



## COVERSHEET

<b>Ministers</b>	Hon Carmel Sepuloni Hon Barbara Edmonds	<b>Portfolio</b>	Economic Development
<b>Title of Cabinet paper</b>	Consultation document with options to lift the value of government investment in the screen sector	<b>Date to be published</b>	17 July 2023

<b>List of documents that have been proactively released</b>		
<b>Date</b>	<b>Title</b>	<b>Author</b>
19 October 2022	Consultation document with options to lift the value of government investment in the screen sector	Offices of the Minister for Arts, Culture and Heritage and, Minister for Economic and Regional Development
	Options to Lift the Value of Government Investment in the Screen Sector: Release of Consultation Document SWC-22-MIN-0178 Minute	Cabinet Office
20 October 2022	Amendments to Consultation Document for Review of Government Investment in the Screen Sector	MBIE, MCH

### **Information redacted**

### **YES / NO**

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Some information has been withheld for the reasons of Legal professional privilege, improper pressure or harassment and for international relations purposes.

In Confidence

Offices of the Minister for Arts, Culture and Heritage and Minister for Economic and Regional Development

Chair, Cabinet Economic Development Committee

## **Consultation document with options to lift the value of government investment in the screen sector**

### **Proposal**

- 1 This paper provides a report back and seeks Cabinet Economic Development Committee's approval to publish the attached consultation document 'Increasing value from government investment in the New Zealand Screen Production Grant'. Feedback from the consultation document will inform advice on proposed changes to the New Zealand Screen Production Grant (NZSPG).

### **Issue Identification**

- 2 Government invests significant funding in the screen sector across a range of Ministerial portfolios. One key funding mechanism is the NZSPG. Investment in the NZSPG has been increasing steadily over time – from \$133.9m in 2015/16 to \$218.2m in 2020/21. Current NZSPG settings are no longer fit for purpose and changes are required to lift the value of benefits to New Zealand.

### **Relation to government priorities**

- 3 This work supports the Government priorities to accelerate the recovery and lays the foundation for the future. It supports the goal of Government's Economic Strategy for Aotearoa New Zealand to become a high wage, low emissions economy that provides security for all. Specifically, changes to NZSPG can help to unleash business potential in the screen sector, increase capabilities and opportunities through skills and talent development, support Māori and Pacific aspirations in the sector. It also supports the cultural capability and belonging domain of the Living Standards Framework by promoting cultural identity and participation in the arts through film and television.

### **Executive Summary**

- 4 On 29 November 2021 Cabinet agreed [CAB-21-MIN-0507] that, as joint Ministers, we take forward a review of direct funding to the screen sector from the Arts, Culture and Heritage and the Economic and Regional Development portfolios, with specific focus on a review of the NZSPG. On 9 December 2021 we jointly announced the Review of Government Investment in the Screen Sector (the review) and published a terms of reference.
- 5 Cabinet invited us to report back to the Economic Development Committee [CAB-21-MIN-0507] in 2022 ahead of any formal public consultation on proposed changes to the NZSPG or to other direct funding to the screen sector from our portfolios.

- 6 The review has identified areas for improvement to government investment in the NZSPG that, if implemented, would better support desired outcomes for the screen sector and economic and cultural benefits for New Zealand. The key issues to be addressed are:
- 6.1 smoothing the current peaks of production work
  - 6.2 providing better support for skills development and improving career pathways
  - 6.3 more directly targeting outcomes through changes to the NZSPG structure and criteria
  - 6.4 strengthening the cultural content test to improve cultural benefits

### *Proposals for change*

- 7 We propose to focus on three goals for government investment in the NZSPG: incentivising a steady pipeline of screen productions to support business growth and resilience and sustainable careers; improve skills; and support the development of compelling and ambitious New Zealand content.
- 8 Three options have been developed to reflect the different level of investment outcomes that could be achieved. The options build on each other:
- 8.1 Option 1 (least change and impact) – changes to policy settings to **incentivise careers, skills development and support high quality New Zealand content and creative talent.**
  - 8.2 Option 2 (medium change and impact) – changes to policy settings to **incentivise a steady pipeline of productions to support business growth, careers and skills and new cultural content and creative talent** criteria for all eligible productions
  - 8.3 Option 3 (large change and potential impact) – changes to policy settings to **introduce a base incentive and a series of additional targeted supports to incentivise a steady pipeline of screen productions, careers, skills and supporting the development of high-quality New Zealand content and creative talent**
- 9 Our officials have met with many screen sector stakeholders to help inform the policy analysis as we developed up the options and policy choices. We consider stakeholders would be broadly supportive of initiatives to support skills development. Stakeholder reactions to the other proposed areas of change are likely to be mixed and will depend on whether the change continues to support, or will have an undesired impact on, their current business activities. Public consultation provides the opportunity to understand the impact of any change to the NZSPG on both screen sector stakeholders and the New Zealand public more generally.

