19 September 2003

Lewis Holden
Deputy Secretary
Industry & Regional Development Branch
Ministry of Economic Development
PO Box 1473
Wellington

Sent unsigned by email to karen.lewis@med.govt.nz

Dear Sir,

RESPONSE TO GRANT CRITERIA

The Ministry has asked for comments on the draft Guidelines for its Production Expenditure Grant Scheme (PEGS) by the 19th September.

A combined production industry group representing various guilds (see below) met on the 11th September to formulate a joint response. In addition the NZ Film and Video Technicians Guild is submitting a separate response.

1. The group welcomed the PEGS initiative to increase production and post-production activity in New Zealand. However, because the proposed initiative does not make any provision for the growth of domestic production, the group was limited in its ability to comment completely positively. It noted that;

2. The Screen Production Industry Taskforce report (March 2003) recommended that any incentive scheme introduced benefit both domestic and foreign production, and;

3. While the Ministry describes the PEG scheme as following the Australian model, no reference is made to the accompanying measures that were taken in Australia to grow domestic production activity alongside foreign production activity.

4. In connection with the provision of incentives for foreign production in New Zealand the Task Force also recommended that "foreign productions utilise and develop New Zealand's capability and infrastructure as a pre-requisite for any future Government incentives or assistance schemes". No provision appears to have been made for such development by means of training or other requirements.

5. There are economic and cultural issues that need to be recognised and considered when determining the impact of a significant increase in foreign production. Without due consideration and understanding of the issues raised below, the New Zealand film industry will be seriously compromised in its ability to service foreign productions, as will the ability of New Zealand filmmakers to tell New Zealand stories on screen.

    a) The currently proposed PEGS will, without doubt, increase the costs of domestic production. The large budget productions to date have significantly raised costs across the board. While this is appropriate for large budget productions, it impacts on the budgets of domestically funded features. The primary source of funding in any domestic industry is cultural and therefore, budgets are necessarily far lower than for studio funded or television supported foreign productions.

b) While the domestic filmmaking industry is highly skilled, it is also relatively small. There are limited numbers of experienced key personnel in a number of areas of production. Any increase in large budget foreign production may require local producers to engage personnel from off shore, with the attendant increased costs. The reality of the current size of our industry will also impact on foreign producers who will expect to source their entire crew from the centre in which they are based.

c) There are significant cultural differences that will impact on local crews and on foreign producers. For example, in the United States, producers are accustomed to scheduling extended hours and broken "turnaround" without prior negotiation with their crew. With a longer-term consideration for the future, New Zealand filmmakers are aware of the need to respect the communities and environment that they engage with. The dollar is not the only driver in the New Zealand workplace. In order to protect our environment and workplace practices, there is a need for NZ personnel in production and location management roles on foreign productions. This will further decrease their availability for domestic production.

d) These issues are not without resolution. However, while New Zealand is being sold as a vibrant filmmaking centre, the reality of the size of our industry has not been adequately addressed. A less than positive experience for foreign producers has the potential to make the gains to New Zealand of the PEGS extremely short term.

e) New Zealand filmmakers have a vested interest in developing the capability of the entire sector. Therefore, it is domestic producers who provide the opportunities to raise technicians through the ranks; who offer support for emerging directors; who engage in the development of screen writing talent; and who provide opportunities for local actors to practice and develop their craft.

f) Provisions for the growth of the domestic industry, in tandem with the encouragement of large budget off shore productions, will provide the opportunity to expand the skill base and provide a secure environment for service providers to grow the resources available to the industry.

6. Long term, sustainable economic growth will only be achieved through the development of the domestic industry, therefore, we propose that:-

   a) Government implement immediate measures to reduce the negative impact of the PEGS to the domestic industry; to provide for capability growth across the entire filmmaking sector, including writers, actors, directors, producers and technicians.

   b) Government establish a third tier to the PEGS, available only to domestic production and tailored to the specific needs of the domestic industry. This additional Tier is proposed with the intention of incentivising New Zealand producers, to help ensure that local production levels are maintained and increased at the same time as foreign production activity. We have identified a number of specific criteria for a domestic PEGS that include:

- no budget threshold be imposed
- 12.5% grant on all foreign investment in NZ certified films
- NZ films with cultural funding to be eligible for the PEGS

The introduction of a 3rd Tier for New Zealand productions will go some way towards meeting the Task Force recommendation and more fully completing the Australian model. We note that the NZFC has prepared a thoughtful document in support of a Domestic Grants Scheme. In general we endorse that proposal.

c) Government increase the level of direct funding to the film funding agencies. We note that while the government provides, in the region of, $100million a year to the screen production industry, the vast majority of that funding is directed to television production. The film industry currently only receives around $10 million per year.

7. It is imperative that Government addresses the current and future economic climate of the domestic filmmaking industry, for the New Zealand economy to benefit from sustainable growth in this sector. This situation has become all the more urgent with the establishment of the PEG scheme.

We thank the MED and appreciate the opportunity to participate in discussion with the Government on the future of an industry that continues to have a unique ability to contribute to both the cultural and economic growth of this country.

Yours sincerely,

Angela Littlejohn for and on behalf of **Film Focus Group**	Teresa Brown for and on behalf of **NZ Actors Equity**	David Madigan for and on behalf of **NZ Film & Video Technicians Guild**
Dominic Sheehan for and on behalf of **NZ Writers Guild**	John Reid for and on behalf of **Screen Directors Guild of NZ**	Nicole Hoey for and on behalf of **SPADA**