MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Carmel Sepuloni Hon Barbara Edmonds	**Portfolio**	Economic Development
Title of Cabinet paper	Oral Item: Update on the Review of Government Investment in the Screen Sector	**Date to be published**	17 July 2023

List of documents that have been proactively released		
Date	**Title**	**Author**
10 May 2023	Social Wellbeing Committee one page to support Oral Item	Offices of the Minister for Arts, Culture and Heritage and Minister for Economic Development
	Minute of Oral Item: Update on the Review of Government Investment in the Screen Sector SWC-23-MIN-0046 Minute	Cabinet Office

Information redacted **YES**

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Some information has been withheld for the reasons of confidential information entrusted to the Government.

POST-BUDGET PLAN FOR THE REVIEW OF GOVERNMENT INVESTMENT IN THE SCREEN SECTOR

Summary of the direction for the Review of Government Investment in the Screen Sector, so that Cabinet decisions can be made quickly following the Budget moratorium

The Review:

- is focused on how we might generate greater value from our investment in the screen sector. It was initiated in December 2021.
- is focused on the New Zealand Screen Production Grant (NZSPG), a rebate on qualifying expenditure undertaken in New Zealand by international and domestic screen productions (18-25% and 40% respectively).

The context for the sector has changed:

- Sector feedback indicates the NZSPG's international competitiveness is declining, and the screen sector is facing heightened uncertainty both globally and domestically.
- Factors underpinning this uncertainty include:
  - increasing pressure on production budgets, content strategies and business models,
  - significant investment in studio infrastructure and incentive programmes in other countries,
  - uncertainty and change across the domestic media landscape (especially for public media).
- The impact of this on production in New Zealand has been compounded by further uncertainty from the Review.
- Confidential information entrusted to the Government

Public engagement in late 2022 indicated:

- support for the Review's objectives, but reactions were mixed on the proposed changes.
- Submitters raised a range of alternative options, but many of these would have involved either significant further work and/or significantly more funding.

As well as recognising the Government's current fiscal constraints and policy priorities, our view is that now is not the time to create additional uncertainty for a sector that employs a significant number of New Zealanders and makes a valuable contribution to our economy.

After Budget, we will be proposing to conclude the Review and announce a few changes.

- These changes will increase the NZSPG's value to New Zealand, provide the certainty needed for the industry to continue thriving, and be well-supported by the sector.

The changes are to:

- improve the criteria and process for the 5 percent 'Uplift' for international productions,
- streamline the rebate for post-production, digital and visual effects and make it accessible to smaller projects
- allow domestic productions to access other government production funding with the NZSPG,
- rename the NZSPG to reflect it is a rebate, not a grant.

Work on skills and career development opportunities, which consultation highlighted was key to improving the sector's sustainability and resilience, will continue over a longer-term.

Implications:

- Depending on other market factors, including the international competitiveness of the NZSPG, these improvements may increase costs to Government over time (if we successfully attract more screen business) or they may be only enough to stabilise the production pipeline.
- If the proposals do increase production activity, they could cost between $16 and $67 million per year from 2025/26. The upper end of this range assumes up to 7 additional New Zealand productions and one additional large-budget (~$200 million) international production each year.
- The nature of a rebate means these productions will have spent much more than this in our economy first, and we expect wider economic, social, and cultural benefits too.

Retaining the status quo risks a contraction in the screen sector, as the NZSPG is seen as less competitive than other jurisdictions**.** Even if we avoid contraction, the status quo provides no opportunity to generate additional benefits in return for the NZSPG (which we have committed to continue funding). We expect many would react negatively if no substantive improvements were progressed, given the Review process was extensive with strong levels of sector engagement.

Our preferred approach strikes the best balance between the opportunity to generate more benefits from the NZSPG, the need for fiscal sustainability, and the need to support the sector's immediate and longer-term sustainability.