## **Background**

### *The review of government investment in the screen sector*

- 10 We currently commit a large amount of government funding to screen productions in New Zealand. In 2021, international productions received funding from the NZSPG totalling

\$169.8m and New Zealand productions received \$48.4m. New Zealand productions received a further \$301.6m in 2021 from other government screen funding sources.

- 11 The New Zealand Screen Production Grant (NZSPG) is one of the major sources of public funding for the screen sector in New Zealand and our investment in the NZSPG is growing.<sup>1</sup>
- 12 We announced the review in December 2021. Terms of reference were published to signal its scope. The review responds to concerns about whether the New Zealand Screen Production Grant (NZSPG) is fiscally sustainable in its current form, and whether it is configured in a way that maximises public benefit.
- 13 Cabinet agreed to the following objectives to guide the review and investment approach [CAB-21-MIN-0507]:
  - 13.1 support the development of a more resilient, and sustainable New Zealand screen sector.
  - 13.2 support improved conditions, pay, and career pathways for New Zealanders in the screen sector.
  - 13.3 improve social cohesion by supporting the development of New Zealand cultural content that reflects the diversity of New Zealand and reaches a broad audience; and
  - 13.4 maximise the benefits generated to the wider New Zealand economy from the screen sector.

*Key assumptions underpinning the objectives of the review and proposed policy direction*

- 14 The Terms of Reference for the review of government investment in the screen sector outline several underpinning assumptions. These have shaped the scope of the review and development of proposed options for changes to NZSPG settings. These include that the government will:
  - 14.1 continue to invest in international screen productions taking place in New Zealand through screen production grants;
  - 14.2 continue to invest in New Zealand owned screen productions; and
  - 14.3 not cap funding to the sector (i.e. not introduce a programme cap to the NZSPG) but will explore options for increased fiscal sustainability that also increase benefits from the investment.
- 15 While the NZSPG is the focal point for the review, other screen funding streams within the Arts, Culture and Heritage and Economic and Regional Development portfolios have been considered to develop advice within a coherent funding landscape. Due to the assumptions underpinning the review this means that any changes put forward will be

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<sup>1</sup> In 2015/16, crown spending on the NZSPG-International appropriation totalled \$118.5m, this increased to \$169.8m in 2020/21. Crown spending on the NZSPG-New Zealand appropriation totalled \$15.4m in 2015/16, increasing to \$48.4m in 2020/21.

limited to the government's investment in the NZSPG and the attraction and promotion funding administered by the New Zealand Film Commission (NZFC).

16 Areas out of scope of the review are:

16.1 The New Zealand Film Commission's core operational funding

16.2 development of the interactive media sector in New Zealand will continue to be considered through the Digital Technologies Industry Transformation Plan

16.3 policy settings relating to employment law

16.4 changes to policy settings in the areas of Broadcasting and Media and Māori Economic Development

16.5 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).

17 The review of screen sector funding will also acknowledge the links between the screen and game development sectors.

18 Cabinet invited us to report back on the findings of the review to the Economic Development Committee in 2022 [CAB-21-MIN-0507], ahead of any formal public consultation on proposed changes to the NZSPG or other direct funding to the screen sector.

19 An additional report back to Cabinet is also required before mid-2023 with final advice on changes to the NZSPG. Depending on the outcomes of the review, and any government decisions for change, subsequent consideration may need to be given to the arrangements that would best enable the NZFC to deliver on intended policy settings. We will report back to Cabinet on this at the same time.

## **Comment**

### *Summary of external views on the value of the screen sector*

20 Several evaluations or analysis<sup>2</sup> of the screen sector has shown that there is significant gross value in our investment but the net value appears more modest<sup>3</sup>. Cultural value is more difficult to measure, although analysis shows that cultural value can justify the investment. A 2022 report by Olsberg SPI added support to the assessment of the screen sector as valuable for the New Zealand economy, indicating that screen production has generated significant and increasing expenditure within New Zealand.

### *Key findings from the review related to the NZSPG*

21 Since announcing this review, substantial policy analysis and engagement with key stakeholders has been undertaken by officials to inform the development of policy options.

