SCREEN PRODUCTION SURVEY 2002

1. Preface

This is the ninth year that SPADA has undertaken this survey. It's a terrible task for the survey respondents, the research company and for SPADA, in the intensive tracking and analysis of results. But there is no other way to size the screen production industry and SPADA is fiercely interested that data about the industry that it is privileged to represent is both impartial and accurate.

As the creative industries have been put under the Government microscope this year, we were proud to learn that the data on our industry - this data - was recognised as by far the most robust and detailed in the sector. It's true that producers hate filling out forms – and it's also true that we are possibly the only ones who can persuade them, be they SPADA members or be they not.

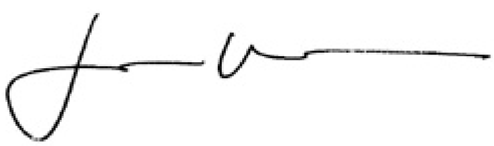
As we have predicted for two years, the marvellous *Lord Of The Rings* bubble is beginning to subside. But also as we have predicted, the underlying trends are very strong. For the nay-sayers out there, it must be remembered that *LOTR* is the most expensive screen project ever shot in the world – so the drop in some figures means nothing except that Peter Jackson pulled off an extraordinary coup.

This year the survey is telling us that government investment has increased, that domestic private investment is static, in the absence of any serious motivators in this high-risk business, and that foreign exchange earnings are a key factor underpinning the industry. Most forex is derived through production investment, secured by producers through countless trips offshore, endless meetings, skilful negotiation and never-ending relationship management. The screen production business is not for the faint-hearted and most companies struggle to secure sufficient overheads to finance the cost of business and project development.

New Zealand public funding investment in major projects is often used as leverage to secure forex. Investment from the public purse is repaid many times over.

Increasingly producers are venturing offshore to sell projects, formats and to co- or line produce foreign projects. This is a key activity which will help grow the industry overall and ensure that companies can rely less on the public purse.
Total investment in television production, at nearly $220m, exceeds that of feature film ($149m). Film production has the ability to generate enormous cultural pride and to attract serious international interest in our country and our industry. Television production, with its comparative volume and capacity for large viewing audiences, is equally important. And as the survey shows, commercials production is also an integral part of the mix.

We look forward to progressive, creative and practical Government policies to assist growth. The screen production industry has proven, many times over, that it is a horse worth backing. We are an integral part of New Zealand's cultural framework – and we bring home lots of bacon.



2. Survey Highlights

This annual Screen Production Survey covers film, television, commercials and multimedia production activity for the period ending March 2002. It is the only survey of its type and has been tracking screen industry activity since 1994. The results this year show that the marvellous distortion of the giant *The Lord Of The Rings* project is beginning to diminish but that the industry remains considerably larger than before that project got underway.

Major growth continues to be in securing foreign investment, either as investment in New Zealand-originated projects or in servicing or co-producing offshore projects.

As we have emphasised in the last two surveys, *The Lord Of The Rings* trilogy provides significant data peaks (because this is the most expensive screen project ever shot anywhere in the world). There is still significant data for the films in this report and we expect further data at lower levels next year as the projects approach completion. The underlying trends in the industry are most usefully observed by comparing 1999 data (before *LOTR* production commenced) and 2002 (where it is beginning to wind down).

Key Points From This Year's Survey

- **Company turnover exceeded $900m** this year, over $100m higher than before *LOTR*
- **Total production financing reached $444m**, down $128m from 2001 but 45% higher than in 1999. Half of this financing was for television programmes; one third for feature films.
- **Foreign production investment reached $277m**, approaching double the 1999 figure and over 60% of total production investment
- **Domestic financing increased by $13m to $167m**
- **Total foreign exchange earnings decreased by 26% this year but, at $361m, are more than double the 1999 figure**. While the majority of forex still comes from the USA, producers have successfully accessed European money which now accounts for 21% of foreign exchange earnings in 2002 (compared to 11% in 2001)
    - 11% of forex is earned by the commercials production industry
    - 12% of forex is earned from sales of completed works
    - 27% of forex is earned from investment in television production
    - 39% of forex is earned from investment in film production
    - Sales income from USA/Canada for sales of completed TV programmes increased to $38m in 2002 from $30m in 2001
    - Sales income from Europe for sales of completed TV programmes increased by $2m to $4.8m.
    - Investment from Australia continues to be difficult to attract and has dropped $3.5m this year from $11m to $7.5m. This is at odds with most other industries, which report Australia as a major trading partner.

Notable Fluctuations

- **Production investment increased:**
    - for **TV entertainment programmes,** due mainly to an increase in foreign production activity by New Zealand producers offshore
    - for **TV documentaries,** due to an increase in NZ On Air and Te Mangai Paho funding, as well as increased offshore activity, up $4m from last year and double that of two years ago
- **Production investment decreased:**
    - for **feature films** due to completion of the main shoot for *LOTR*, which almost wholly accounts for a decline in offshore financing (but this masks considerable new activity by other producers and line producers)
    - for **TV information/ magazine programmes** – a continual decline is evident from a 1999 peak, partially due to a change in definition in 2000, but still down $3m from the 2000 financial year. In particular there is a decline in NZ On Air funding from 2000 levels (which is paralleled by increased broadcaster investment) and no new investment in this genre by Te Mangai Paho

- In terms of **regional expenditure, Auckland** takes the main slice of production spend with nearly $205m. As expected, production expenditure in **Wellington** has dropped by 50% to $122m with the wrap of *LOTR* shooting. However, Wellington expenditure is still well ahead of 1999 levels, indicating lasting effects on the Wellington industry despite a lean local production year. In addition, expenditure in **Queenstown** is up $7.5m on last year to nearly $26m (a 42% increase from the 2001 year)

- **Industry employment** returned to pre-*LOTR* levels, dropping from 31,266 contracted jobs last year to 12,264 currently. This is largely a loss of independent contractor positions.

Full copies of the Survey can be purchased for NZ$95 plus GST by emailing info@spada.co.nz