



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI



Ministry
for Culture
& Heritage

Terms of reference for the review of government investment in the screen sector

9 December 2021

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1. Context

The sector's contribution to New Zealand

The screen sector offers significant cultural and economic value to Aotearoa New Zealand in its ability to represent Aotearoa New Zealand stories to a wide global and local audience through different mediums. The screen sector is a global business, which provides strong international connections and opportunities to Aotearoa New Zealand by bringing global companies here.

When optimised, these factors together can create unique benefits for Aotearoa New Zealand by:

- telling compelling stories that bring New Zealanders together and support social cohesion;
- helping to build Aotearoa New Zealand's global brand and reputation;
- delivering benefits to the wider economy, such as increased tourism, investment and innovation;
- attracting globally-leading firms and talent to Aotearoa New Zealand and building networks that support innovation both in the screen sector and in the wider economy at a regional and national level; and
- providing a diverse range of jobs with technical and creative niches.

The Government currently invests in a mix of international productions, domestic productions and co-productions. Government investment in the screen sector includes (but is not limited to) production and post-production grants, industry capability building, international production attraction, project development, marketing and release of a production, and talent development.

Policy settings

The settings driving government investment in the screen sector have been designed to grow the scale of the screen sector in Aotearoa New Zealand, increase the attractiveness of Aotearoa New Zealand as a location for international film production, and boost the creation of films and programmes that reflect our nation's unique identity and culture.

Overall, these settings have helped support the Aotearoa New Zealand screen sector to become a globally recognised screen production centre with established infrastructure, technology and human capital that has:

- attracted over \$3 billion of international spend to Aotearoa New Zealand between 2014/15 and 2019/20¹;

¹ This figure derives from the 2018 Statistics New Zealand screen sector survey and comprises revenue derived from production, post-production, broadcasting, exhibition and distribution of screen content in New Zealand.

- stimulated spend in the wider economy (international evidence suggests over 60 percent of production spend may accrue to sectors including hospitality, catering, transport, and construction)²; and
- supported domestic productions that have resulted in Aotearoa New Zealand stories reaching global audiences.

However, the Government recognises that there are a range of challenges currently facing the screen sector, accompanied by recent shifts in the sector. Some of these challenges include:

- global changes to the way productions are filmed, edited and watched, including streaming platforms and digital convergence;
- few domestic companies are at a scale to compete globally and reach global audiences, or offer stable employment and training and development to New Zealanders;
- policy settings insufficiently target the development and delivery of larger scale world class Aotearoa New Zealand stories; and
- there is a high reliance on government incentives to support future growth of domestic companies and on international productions to provide ongoing jobs and careers.

Aotearoa New Zealand Screen Sector Strategy

In August 2020, the Screen Sector Strategy Facilitation Group developed the Aotearoa Screen Sector 2030 Strategy (the 2030 Strategy) in response to a call from the then Minister for Arts, Culture and Heritage in 2017.

The 2030 Strategy sets out a vision of ‘a thriving screen sector reflecting and enriching Aotearoa New Zealand for all our people.’ It has a three-year action plan to grow the sector through ten initiatives and identifies shared and separate roles for the sector and government. It describes challenges such as capability and infrastructure shortages, and opportunities such as intellectual property development and telling te ao Māori stories for global audiences.

This review responds to the action proposed in the 2030 Strategy of exploring funding options.

2. Objectives

There are opportunities to adjust settings to better address some of the challenges facing the sector and to maximise benefits. This is why the Government is taking forward a review of government investment in the screen sector.

To guide the review the Government has developed a set of objectives aimed at maximising economic and cultural benefits from its investment in the screen sector. The objectives seek to support a more balanced, resilient and sustainable Aotearoa New Zealand screen sector and enable New Zealanders to benefit from careers in the sector.

The objectives also align with aspirations of the industry for more domestic companies at scale and greater commercial success, better jobs and creation of unique intellectual property. Both

² <https://www.o-spi.co.uk/wp-content/uploads/2020/06/Global-Screen-Production-and-COVID-19-Economic-Recovery-Final-2020-06-25.pdf>

industry and the Government have a shared interest through this review in achieving long-term sustainable support for the screen sector.

The following objectives have been developed to guide the review:

- **Support the development of a balanced, resilient, and sustainable Aotearoa New Zealand screen sector** to ensure it is less vulnerable to global shifts in incentives, with more diversified business models. This includes a cohort of Aotearoa New Zealand businesses at scale operating at the global frontier and creating a diverse range of content including high quality Aotearoa New Zealand stories for global audiences.
- **Support improved conditions, pay and career pathways for New Zealanders in the screen sector**, including enabling more New Zealanders to take on skilled and higher paid roles on and off the screen.
- **Improve social cohesion** by supporting the development of Aotearoa New Zealand cultural content that reflects the diversity of Aotearoa New Zealand and reaches a broad audience.
- **Maximise the benefit generated to the wider Aotearoa New Zealand economy from the screen sector** including through driving innovation, attracting global talent, building Aotearoa New Zealand's global brand leveraging long term benefits from screen production activity and audience engagement with Aotearoa New Zealand content.

