SUBMISSION TO THE REVIEW OF GOVERNMENT INVESTMENT IN THE SCREEN SECTOR

The New Zealand Screen Producers' Guild
December 2022

spada nz
The New Zealand
Screen Producers' Guild

SPADA is a member association representing film and television producers. Its members have produced most of the films and television shows part-funded with NZSPG-NZ since its inception and, beyond that, most of the films and television shows that have so successfully shared and celebrated the culture of Aotearoa New Zealand for more than a generation.

The job of producing is entrepreneurial. It is to bring together the ideas, talent, skills and resources necessary to the making of the work. There is no one more centrally placed to understand the possibilities and the constraints of creative work. It is precisely the task of the producer to determine their proper mix. Our members are thus a repository of practical wisdom directly relevant to the present review.

To guide our response to the review, we surveyed all producers who have produced completed NZSPG-NZ supported films or television shows since it was introduced in April 2014 through to August 2022. We also appointed a panel of experienced producers and former agency executives to review all of the NZSPG-NZ supported productions from this period. The question we put to them was how those productions would have fared under the proposed option 1 and option 2 mechanisms. Their answers, and the results of the survey, are provided below.

We have focused on the NZSPG-NZ, since that is the primary focus of our members. But we remain acutely aware of the interconnections and interdependency between the domestic production and international service industries. There cannot be one without the other and any weakening of one will undermine the other.

“SPG is an essential tool for producers. Without it we are relegated to telling smaller stories or serving stories from other cultures.”

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Our response has also been guided by 5 key principles which we believe are integral to the maintenance of a thriving screen sector:

1. The screen sector should be an ecosystem in which local and international productions offer career pathways and training opportunities for New Zealand talent above and below the line.
2. Funding mechanisms should be calibrated to offer producers a level playing field with their international competitors.
3. Investment and innovation require predictability in the level and timing of co-funding mechanisms.
4. Multiple pathways to funding will bring greater diversity in content.
5. Creative ambition should be encouraged.

> **“The screen sector is an ecosystem and we need to make sure all the parts work together.”**
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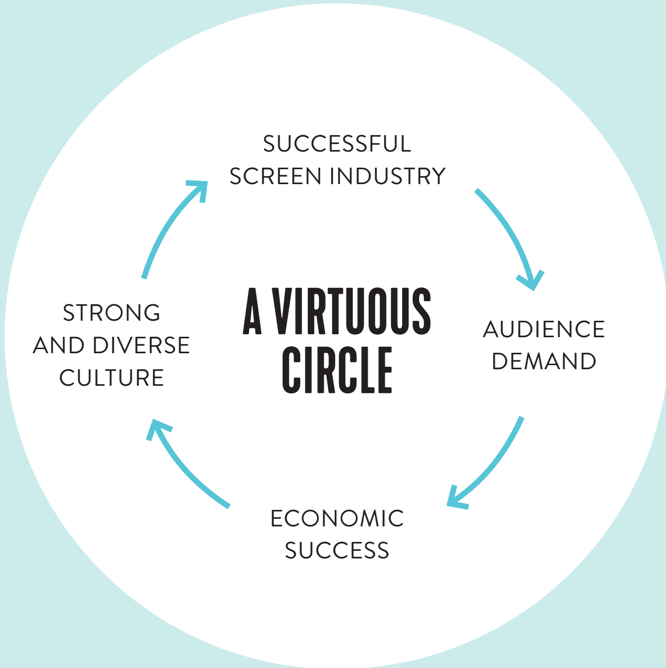
WE SUPPORT THE VISION OF THE REVIEW.

We believe there is a virtuous circle whereby a strong and diverse culture enables a successful screen industry that engages with audiences and provides economic benefits to its stakeholders – which in turn sustain the culture. Uninterrupted, this virtuous circle will deliver the outcomes sought by the review • resilience and sustainability • improved pay and career pathways for New Zealand personnel • greater diversity of content • audience engagement • wider economic benefits.

