

Friday 20 March 2015

Ministry of Business Innovation and Employment (MBIE)
PO Box 1473
Wellington
15 Stout Street
WELLINGTON

ONE-YEAR REVIEW OF THE NEW ZEALAND SCREEN PRODUCTION GRANT (NZSPG)

SPADA would like to thank the Ministry of Business Innovation and Employment (MBIE) and the Ministry for Culture and Heritage (MCH) for the opportunity to participate in this one-year review of the New Zealand Screen Production Grant (NZSPG).

As detailed in SPADA's submission on the New Zealand Screen Production Grant Consultation paper last year (04 March 2014), the organisation fully supports the Government's aims and objectives for the NZSPG. The consolidation of, and enhancement to, the Large Budget Screen Production Grant (LBSPG) for international production and the Screen Production Incentive Fund (SPIF) has provided an opportunity to generate long term economic benefits to New Zealand and the New Zealand screen production industry.

SPADA supported the view that the screen incentives:

- provided value for New Zealand
- were workable
- did not result in unintended consequences; and
- did not result in high transactions costs.

SPADA also identified, and continues to work towards the follows goals and objectives for the screen incentives:

- (b) Thereby encouraging and stimulating:
- more local producers to develop NZ IP content for the NZ and international market
 - the growth of businesses that can compete successfully in the global screen market and retain key IP ownership in NZ

119 Taranaki Street
PO Box 9567
Wellington, New Zealand
Phone +64 4 939 6934
Email info@spada.co.nz
Web www.spada.co.nz

- the growth of mid-sized NZ-based productions that can compete successfully on the world stage and attract more international productions while our domestic industry develops; and
- a stronger domestically-sourced screen industry that over time is less dependent on taxpayer incentives.

Consequently resulting in the New Zealand screen sector:

- building scale and developing the means to become more financially sustainable and internationally competitive
- building the skills and connections to be able to engage and compete internationally
- generating revenue streams through more frequent commercial success for reinvestment in new IP;
- growing less dependent on incentives for future business growth.

Specific Feedback

MBIE and the NZFC has met directly (or sent the key review questions) with a number of SPADA members who would have been provided direct commentary and specific details on the screen incentive, some of those being:

- Sally Campbell
- Chloe Smith
- Rob Tapert
- Libertine Pictures
- South Pacific Pictures
- Avalon Film and TV Studios

General Comments

Over the past 12 months SPADA has noted a buoyancy in the screen sector with an increase in projects in development; increased levels of inward visits; enquiries from offshore; and a marked increase in the number of international productions filming or intending to film in New Zealand.

Given a number of the key aims and objectives of the screen incentives, as detailed above, cannot be measured given the current scope of this 12 monthly review, it can nonetheless be said that the new screen incentives are providing the intended stimulus to generate new partnerships both onshore and offshore, with a number of joint ventures and co-productions getting off the ground as a direct result of the new incentives on offer. This is incredibly positive for the industry, and one could assume that this level of activity will continue, and in some areas increase, over the next 12-24 months.

Potential Issues

Given the increase in the number of productions (particularly some of the larger international productions) there are some stresses on current infrastructure (from sets, crewing, permitting).

119 Taranaki Street
PO Box 9567
Wellington, New Zealand
Phone +64 4 939 6934
Email info@spada.co.nz
Web www.spada.co.nz

These “growing pains” are not unexpected given the screen industry was experiencing a downturn before the new screen incentives were introduced.

However, the new incentives illustrate how international production activity in New Zealand is extremely valuable to the screen sector both fiscally and from a skills capability perspective; and it also illustrates the interconnectedness of the domestic and international servicing sectors for film and television. Even as the domestic industry develops, international production will always remain integral to the screen sector and will continue to require ongoing and consistent support in order to remain competitive internationally.

Drama/Children’s Drama

Developing long-form drama – which is the key to building long-term sustainability – continues to be challenging for small to medium sized production companies. One of the reasons for this is the up-front cost of developing long-form drama projects, which impacts on a production company’s ability to retain ownership of the project.

Under the current guidelines:

Feature films may receive production funding from other New Zealand government agencies as well as a New Zealand Grant. Other screen formats may not receive production funding from other New Zealand government agencies and a New Zealand Grant unless they are an animated production.

Support at the early stages of drama development is crucial to building a strong base of local New Zealand screen companies and talented individuals developing unique IP, building scale and developing the means to become more financially sustainable and internationally competitive. Without that early support screen companies may have to concede IP ownership in return for investment in the project.

This is even more the case with regards to scripted children’s TV drama. Without intervention, international programming can swamp local content (this is particularly the case with animation which crosses borders easily and can be cheaper in some instances to acquire than locally originated content).

Children’s drama is commercially challenging genre to produce in a country the size of New Zealand for a number of reasons:

- High costs of production
- Niche audience (reduces perceived commercial value of demographic)
- Children’s lack of spending power makes them a less attractive audience to advertisers, reducing their value to commercial broadcasters (which usually results in off-peak scheduling timeslots)

119 Taranaki Street
PO Box 9567
Wellington, New Zealand
Phone +64 4 939 6934
Email info@spada.co.nz
Web www.spada.co.nz

These commercial challenges are evident in the limited commissioning of children's drama by New Zealand networks. In addition, NZ On Air's budget – which has been frozen for the last seven years - is finite and highly contested. In this current funding environment, creating an exemption for children's TV drama to access both NZ on Air and the NZSPG (with the existing cap of 75% of NZ government funding) is one way to address this market failure without syphoning funding away from other genres.

It will further the aims of the NZSPG by encouraging NZ producers to develop IP that can be exploited internationally, with NZ on Air's involvement protecting the New Zealand cultural integrity of any potential programmes. There is a growing political desire for New Zealand children's content, with strong cultural and economic outcomes to support the argument. With early investment in children's live action content, the country and the screen sector is investing in, and nurturing the drama audience of tomorrow.

SPADA would like to once again thank MBIE and MCH for the opportunity to provide this feedback on the NZSPG. SPADA is very supportive of and encouraged by the opportunities the NZSPG has brought to the New Zealand screen sector over the last 12 months, and looks forward to continuing the work and these discussions to ensure it continues to deliver on the long-term economic benefits to both the New Zealand.

Yours sincerely



Sandy Gildea
EXECUTIVE DIRECTOR
SPADA

119 Taranaki Street
PO Box 9567
Wellington, New Zealand
Phone +64 4 939 6934
Email info@spada.co.nz
Web www.spada.co.nz