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<sup>2</sup> Sapere, 2017; Sense Partners, 2018; Infometrics, 2018; Oslberg, 2022

<sup>3</sup> Sapere estimated \$2.04 of economic benefit for every \$1 of NZSPG funding.

- 22 Specific opportunities to improve sector outcomes through changes to NZSPG settings were identified as:
- 22.1 smoothing the current peaks of production work
  - 22.2 providing better support for skills development and improving career pathways
  - 22.3 more directly targeting outcomes through changes to the NZSPG structure and criteria
  - 22.4 strengthening the cultural content test to improve cultural benefits
- 23 To address these identified areas, and to improve the value from government's investment in the screen sector, we propose government's investment in the screen sector via the NZSPG focus on the objective of incentivising a steady pipeline of screen productions to support growth and resilience of businesses and sustainable careers; improve skills and talent; and support the development of compelling and ambitious New Zealand content.

*The consultation document describes five key opportunities for change to deliver on government's goals for the NZSPG*

- 24 The consultation document describes five potential changes to the NZSPG to deliver on government's goals for the incentive that cover:
- 24.1 Introducing a new single base incentive for all productions and stackable incentives targeting repeat activity and cultural content.
  - 24.2 Developing sector level skills to enable growth: introducing a skills levy or a skills plan
  - 24.3 Supporting a steady pipeline of productions: introducing a repeat activity incentive and/or a QNZPE cap per project
  - 24.4 Supporting new and emerging PDV activity: reducing the QNZPE threshold from \$0.5m to \$0.25m
  - 24.5 Supporting cultural content and creative talent: introducing new cultural content and creative talent criteria
- 25 We want to increase the value generated from our investment in the NZSPG. To do this, we propose changes to the NZSPG to more directly incentivise a steady pipeline of screen productions to support business growth, sustainable careers and sector resilience. We also want to incentivise more directly improved screen sector skills and support the development of compelling and ambitious New Zealand content.
- 26 We expect directly targeting sector-level benefits, such as skills and career development, and business growth, through changes to the NZSPG will go on to generate wider economic and cultural benefits for New Zealand and New Zealanders over time. For example through deepening our connections with global centres of knowledge and innovation, enhancing capital flows and attracting and supporting skills that work for New Zealand.
- 27 The consultation document presents three options for consideration, from least change to the current NZSPG settings, likely to result in the smallest improvement in economic and

cultural benefits (option one), through to the greatest amount of change, likely to have the largest impact on economic and cultural benefits (option three). All options require stronger focusing of our international attraction and promotion activity.

28 The three options put forward in the consultation document are described below.

<p><b>Option 1: Changes to policy settings to incentivise careers, skills development and support high quality New Zealand content and creative talent</b></p> <p>Key changes to NZSPG settings under this option:</p> <ul style="list-style-type: none"> <li>• Retain headline rates and criteria for the NZSPG-International and the NZSPG-New Zealand</li> <li>• Introduce a skills levy or a skills plan for NZSPG funded productions ((this would apply to all international, domestic and PDV productions)</li> <li>• Introduce new cultural content and creative talent criteria for New Zealand productions (there will be no change to the official co-production process under this option)</li> <li>• Improve the 5% Uplift by clarifying the eligibility process and criteria</li> <li>• Remove the sliding scale rates for the NZSPG PDV grant and offer 20% rate for all sizes of productions applying for the NZSPG-PDV</li> </ul>
<p><b>Option 2: Changes to policy settings to incentivise a steady pipeline of productions to support business growth, careers and skills, and new cultural content and creative talent criteria for all eligible productions</b></p> <p>Key changes to NZSPG settings under this option:</p> <p>All changes described under <b>Option 1</b>, plus</p> <ul style="list-style-type: none"> <li>• Introduce a Repeat Activity Incentive in place of the current 5% Uplift for international productions targeting wider economic benefits</li> </ul> <p>And/or</p> <ul style="list-style-type: none"> <li>• Introduce a QNZPE cap per project for international productions</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>• Introduce new cultural content and creative talent criteria for official co-productions applying for the NZSPG-New Zealand</li> </ul> <p>And</p> <ul style="list-style-type: none"> <li>• Reduce minimum QNZPE threshold for PDV from \$0.5 to \$0.25m</li> </ul>
<p><b>Option 3: Changes to policy settings to introduce a base incentive and a series of additional targeted supports to incentivise a steady pipeline of screen productions growth, careers, skills and supporting the development high quality New Zealand content and creative talent</b></p> <p>Key changes to NZSPG settings under this option:</p> <ul style="list-style-type: none"> <li>• Remove the current NZSPG-International, the NZSPG-PDV and the NZSPG-NZ package</li> <li>• Replace NZSPG with a Base Incentive at 20% support. All types of productions (including PDV activity and official co-productions) are able to access the Base Incentive as long as eligibility criteria are met</li> </ul>