BUT WE DO NOT BELIEVE THE MECHANISMS PROPOSED WILL DELIVER THE VISION OF THE REVIEW.

There is a misalignment between the vision of a more diverse and sustainable screen sector and the specific mechanisms envisaged. We are concerned that subjective cultural content and creative talent criteria (option 1) would necessarily reduce the certainty of the SPG mechanism and erode its effectiveness. Equally, we believe that a restructured NZSPG with a 20% baseline (option 2) would lead to a dramatic reduction in local production and erode the sustainability of all production in Aotearoa New Zealand.



EXPERIENCED PRODUCERS PREDICT THAT MOST OF THE PRODUCTIONS THEY ARE NOW PLANNING WOULD NOT PROCEED UNDER EITHER OPTION 1 OR 2.

100% of producers in our survey said a tougher test of NZ content would affect their ability to finance their next production. 72% said it would 'make it very difficult'. We then asked what level of NZSPG they would expect to attract under the stackable incentive proposed in option 2. 61% said they would attract less than the current 40%. 33% said they would attract less than 30%. When we asked how this would affect their ability to finance their next production, 39% said it would have a significant negative impact. 61% said financing would not proceed. In sum, our members expect that local production would be more than halved under these proposed new mechanisms.

Fig 1 Thinking about the NZSPG incentive, do you think a tougher test of NZ content would affect your ability to finance your next production?

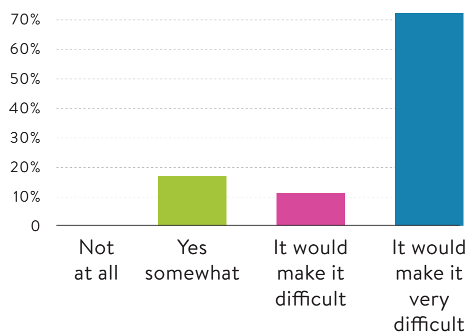
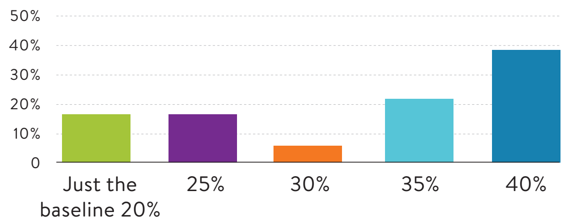


Fig 2 Thinking about your next production, what level of NZSPG do you expect would attract under the option 2 stackable incentive, beyond the baseline 20%?



> **"Please listen to the industry, the concerns are very real, we deal with the international market every day – they will quit NZ in a heartbeat with this plan."**
>
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MUCH OF OUR CELEBRATED SCREEN CULTURE WOULD NEVER HAVE EMERGED UNDER THESE MECHANISMS.

We estimate that two-thirds of all previous NZSPG-supported productions would have been at risk or likely not proceeded if option 1 or option 2 had applied to them. This includes such award winning films as *The Power of the Dog* and *Shadow in the Cloud*, and such popular and internationally successful television shows as *My Life is Murder*, *Mystic*, *800 Words*, *Moving Houses*, *Griff's Great Kiwi Road Trip* and *Rachel Hunter's Tour of Beauty*.

Films

~~THE POWER OF THE DOG~~
~~SHADOW IN THE CLOUD~~

TV Drama

~~MY LIFE IS MURDER~~
~~MYSTIC~~
~~800 WORDS~~

Non-Scripted TV

~~MOVING HOUSES~~
~~GRIFF'S GREAT KIWI ROAD TRIP~~
~~RACHEL HUNTER'S TOUR OF BEAUTY~~

> **"A reduced NZSPG % would ensure many NZ productions never cross the starting line which would reduce our cultural output, reduce crew experience and kill many production businesses."**
>
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40% MUST REMAIN THE BASELINE OF THE NZSPG.