These objectives build on some of the challenges identified in Strategy 2030, including the desire for a more sustainable sector; building the scale of Aotearoa New Zealand businesses; enabling greater coordination and international marketing of content; and development of unique Aotearoa New Zealand intellectual property.

Although the screen sector, along with wider Aotearoa New Zealand, is currently facing uncertainty due to COVID-19, a longer-term plan around government's investment in the sector is still needed. Proceeding with a review of the screen sector now will help prepare the Government and industry to build back from COVID-19 and to respond to the 2030 Strategy.

3. Scope

The scope of the review has been developed to address the objectives outlined above. The scope will focus on direct funding to the screen sector (notably the NZSPG). While the NZSPG will be a focal point for the review, other funding to the screen sector provided through the New Zealand Film Commission from the areas of Arts, Culture and Heritage and Economic and Regional Development will be considered, as relevant, in the context of the broader funding landscape.

The review will focus attention and resource on existing funding mechanisms where changes have the most potential to make a difference, in line with the objectives set.

The overarching questions the review seeks to answer include:

- Whether, and to what extent, government's investment in the screen sector, linked to Arts, Culture and Heritage and Economic and Regional Development, might unintentionally be inhibiting the sector's development and resilience over time?
- Could government's investment in the screen sector, linked to Arts, Culture and Heritage and Economic and Regional Development, better support the sustainability

of the New Zealand screen sector and maximise economic and cultural benefits for New Zealand and New Zealanders?

It is not proposed to include the role and function of the New Zealand Film Commission in this review, or the operational funding for the New Zealand Film Commission. Engagement with the public and sector representatives will inform the outcomes of the review. Depending on the outcomes of the review, and any government decisions for change, subsequent consideration may need to be given to the appropriate arrangements that would best enable the New Zealand Film Commission (NZFC) to deliver on any intended policy settings. This could include consideration of changes to the New Zealand Film Commission Act 1978, which may also require amendment to give full effect to any changes to the NZSPG - domestic. We will engage with NZFC throughout this review, and any subsequent consideration required will be clearly communicated to the sector, with further engagement.

More detail on the scope of the review is provided at **Annex One**.

Within scope of the review

- The scope of the review will consider changes to the NZSPG-international and NZSPG-domestic grants (including consideration of the fiscal sustainability of the NZSPG and employment outcomes for New Zealanders) that may be necessary to meet the government's investment objectives.
- Other direct funding to the screen sector administered by the NZFC including, but are not limited to:
 - COVID-19 recovery funds directed at the screen sector; and
 - other funding from the areas of Arts Culture and Heritage and Economic and Regional Development to the screen sector.
- Time-limited funding sources (specifically COVID-19 recovery funding) are within scope of the review, as relevant. However, this does not signal government commitment to continue these funds on an ongoing basis.

Outside the scope of the review

The following are outside the scope of this review:

- The New Zealand Film Commission's core operational funding;
- development of the interactive media sector in New Zealand will continue to be considered through the Digital Technologies Industry Transformation Plan (ITP). Any new work resulting from the review would need to consider intended or unintended impacts on the interactive media sector and ensure alignment with any interactive media sector initiatives resulting from the Digital Technologies ITP;
- policy settings relating to employment law;
- changes to policy settings in the areas of Broadcasting and Media and Māori Economic Development will be out of scope of this review; and
- decisions around funding to the screen sector primarily sourced from allocations from the Lotteries Grant Board (which comprises the majority of NZFC's revenue stream).

Although the review will focus on government investment in the screen sector, it will take into account the fact that the screen sector has important links to other regulatory frameworks. These links will help inform the review but will not involve changes to other regulatory frameworks. Identified linkages that may be used to inform the review include: The

Broadcasting Act 1989; Television New Zealand Act 2003; and international obligations under Trade Treaties.

The following assumptions underpin the review. The government will:

- continue to invest in international screen productions taking place in New Zealand through screen production grants;
- continue to invest in New Zealand owned screen productions;
- not cap funding to the sector (i.e. not introducing a programme cap to the NZSPG), but will explore options for increased fiscal sustainability that also increase benefits from the investment; and
- not propose changes to direct funding mechanisms when the majority of funds are sourced from outside the areas of Arts, Culture and Heritage and Economic and Regional Development.

4. Process and timing

The review will be led by Manatū Taonga Ministry for Culture and Heritage (MCH) and Hikina Whakatutuki Ministry for Business Innovation and Employment (MBIE), engaging with New Zealand Film Commission.