- Base incentive criteria will be mainly aligned with the existing NZSPG-International settings, with some exceptions, e.g. the QNZPE threshold for all types of production would be lowered to \$0.25m
- All productions receiving the Base Incentive are eligible for stackable targeted incentives up to a maximum of 45% support, made up of:
  - a 5% Repeat Activity Incentive (per Option 2)
  - up to 20% stackable incentive based on cultural content and creative talent criteria (per Option 1)
- Introduce a skills levy or skills plan (as for Option 1)
- Introduce a QNZPE project cap (as for Option 2)
- Reduce the minimum qualifying threshold for PDV (as for Option 2)

29 The consultation document also considers the NZSPG administration, and signals that there will be on-going reporting, monitoring, and evaluation to ensure government investment in the screen sector is well targeted and generating the outcomes intended through any change.

30 In addition to the options for change, we will change the name of the Screen Production Grant to more accurately reflect the nature of the scheme. This could be the Screen Production Rebate.

#### *Links between the screen and game development sectors*

31 The New Zealand screen and game development sectors are experiencing strong growth and have potential to contribute to our economic and cultural well-being. Both sectors fit within the broader media and entertainment industry.

32 While both sectors are interlinked in some areas<sup>4</sup>, there is also significant structural differences<sup>5</sup> between the two, suggesting different forms of government response may be required to support sector growth and resilience.

33 Digital convergence, may over time, create greater overlap between the two sectors. It is important that we remain cognisant of, and responsive to, any structural changes that could more closely link the screen and game development sectors in future. However, the options put forward in the consultation document remain focused on the screen sector and proposed changes to the NZSPG.

#### *Additional findings from the review*

34 While out of scope of the changes put forward in the consultation document, the review also considered the wider government funding landscape for the screen sector. It found a number of structural issues that may require addressing through parallel work taking place across government.

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<sup>4</sup> digital animation, visual effects and interactive experiences and the skills underpinning these and a shared need for creative talent

<sup>5</sup> business models and financing, access to international markets and potential for cultural outcomes)

- 35 Specific areas identified through the review include:
- 35.1 Direct government investment to the screen sector has increased between 2014-2018<sup>6</sup> while overall financing of the sector remained the same, indicating a crowding out of private investment over time. This may be indicative of domestic productions increasing their reliance on public funding.
  - 35.2 At present, funding for the screen sector is fragmented, often with competing priorities and objectives across the screen funding entities.
  - 35.3 Screen sector funding mechanisms operate as standalone funds, making it difficult for the domestic sector to navigate. They are also geared towards New Zealand content for New Zealand audiences, with no specific long-term funding mechanism to support the international success of New Zealand content and talent.
  - 35.4 Domestic productions receive the largest proportion of government investment however no consistent data is collected on New Zealand audiences watching domestically produced content. This makes it difficult to measure how these productions are contributing to cultural benefit. More information on who, how and what audiences are watching is needed to measure how these productions contribute to cultural capability and belonging.
  - 35.5 Due to a lack of combined monitoring, evaluation, and reporting, it is difficult to see the outcomes that are being achieved through government's investment in the screen sector.
- 36 The analysis highlights an opportunity to develop a wider funding strategy for the screen sector so that government can maximise its investment in the screen sector more broadly. While this is out of the scope of the review, we consider this issue to be significant and will explore opportunities to address this area of concern alongside other work taking place in the sector e.g. the establishment of the Aotearoa New Zealand Public Media entity. We will look for opportunities for the NZSPG to support and align with wider changes in the sector as we develop final recommendations.

## **Public Consultation Process**

### *Timing for public consultation on changes to the NZSPG*

- 37 Public consultation on the proposed changes to the NZSPG will take place between October and December 2022.
- 38 NZFC, New Zealand on Air and Te Māngai Pāho will be supporting public consultation by ensuring the consultation document is circulated to their industry contacts for comment. Our officials will also work with regional film offices and screen sector guilds to ensure the consultation document is widely distributed.
- 39 Consultation with stakeholders will take various forms, including emails and Facebook advertising inviting all stakeholders to take part in the consultation, face-to-face interviews, and workshops with stakeholder groups. Consultation will be accessible. Published

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<sup>6</sup> Data sourced from the Stats NZ Screen Survey. This survey was disestablished in 2018.

information, including the consultation document, and options for ways to provide feedback will be developed to ensure different accessibility needs can be met.

