Screen Producers & Directors Association
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30 March 2001

Karen Chant
Ministry of Economic Development
Box 1473
WELLINGTON **sent by email**

Dear Ms Chant

Parallel Importing and the Creative Industries

Thank you for a copy of the discussion document via your letter of 21 December. Our response is from the perspective of our members who are copyright holders and also of our international locations marketing unit Film New Zealand.

The screen production industry is becoming increasingly recognised as an important new industry for New Zealand. While the industry has existed for over a century, it is only relatively recently that its economic and cultural importance has become recognised in wider circles.

The most recent economic statistics provide a clear indication of the growth patterns and future potential. For the year ended March 2001:

- Company turnover topped $1 billion
- Production financing rose 62% to almost $0.5 billion
- Foreign exchange earnings tripled to $455 million
- Employment rose from 7,500 positions to over 14,000 [1]

The industry is still relatively fragile and dependent on supportive domestic policy. Most production companies are heavily under-capitalised. Their revenue derives from domestic project funding (relatively static), international project funding (in the form of pre-sales, co-production and investment) and sales of completed films and programmes.

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[1] Source: Colmar Brunton *Survey of Screen Production 2000*

We believe that unfettered parallel importing presents a risk to potential revenue. While it may presently be a small amount, the fact is that sales are a key growth potential which should not be threatened at this stage of the industry's development. The parallel importing decision is an unnecessary impediment to growth.

The internationally-recognised and long-standing windows system is peculiar to the exhibition business and means that our industry should be subject to special recognition, as it is in Australia. The windows system is intended to maximise revenue in a practical and effective manner. In New Zealand's small market, there is a wider consumer benefit to this approach because it allows a wider **distribution** of product (eg. to provincial cinemas) and the release of a wider **range** of product (because it improves profit potential allowing decisions to be made on less commercial titles).

We are also aware of the hostility of American studios to New Zealand's decision on parallel importing. This is decidedly unhelpful to our operation Film New Zealand, which markets New Zealand to international producers as a quality production location. New Zealand has a number of production advantages which it can market, but unlike its overseas competitors, it cannot offer hard business attractions such as tax breaks. The parallel importation approach seems, to international eyes, to be another aspect of New Zealand policy which does not support Film New Zealand's marketing plank of New Zealand being a 'film friendly' country.

There is probably little evidence to date that parallel importing is causing active harm. This is because it is too early to tell. If we wait for hard and fast proof, it will then be too late to make any meaningful reparation. Providing a window at least uses a small protection mechanism which has wider flow-on effects to our industry.

We strongly urge the Ministry to recommend a two-year ban on parallel importation of film and television product.

Yours sincerely

Jane Wrightson
Chief Executive
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[sent unsigned by email transmission]