Public consultation

The review will provide an opportunity for broad public consultation on policy options to ensure the wider screen sector and the New Zealand public can engage fully in the review process. Broad public consultation will:

- ensure the review process is transparent;
- provide the sector and the general public with an opportunity to input into decision-making; and
- provide a greater level of assurance that government investment in the screen sector supports the outcomes the review aims to achieve.

In the public consultation phase, a discussion document will be available to access on both the MBIE and MCH websites and public submissions will be accepted through physical or electronic submission.

Targeted consultation with key stakeholders

The review will also provide an opportunity for targeted consultation with key stakeholder groups, including, but not limited to:

- Screen Sector Strategy Facilitation Group;
- Australia New Zealand Screen Association;
- Regional Film Offices New Zealand; and
- Industry Guilds such as the Screen Production and Development Association, the New Zealand Writers Guild, and Equity New Zealand.

Targeted consultation will take various forms, including, but not limited to, emails inviting stakeholders and sector representatives to take part in the consultation, face to face interviews, webinars and workshops.

In addition to the public consultation phase, the review will be informed by stakeholders and sector representatives throughout the process.

Consultation with crown entities and government agencies

MBIE and MCH will also work with the following crown entities and government agencies throughout the review: NZFC; Te Māngai Pāho; New Zealand on Air; The Treasury; Te Puni Kōkiri and other government agencies throughout the review.

Key stages in the review process and indicative timeline

Key stages of the review process	Indicative timing
Determining facts, building evidence and developing options for change	
Issues identification: <ul style="list-style-type: none"> • Development of issues papers • Analysis of issues and identification of strategic opportunities • Development of options for change • Development of draft public consultation document 	January – May 2022
Considering options for change through a consultation process	
<ul style="list-style-type: none"> • Cabinet agreement to release of consultation document • Release of public consultation document • Consultation process • Analysis of submissions 	June 22 – November 22
Final report to Ministers: <ul style="list-style-type: none"> • Overall findings of the review • Policy recommendations 	December 22
Final report to Cabinet: <ul style="list-style-type: none"> • Overall findings of the review • Policy recommendations 	By April 2023
Implementation of policy decisions	
Changes to international and domestic production grant settings	June – December 2023

Annex One: Further detail on the scope of the review

The following key questions will be included as part of the review:

- a. What is the appropriate balance of direct and indirect benefits (including economic, cultural, industry and careers) sought to achieve through this investment?
- b. Whether the Government's current investment mix³ is optimally balanced to support the sustainability of the New Zealand screen sector, and maximise the economic and cultural benefits for New Zealand and New Zealanders?
- c. Whether there are other investment mechanisms that could be used to support the Government's objectives for the screen sector?
- d. If the Government's investment mix is not optimally balanced, what changes could be made to the investment mix to support an appropriate rebalance?
- e. Whether the current mix of screen productions⁴ invested in by the Government is optimally balanced to support the sustainability of the New Zealand screen sector and maximise the economic and cultural benefits for New Zealand and New Zealanders?
- f. If not, what changes could be made to the production mix, or to the types of productions invested in to support an appropriate rebalance?
- g. Whether, and to what extent, the Government's investment in particular types of productions, or the nature of the funding, might unintentionally be inhibiting the sector's development and resilience over time?
- h. If investment changes are required, what should the alternatives be, to better support the sustainability of the New Zealand screen sector and maximise the economic and cultural benefits for New Zealand and New Zealanders?
- i. Is the Government's current approach to funding adequate to reflect the value of Māori language, culture and identity to Aotearoa New Zealand, as it relates to the Arts Culture and Heritage portfolio? Is the current approach equitable for Māori? If not, what changes are required to achieve this and better support Māori productions?

Within this stream of work there will be a specific focus on the NZSPG.

- j. Whether the current structure and design settings of the NZSPG remain fit-for-purpose in-light of international and domestic opportunities and challenges facing

³ Government's current investment mix in the screen sector includes but is not limited to production and post-production grants, industry capability building, international production attraction, project development, marketing and release of a production, talent development.

⁴ Currently government invests in a mix of international productions, New Zealand productions and co-productions.

the sector, the wider regulatory system, and the Government's broader policy objectives.

- k. If the settings of the NZSPG, as currently designed, is no longer fit for purpose then, what changes if any are required to better support:
 - i. A balanced, resilient and sustainable screen sector?
 - ii. Improved conditions, pay and career pathways for New Zealanders?
 - iii. Maximising economic and cultural benefits for New Zealand?
 - iv. Improved discretion over the total amount of government investment made?
- l. Design settings to support the fiscal sustainability of the NZSPG that would be considered as part of this review include:
 - i. headline/subsidy rates and the allocation of funding between economic and cultural objectives;
 - ii. role of co-productions
 - iii. targeting/attracting international productions; and
 - iv. more discretion over government investment.
- m. Other design settings that would be considered as part of this review include:
 - i. type of expenditure included
 - ii. production eligibility requirements; and
 - iii. fit for purpose administration, governance and evaluation of the NZSPG.