- 40 There will be targeted Māori consultation through Māori guilds and entities in the sector to ensure that views of Māori screen sector workers are captured in the public consultation period.
- 41 Our officials will draw on the consultation document to develop a range of collateral, including a summary of changes, to support public consultation.
- 42 The qualitative data gathered through face-to-face interviews and workshops will be used to shape our approach to the submissions analysis. Survey submission forms and other written forms of submission sent to MBIE/MCH will also inform final policy advice.

## **Risks**

- 43 The sector may react negatively to some of the changes put forward in the consultation document (e.g., strengthened cultural test and introduction of a project cap), or they may consider one of the options put forward as preferred. This could raise sector expectations or generate changes in behaviour in anticipation of final decisions. A negative impact of this could be a fall-off in international productions undertaking activities in New Zealand. Officials will address this risk through clear communication and extensive public consultation, including with international producers and studios.
- 44 Option 2 and 3 propose the removal of the 5% Uplift. This could lead to many productions requesting to be considered for the 5% Uplift before final decisions are made on changes to the NZSPG or delaying production until new settings come into effect so that they can benefit from the proposed repeat business incentive.
- 45 Some of the options included in the consultation document may mean some productions may get less funding than they would under current settings. We know the sector has been significantly impacted in the past three years by COVID-19 border restrictions and alert levels. Any increase in operating costs or decrease in government support will be felt keenly. However, we consider these changes to be necessary to increase the value of our investment in the NZSPG. Officials will continue to explore the impact any of these changes will have on the sector through the consultation process and consider appropriate transitional arrangements alongside final advice.
- 46 The review and feedback from stakeholders have identified structural issues in the wider screen funding landscape with multiple domestic funding agencies each with different objectives, outcomes and criteria. This can make it difficult for productions to seek funding across multiple sources. The options in the consultation document do not address these structural issues. The review has highlighted an opportunity to develop a wider funding strategy for government investment in the screen sector (including sources of funding that were out of scope for the current review). This work is important, and officials will explore opportunities to address this further. We have noted this intention in the consultation document.

## **Agency Consultation**

- 47 The Treasury, Te Puni Kōkiri, the Ministry of Foreign Affairs and Trade (MFAT), Inland Revenue the Department of Prime Minister and Cabinet, The Ministry of Business, Innovation and Employment's Employment Relations team, Manatū Taonga's Strong

Public Media team, the New Zealand Film Commission, New Zealand on Air, Te Māngai Pāho and New Zealand Trade and Enterprise have been consulted on this paper and consultation document. Officials will continue to work closely with these agencies throughout the review process.

- 48 Treasury’s view is that the review should ensure that crown funding for the NZSPG becomes more predictable and certain over time to avoid the year-to-year budget top ups. This has been addressed in the fiscal implications section of this paper.
- 49 The New Zealand Film Commission provided constructive feedback on the framing and impacts of the proposed changes. Any significant changes have been incorporated throughout the consultation document. A number of minor and technical editorial changes will be made through the publication design process. The NZFC views on preferred options will be taken into account as the review progresses.

Legal professional privilege

### Financial implications

- 51 There are no financial implications expected from releasing the consultation document. However, there are likely to be financial implications in implementing some of the options included in the document. Using historic data<sup>7</sup> the below table sets out the financial implications of each option alongside other wider impacts.
- 52 The preliminary estimates consider the actual costs associated with historic productions and make an indicative assessment on which productions might qualify for the NZSPG under the proposed options put forward. The estimates are indicative only as they cannot account for any change in behaviour associated with the proposed changes.
- 53 Officials consider it likely that applicants will adjust their schedules, storylines and personnel involved to meet new criteria in order to maximise the level of rebate gained through the NZSPG. Under option 3, this may lead to a number of large budget productions receiving a 45% rebate by comparison to an up to 25% rebate under status quo.

<b>Option 1</b>	
Fiscal Impacts	Option 1:

<sup>7</sup> Data used in this analysis are productions receiving final NZSPG grant payments between 2016-2021. This data set includes all international, PDV, domestic and official co-productions. The dataset was developed between the NZFC, MBIE and MCH to support the review and does not align perfectly with fiscal reporting data.