Anything less immediately jeopardizes our ability to finance local productions. New Zealand producers are already disadvantaged by the need to raise very high proportions of international finance (see Appendix). With each step back from 40%, productions would fall by the way. And a 20% baseline would drastically reduce our competitiveness in the international market, regardless of the increments of 5% that might be stacked on top. We note that Australia, our nearest competitor, reinstated its 40% Producer Offset for Australian films after briefly moving to 30%, accepting that the reduction was unworkable.

TELEVISION PRODUCERS SHOULD NOT HAVE TO CHOOSE BETWEEN NZSPG AND OTHER GOVERNMENT FUNDING.

Film producers can combine NZSPG with other government funds but television producers can't (except for animation and children's shows). This is an anomaly increasingly out of step with industry practice. Television is just as culturally important as film and no less difficult to finance. Television productions supported by NZFC, Te Māngai Pāho, NZOA and the new ANZPM should be eligible for NZSPG. Removing this anomaly would go a long way to meeting the goals of the review.

> **"I have made 8 features over the past six years and if I did not have the 40% NZSPG none of them would be made. A change in the NZSPG, as proposed, would decimate my business."**
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PREDICTABILITY IS ESSENTIAL TO SUCCESSFUL FINANCING.

The proposed new mechanisms undermine predictability. As we evidence in the appendix, the NZSPG already ranks among the least predictable funding mechanisms internationally with a high threshold to pass. Introducing a more subjective test would make it even less predictable. Adding a set of further incremental tests would render it unworkable for many producers. Producers feel the impact of uncertainty in the form of lower and slower commitments from their funding partners. Wherever possible, content rules should avoid subjective judgement in favour of objective tests.

FINANCING IS GETTING HARDER NOT EASIER.

In our survey of producers, 78% reported that conditions in the domestic market had deteriorated, while 89% reported tougher conditions in the international market. After a long run-up in content spending, the big streaming platforms are cutting back, buying fewer productions and paying less. And traditional buyers – broadcasters and distributors – are in retreat. The proposed changes, coming on top of this tightening market, could prove catastrophic.

> **"The streaming platforms see no real difference between a film and a TV show, except one runs longer than the other. We need to catch up with this."**
>
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CO-PRODUCTIONS REMAIN AN IMPORTANT AVENUE FOR MARKET ACCESS.

As market conditions tighten, co-productions will become more important. Co-productions are also an important development path for writers, directors and producers. Reducing the NZSPG in the case of minority co-productions could close off these pathways and would be inconsistent with the reciprocity that is fundamental to treaty co-productions. 40% should be the baseline for all local productions including co-productions and they should continue to qualify automatically for the NZSPG-NZ.

WE PROPOSE A REDUCTION IN THE NZSPG THRESHOLD FOR FILMS.

The present $2.5 million threshold is a formidable barrier. We believe a reduction to a $1 million threshold could be the single most effective measure available to government to open new career pathways for emerging filmmakers including Māori, Asian and Pasifika filmmakers. Low budget filmmaking is an established, successful proving ground for talent the world over.

> **“Reasonable certainty of cornerstone funding at an early stage of funding is the strength of the scheme.”**
>
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THE NZSPG-NZ ADDITIONAL GRANT IS A BRAKE ON CREATIVE AMBITION.

To date only one production, *The Luminaries*, has received the NZSPG-NZ Additional Grant. Removing the additional NZSPG test and increasing the QNZPE cap from $15m to $50m would encourage NZ filmmakers to pursue higher budget domestic productions. This in turn would reduce the budget disparity between domestic and international productions and help bring about a more consistent pipeline of production.

THERE IS SCOPE TO IMPROVE THE EFFICIENCY OF NZSPG.

The present double-audit process introduces long delays – up to three months for final certification. The interest clock is ticking through this period, adding to financing costs and reducing on-screen value. The six-week provisional certification timeframe is also causing delays in the contracting process for productions. An efficiency review of the program administration could yield real savings in expense, time, and uncertainty.

