Key creative roles (e.g., writers, directors, editors, cast, composers) are held by Māori or other underrepresented communities such as Pacific, Asian</td></tr>
<tr><td>Assessment process</td><td>Significant New Zealand content for New Zealand productions is determined by a points test. A production that receives at least 20 points out of 32 will generally be considered to have significant New Zealand content for the purposes of the NZSPG, subject to there being no relevant factors that mitigate against eligibility.

All productions will generally be expected to receive a minimum of 3 points related to New Zealand subject matter. All productions will generally be expected to receive at least 3 out of the total of 6 points available for New Zealand personnel in relation to director, producer and scriptwriter.</td><td colspan="2">A points test could be applied with New Zealand productions required to meet a minimum level of points in order to access the incentive. Awarding of points would be cumulative, and would be based on meeting a minimum number of criteria such as those proposed in the column above.

Enabling a degree of flexibility in the assessment process, to ensure each application is considered on its own merits and the assessment criteria are applied in a way that takes account of the specific elements of the proposed project may be appropriate. Maintaining flexibility to determine cultural value on a case-by-case basis would help to avoid an overly prescribed or tick-the-box approach.</td><td>The design of the Cultural Content and Creative Talent incentive could retain flexiblity to determine on a case-by-case basis if a production has met key criteria to access the 5% stackable incentives up to a maximum of 20%. This could include devolving decision making to a group of people and/or organisations with the cultural competency and screen sector expertise to assess if a production meets the criteria.</td></tr>
</table>