	<ul style="list-style-type: none"> <li>could increase the cost of the NZSPG by around 5% compared to status quo. The rise in fiscal costs is mainly due to the PDV rate offering a flat 20% rate for all sizes of productions.</li> <li>would generate around \$15m through an annual skills levy (most of this from international productions). There is potential for this levy to be distributed back to funding agencies, or other government organisations, to support workforce development and/or supplementing baseline funding.</li> <li>would generate the same skills levy amount as options 2 and 3.</li> </ul>
Other impacts	<ul style="list-style-type: none"> <li>A skills levy or skills plan could fund additional training and build capacity and capability in the sector. It could also work to fill workforce gaps by targeting specific skills to build more depth in the screen sector workforce.</li> <li>By introducing new cultural content and creative talent criteria to target specifically creative talent and the creation of stories we would expect to see a greater amount of content that reflects New Zealand's wider cultural perspectives.</li> </ul>
<b>Option 2</b>	
Fiscal impacts	<p>Option 2a (without a project cap):</p> <ul style="list-style-type: none"> <li>could decrease the cost of the NZSPG by around 5% compared to status quo. This is due to the removal of the 5% Uplift and the introduction of the Repeat Activity Incentive.</li> <li>would mean that significantly large one-off productions get 20% support rather than their previous 25% support from qualifying for the 5% Uplift. However, this does not take account of changes in demand from international productions in response to the shift to the Repeat Activity Incentive.</li> <li>could increase the cost of the NZSPG if demand increases as more large productions may be eligible for 25% support.</li> </ul> <p>Option 2b (with a project cap of \$100m):</p> <ul style="list-style-type: none"> <li>could decrease the cost of the NZSPG by around 15-20% compared to status quo. The more significant decrease is due to the introduction of the project cap.</li> </ul>
Other impacts	<ul style="list-style-type: none"> <li>Supporting a steady pipeline of international work through the Repeat Activity Incentive would allow workers to maintain steady employment in the workforce. It would also offer a range of opportunities for local production crew and creative talent to gain experience in international productions.</li> <li>The Repeat Activity Incentive could build better relationships between studios/international producers and our domestic screen</li> </ul>

	<p>industry which may lead to greater infrastructure investment, and knowledge and technology transfer.</p> <ul style="list-style-type: none"> <li>• Reducing fluctuations in the pipeline of work caused by very large international productions by introducing a cap per project would reduce the strain on both workforce and infrastructure and more, slightly smaller production activity could better manage resources. However a cap, could mean fewer big international productions choose New Zealand as a location.</li> <li>• Reducing the minimum qualifying threshold for the NZSPG-PDV grant from \$0.5m to \$0.25m would allow smaller and emerging digital and visual effects businesses to access funding and improve their capability alongside stimulating business growth in this industry.</li> <li>• Introducing cultural content and creative talent criteria for official co-productions would mean we see more cultural value from official co-productions which currently do not have to have any New Zealand content. This would improve the value of this investment in jointly-financed projects.</li> </ul>
<b>Option 3</b>	
Fiscal impacts	<p>Option 3a (without a project cap):</p> <ul style="list-style-type: none"> <li>• could decrease the cost of the NZSPG by around 5% compared to status quo. The cost for this option is similar to Option 2a because we assume for the purpose of these early calculations that few international productions at this stage would meet the strengthened cultural test and be eligible for additional targeted cultural incentives</li> </ul> <p>Option 3b (with a project cap of \$100m):</p> <ul style="list-style-type: none"> <li>• could decrease the cost of the NZSPG by around 15-20%.</li> </ul>
Other impacts	<ul style="list-style-type: none"> <li>• Removing the distinction between international and domestic productions could support New Zealand producers to access bigger budgets, target global audiences and unlock international financing. It streamlines criteria and makes it simple to determine if productions qualify for the base 20%.</li> <li>• Allowing international productions access to the cultural content and creative talent incentive could see greater international financing for our New Zealand stories and more New Zealand content distributed internationally. However mechanisms to protect creative control and ownership would need to be addressed alongside this change.</li> <li>• The removal of local distribution requirements for domestic productions, under this merged approach, could mean that fewer New Zealanders see locally produced content, however the stackable cultural content and creative talent incentive could be tailored to address this.</li> </ul>