A TRAINING LEVY IS A WELCOME INITIATIVE.

We favour a levy over a plan. We believe the funds flowing from the levy should be managed by an industry-led body, rather than the NZFC. This body should be charged with identifying skills gaps and training needs and allocating funds accordingly. Funding should be focused on below-the-line skills –where the big gaps are – not training above-the-line personnel.

> **“The beauty of SPG is as an economic lever with the fantastic by-product of cultural outcomes.”**
>
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THE NZSPG IS A SUCCESSFUL GOVERNMENT INVESTMENT.

In the search for improvements we should not lose sight of that. It has underwritten some of our great cultural successes and helped the careers of such outstanding talents as Taika Waititi, Roseanne Liang, Toa Fraser and Cliff Curtis. Left alone it will underwrite many more careers and creative successes. In our survey we asked producers how they rated the NZSPG as a mechanism delivering cultural benefits and supporting employment of local personnel. Their response was unanimous: the NZSPG has succeeded on both counts.

Fig 3 How successful would you say the current SPG incentive has been in supporting local content and delivering cultural benefits to New Zealand?

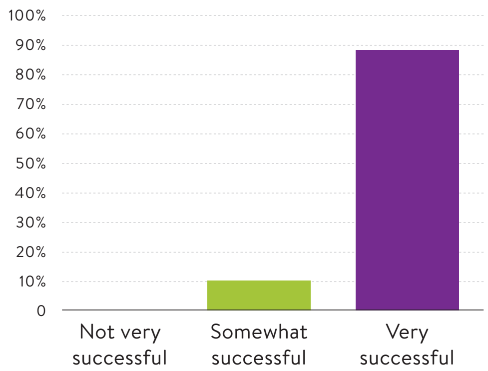
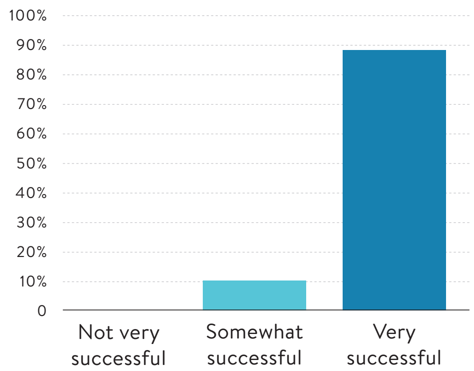


Fig 4 How successful would you say the current SPG incentive has been in supporting the employment of local production personnel?



> “Why fix something that isn’t broken?”
>
> NZSPG PRODUCER

APPENDIX

Analysis of eligibility tests for domestic incentives in key jurisdictions*

INCENTIVE NAME & JURISDICTION	CONTENT ELEMENT	PERSONNEL ELEMENT	PRODUCTION ELEMENT	MINIMUM POINTS	TOTAL POINTS	MIN AS % OF TOTAL POINTS
Portugal Production Incentive	YES	YES	YES	15	60	25%
Netherlands Film Production Incentive	YES	YES	YES	75	210	42%
Germany Motion Picture Fund (GMPF)	YES	YES	YES	40	109	42%
Germany Federal Film Fund (DFFF I)	YES	YES	YES	48	96	50%
Czech Republic Production Incentive	YES	YES	YES	23	46	50%
UK High-end TV Tax Relief	YES	YES	YES	18	35	51%
France Film and Audiovisual Tax Credit	YES	YES	YES	60	100	51%
UK Film Tax Relief	YES	YES	YES	18	35	51%
UK BFI Production Fund	YES	YES	YES	18	35	51%
New Zealand Screen Production Grant	YES	YES	YES	20	32	63%
Italy Film and Audiovisual Tax Credit	YES	YES	YES	70	100	70%
Italy MiBAC Production Subsidy	NO	YES	YES	70	100	70%
France CNC Automatic Audiovisual Production Fund	NO	YES	YES	13	18	72%

*Source: Australia New Zealand Screen Association spada nz

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