	<ul style="list-style-type: none"> <li>• Fewer New Zealand productions are likely to qualify for the full 40%, as they do under status quo or options 1 and 2, and may only meet criteria to receive 25-30%, this may mean less local content receives funding and therefore less local content is produced. We anticipate productions will adapt to the new criteria so we can ensure we receive more value overall from the investment.</li> </ul>
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- 54 All fiscal costs included in this section are indicative only. If any of the proposed options were introduced, we expect productions would adjust their behaviour to take advantage of any changes to government support, potentially increasing the fiscal cost associated with the NZSPG in the long term. All options put forward target specific benefits so we would expect to see a corresponding increase in the value generated from our investment.
- 55 Fiscal sustainability is a key consideration for any changes to the NZSPG. Options 2 and 3 incentivise a steady pipeline of work, through repeat activity incentives, which would support better forecasting for the NZSPG. The repeat activity incentive encourages forward planning so that productions can show their intention for repeat activity in New Zealand. This can lead to better fiscal predictability as there is a clearer pipeline of activity which could lead to reduced need for yearly budget top-ups.
- 56 We expect stronger targeting of the NZSPG to generate improved economic and cultural benefits. We will strengthen our understanding of the benefits of each option prior to final advice. A strengthened monitoring and evaluation programme MBIE officials are progressing in parallel will improve the measurement of these benefits ensuring we have a better understanding of the return on investment over time.
- 57 Additional work is required to understand more accurately the fiscal cost involved in the options taken forward. This work, underpinned by the development of a costing model, will be undertaken in parallel to public consultation and submissions analysis.
- 58 Proposed options target specific outcomes around skills, careers, and employment. This may mean over the longer-term, New Zealand's crew depth and skilled/experienced cast also grow. Equally, a steady pipeline of productions may help to de-risk private investment in screen infrastructure, bringing more studio stages online. As the workforce and infrastructure grows, the sector will have more capacity for concurrent and overlapping productions which may lead to an increased fiscal cost to the Crown over the long term alongside business growth and economic and cultural benefits.
- 59 The budget for NZSPG is supported through Multi Year Appropriations (MYA). The appropriations are demand driven and require yearly top-ups. We expect a Budget bid will be required to top up the NZSPG MYA in 2022/23 noting that any changes to the NZSPG from the review would have minimal impact on costs/appropriation for the 2023/24 year. Any changes that come from the review may also require funding through subsequent Budget cycles.

### Legislative implications

- 60 Following consultation, we will seek Cabinet approval to draft amendments to the Regulations. Depending on final recommendations, there may be a need to amend the New Zealand Film Commission Act 1978, if so, we will seek Cabinet approval to draft amendments to the Act alongside final advice.

## **Impact analysis**

- 61 The options put forward in the consultation document are non-regulatory and do not require a regulatory impact analysis.

## **Human rights**

- 62 The options contained in the discussion paper do not appear at this stage to be inconsistent with the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. Further analysis of human rights issues will be undertaken following public consultation and prior to final policy decisions.

## **Te Tiriti o Waitangi implications**

- 63 There is a deep interconnectedness between Ngā toi Māori (Māori arts) and mātauranga Māori. Ngā toi Māori are a fundamental part of Māori culture and identity and contribute to iwi/Māori social and cultural wellbeing as well as informing Māori understanding and care of te taiao (the natural world/environment). Māori have long told us that culture and the arts play a large part in hauora Māori (wellbeing). Ngā Toi Māori also contributes significantly to New Zealand's national identity, reputation and economy, thereby providing public value and benefit for all New Zealanders. There is potential for screen productions to deliver on Māori language outcomes. Language is key to Māori culture and identity, and wellbeing.
- 64 The proposed options for the review of government investment in the screen sector will therefore have Te Tiriti implications, in particular, the changes to the cultural content and creative talent test to incentive cultural and Māori content. The consultation phase of the review will specifically ask questions to build evidence and insights to determine how Article 2 (Tino Rangitiratanga) and 3 (Oritetanga) of Te Tiriti can be upheld so that protocols are introduced for Māori to determine Māori content and culture in terms of any proposed changes to a cultural content test and ways in which equity in screen sector funding can be addressed.
- 65 After the consultation phase and while final advice is developed, a full analysis of Te Tiriti implications will accompany the final recommendations to Ministers of the review of government investment in the screen sector.
- 66 The proposed options may have implications for Pacific and other ethnic community groups, particularly regarding new criteria for cultural content. Feedback from these communities will be sought during the public consultation period.

## **Gender implications**

- 67 There are no specific gender implications arising from the proposals in this paper.

## **Disability implications**

- 68 There are no specific disability considerations arising from the proposals in this paper.

## **Climate implications**

- 69 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

## Publicity

- 70 We intend to announce the release of the consultation document and the start of the consultation process, encouraging stakeholders to contribute feedback, once its publication is approved by Cabinet. Public consultation will take place between October and December 2022.
- 71 We expect this consultation document to attract significant media and public attention due to the appeal of the screen sector and the on-going media commentary on government's investment in international screen productions. To address this, we will have standard messages prepared and coordinate our communication response and consultation processes with screen funding agencies.
- 72 MBIE and MCH will also use a range of channels to promote consultation, including websites, social media, stakeholder alerts, newsletters, speech material and internal intranets.

## Next Steps

- 73 Consultation on the review of government investment in the screen sector consultation document will take place between October and December 2022.
- 74 By June 2023 we will seek Cabinet approval for any changes to the NZSPG.
- 75 Subject to Cabinet approval any policy changes will be implemented from the second half of 2023 with appropriate transitional arrangements in place.

## Proactive release

- 76 We propose to release this Cabinet paper and relevant Minute proactively, subject to redactions as appropriate under the Official Information Act 1982.

## Recommendations

- 77 We recommend that Cabinet:
- 1 **Note** that Cabinet agreed in November to review government investment in the screen sector, with specific focus on a review of the NZSPG.
  - 2 **Note** that Cabinet directed us to report back to the Economic Development Committee ahead of any formal public consultation on proposed changes to the NZSPG.
  - 3 **Note** that the *'Increasing value from government investment in the New Zealand Screen Production Grant'* consultation document proposes NZSPG investment is focused on incentivising a steady pipeline of screen productions to support business growth and resilience and sustainable careers; improve skills; and support the development of compelling and ambitious New Zealand content.
  - 4 **Note** that the consultation document presents five key opportunities for change including:
    - 4.1 Introducing a new single base incentive for all productions and stackable incentives targeting repeat activity and cultural content.

- 4.2 Developing sector level skills to enable growth: introducing a skills levy or a skills plan
  - 4.3 Supporting a steady pipeline of productions: introducing a repeat activity incentive and/or a QNZPE cap per project
  - 4.4 Supporting new and emerging PDV activity: reducing the QNZPE threshold from \$0.5m to \$0.25m
  - 4.5 Supporting cultural content and creative talent: introducing new cultural content and creative talent criteria
- 5 **Note** the consultation document presents three options for change to the NZSPG. The options include:
- 5.1 Option 1 (least change and impact) – changes to policy settings to **incentivise careers, skills development and support high quality New Zealand content and creative talent.**
  - 5.2 Option 2 (medium change and impact) – changes to policy settings to **incentivise a steady pipeline of productions to support business growth, careers and skills and new cultural content and creative talent** criteria for all eligible productions
  - 5.3 Option 3 (large change and potential impact) – changes to policy settings to **introduce a base incentive and a series of additional targeted supports to incentivise a steady pipeline of screen productions, careers, skills and supporting the development of high-quality New Zealand content and creative talent**
- 6 **Note** that the NZSPG appropriations are uncapped and demand driven so some of the changes put forward may lead to an increased fiscal draw on the appropriation over time as the sector grows and productions pivot to meet any new NZSPG criteria.
- 7 **Note** that officials will be undertaking detailed fiscal analysis to support final decisions on any changes to the NZSPG.
- 8 Legal professional privilege
- 9 **Authorise** the Minister for Arts, Culture and Heritage and the Minister of Economic and Regional Development to make minor technical and editorial changes to the consultation document before release.
- 10 **Agree** to publicly release the attached Government consultation document *Increasing value from government investment in the New Zealand Screen Production Grant*, subject to any changes made pursuant to recommendation 9 above).

- 11 **Agree** to delegate decisions on announcing the *Increasing value from government investment in the New Zealand Screen Production Grant* consultation process to the Minister for Arts, Culture and Heritage and the Minister of Economic and Regional Development.
- 12 **Note** that consultation on proposed changes to the NZSPG will take place between October and December 2022.
- 13 **Note** that by June 2023, the Minister for Arts, Culture and Heritage and the Minister of Economic and Regional Development will submit to a Cabinet paper that outlines their preferred set of changes to the NZSPG.

Authorised for lodgement

Hon Sepuloni and Hon Nash  
Minister for Arts, Culture and Heritage and Minister for Economic and Regional Development